

THE INFLUENCE OF UNETHICAL PEER BEHAVIOR ON OBSERVERS' UNETHICAL  
BEHAVIOR: A SOCIAL COGNITIVE PERSPECTIVE

By

MICHAEL JAMES O'FALLON

A dissertation submitted in partial fulfillment of  
the requirements for the degree of

DOCTOR OF PHILOSOPHY

WASHINGTON STATE UNIVERSITY  
Department of Management and Operations

DECEMBER 2007

To the Faculty of Washington State University:

The members of the Committee appointed to examine the dissertation of MICHAEL JAMES O'FALLON find it satisfactory and recommend that it be accepted.

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Chair

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## ACKNOWLEDGMENT

I have never spoken to a fellow graduate student who said that a dissertation is the sole work of one individual. It is a culmination of thoughts and ideas that is developed and supported by many of our professors, colleagues, friends, and family. This dissertation is no exception.

First and foremost, I would like to thank Professor Ken Butterfield, for your advice, support, encouragement, and friendship. From the first day I entered graduate school, you have taken me under your wing. I am fortunate to be able to learn what it takes to be a scholar from someone that I admire greatly. I am blessed to have an advisor who was willing to spend many hours, most of which was by phone, developing and helping me complete this project. I can honestly say that if it were not for Ken, this dissertation would not be what it is today. For that, I am deeply indebted to you; so much in fact that I may never be able to repay you in my lifetime. You are not only my professor and mentor, but a good friend.

Second, I am grateful to my committee, Professors Tom Tripp, Jerry Goodstein, and John Cullen, for your insightful and timely comments on this project. Your guidance along this journey has proven to be invaluable. I truly appreciate your expertise, support, and patience through each step of this process.

Third, I would not have survived graduate school if it were not for my fellow graduate students. The many hours we spent together discussing class work, preparing for our comprehensive exams, and just having a “chat” have provided some of my fondest memories of graduate school. I thank all of you for such a wonderful, and much needed, support structure.

Fourth, I am deeply blessed to have worked with so many great people in the School of Hospitality and Business Management and the Department of Management and Operations at Washington State University. In addition, upon leaving Washington State University A.B.D., I

was surrounded by many wonderful colleagues at James Madison University who sacrificed so much in order for me to “lock” myself in my office to complete this dissertation. To all of you, I thank you. You are truly great friends.

Fifth, I thank my family. My parents, Jim and Elaine O’Fallon, have provided me so much emotional support throughout my many years in graduate school. However, it obviously goes well beyond my academic career. I have learned so much about life through your actions. You are great parents and grandparents and I only hope that one day I am able to be as great. I love you both more than words can express. To my sister, Christy, and my brothers, Ryan and Andy, I am blessed to be your brother. Everyday you have challenged me to be a better person and you were always by my side. I love you.

Last, but definitely not least, I thank God everyday for allowing my path to cross the path of my wife, Lisa. You are my best friend and confidant. I know that the past five years have been difficult for you, but you never once complained. After a long hard day at work, you would patiently wait for me to come home because you knew how much it meant for me to see you before we went to bed. Everyday you provided me unconditional support and love, even in times when I was difficult to live with. I can’t begin to tell you, Lisa, how much I love you. You mean the world to me and I am grateful for you. Not only are you the most wonderful wife, but you are an exceptional mother to our children. We are all truly blessed to have you in our lives. To Mikaela, Samantha, and Hannah, everyday you bring joy to my life. No matter how difficult a day I might have had, when I am with you, you make my day better. I am so proud to be your father.

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BEHAVIOR: A SOCIAL COGNITIVE PERSPECTIVE

Abstract

by Michael James O'Fallon, Ph.D.  
Washington State University  
December 2007

Chair: Kenneth D. Butterfield

This study explores the relationship between unethical peer behavior and observers' unethical behavior. Previous research has consistently found a positive relationship between these variables and has advocated a simplistic "Monkey See, Monkey Do" explanation for this phenomenon. A major purpose of this study is to move beyond this simplistic view. Three social cognitive frameworks - social learning theory, social identity theory, and social comparison theory – form the theoretical foundation for the study and are used to shed light on circumstances in which the relationship between unethical peer behavior and observers' unethical behavior is likely to be strengthened, weakened, or perhaps even reversed. This study also introduces "moral differentiation," a new multidimensional construct which is predicted to moderate this relationship.

Using data collected from 655 undergraduate students at two universities (Study 1), the results generally provide support for all three theoretical models. With regard to social learning theory and social identity theory, vicarious learning and perceived fit with group identity partially mediated the relationship between unethical peer behavior and observers' unethical behavior. Further, strength of identification and self esteem were found to moderate the

relationship between perceived fit with group identity and observers' unethical behavior, such that the relationship was stronger for low identifying and low self-esteem individuals. With regard to social comparison theory, relative deprivation and negative self-feelings were found to mediate the relationship between unethical peer behavior and observers' unethical behavior. Self-improvement was found to moderate the relationship between negative self-feelings and observer unethical behavior, such that the more an individual has negative self-feelings and is high in self-improvement, the less likely the individual is to engage in unethical activities. Some elements of the new moral differentiation construct were found to moderate the relationship between unethical peer behavior and observers' unethical behavior, as did self-monitoring and ethical culture. The hypothesized relationships were generally not supported in data gathered from industry professionals (Study 2), possibly due to small sample size. Implications for future research are discussed.

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## **Dedication**

To my beloved wife Lisa, who is my life,  
and to my beautiful daughters  
Mikaela, Samantha, and Hannah,  
who are my inspiration.

## **CHAPTER ONE**

### **INTRODUCTION**

Recent high-profile examples of unethical behavior have many people questioning the integrity of corporate America and asking themselves, “why are these individuals engaging in such unethical acts?” Although this is a timely and appropriate question to ask, the answer to this question is difficult to formulate.

Insight into this question has been advanced through a number of ethical decision making models (e.g., Dubinsky & Loken, 1989; Ferrell & Gresham, 1985; Hunt & Vitell, 1986; Jones, 1991; Rest, 1986; Treviño, 1986), as well as many theoretical and empirical articles and books that have examined the antecedents of unethical behavior (e.g., Greenberg, 2002; Robertson & Rymon, 2001; Tensbrunsel, 1998; Treviño & Weaver, 2001; also see O’Fallon & Butterfield, 2005, for a review). Variables found to influence an individual’s decision-making ability include individual differences (e.g., age, gender, locus of control), organizational factors (e.g., code of ethics, ethical climate, organizational size), and moral intensity, which refers to the characteristics of the moral issue (Jones, 1991).

Jones and Ryan (1997) recognize that ethical decision making does not occur in a vacuum; morality is not only an individual phenomenon, but also a social phenomenon. For example, individuals tend to examine social cues (e.g., peer behavior) in determining their own level of morality. The individuals that we associate with are an important determinant in how we view ourselves, which in turn, can influence our own behavior. Surprisingly, however, relatively few studies have examined how one’s peers influence one’s own unethical behavior. This is an important area of inquiry, as most individuals judge what is right (ethical behavior) from wrong (unethical behavior) through perceived expectations of significant others (Kohlberg, 1969).



Researchers have commonly depicted ethical situations as being highly uncertain (Ward, Ward, & Deck, 1993), ambiguous (Dubinsky & Levy, 1985), and cognitively complex (Stephens & Lewin, 1992). Coupled with the fact that individuals are limited in their ability to process information (Jones & Ryan, 1997), human beings tend to search the social environment for cues that will assist them in making an ethical decision, leaving them open to influence by the behavior of referent others, including peers (e.g., Festinger, 1954).

### **Peer Influences in Ethical Decision-Making**

Insight into the importance of peer influence in ethical decision making is offered by research on cognitive moral development. In his seminal article, Kohlberg (1969) developed a model of cognitive moral development that contends that individuals move through predictable stages of moral reasoning throughout their lives. At the initial level, referred to as the preconventional level, an individual responds to notions of “right” or “wrong” based on the consequences of their actions, particularly rewards and punishments. What is rewarded must be “right” and what is punished must be “wrong”. Moving beyond concrete consequences, the second level of cognitive moral development, labeled the conventional level, places a strong emphasis on the social environment. Specifically, the “right” course of action is what conforms to the expected appropriate behavior as justified by the individual’s immediate peers and of the larger society. The final level, postconventional level, posits that individuals look beyond the basic norms, laws, or the authority of the group when determining the “right” action. At this level, the individual relies on universal principles or values to guide moral reasoning.

There are two primary reasons for the inclusion of Kohlberg’s work in my discussion of the importance of peer influence in ethical decision making. First, Kohlberg (1969) suggests that in order for individuals to advance in their moral reasoning ability, they must consider the

thoughts, feelings, and roles of others potentially affected by the decision (Arnett & Hunt, 2002). Thus, as individuals' progress through each of the stages, there is less emphasis placed on their own self-interests and a stronger emphasis placed on the role of surrounding others. Second, Kohlberg (1969) places most adults residing in the United States at the conventional level of moral reasoning. This has been further supported in the empirical studies conducted by Wood and his colleagues (Wood, Longnecker, McKinney, & Moore, 1988) and Weber (1990). In fact, 86.4% of the managers interviewed in Weber's study reasoned at the conventional level. Hence, most individuals, at least in our society, are quite susceptible to peer influence. As the above arguments and evidence suggest, the role of peers in ethical decision making is an important, yet often overlooked, element.

Although previous conceptual models (e.g., Dubinsky & Loken, 1989; Ferrell & Gresham, 1985; Hunt & Vitell, 1986; Jones, 1991; Rest, 1986; Treviño, 1986) are distinct in the process by which individuals make ethical or unethical decisions, they are similar in suggesting that the decision-making process may be influenced by organizational or environmental factors. However, Jones and Ryan state, "few provide much in the way of detail regarding how these influences work" (1997: 665). Over the past two decades, various researchers have attempted to assess these organizational and environmental influences. This has typically been accomplished by examining both formal and informal influences (e.g., Treviño, 1990). Formal influences include reinforcement contingencies, code of ethics and policies, and pressure from authority. Studies have demonstrated that unethical behavior is more widespread in organizations that reward unethical behavior and less in organizations that punish such behavior (e.g., Tenbrunsel, 1998; Treviño & Youngblood, 1990); unethical behavior is less common in organizations and universities that have a code of ethics versus those that do not (e.g., Greenberg, 2002; McCabe et

al., 2002; Somers, 2001); individuals who are faced with pressure from authority figures to behave unethically will often comply (e.g., Modic, 1987; Posner & Schmidt, 1984; Soutar, McNeil, & Molster, 1994); and the more an individual depends on the organization, the more likely the individual will adhere to the organizational pressures to behave unethically (e.g., Wahn, 1993).

Informal influences, in contrast, are not as easily objectified. One such influence is ethical culture (e.g., Treviño, 1986, 1990). Culture is “the pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid, and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to these problems” (Schein, 1984: 3). As a holistic notion, organizational culture is commonly described as a set of norms, values, beliefs, and behavior patterns that form the identity of an organization. These characteristics, particularly the collective norms, help establish and maintain the standards that specify the correct actions to take and the actions that are worth doing (Jansen & Von Glinow, 1985). In other words, the norms of the organization guide individual behavior, which are often imposed onto an individual through the process of socialization by way of training programs (Bowen, 2004) and day-to-day interaction. Therefore, for an organization to be ethical, the norms, values, and beliefs imposed on an individual should enforce ethical, rather than unethical, behavior. This has been supported in the literature (e.g., Razzaque & Hwee, 2002).

Ethical culture, as an abstract concept, is comprised of multiple facets (Nwachukwa & Vitell, 1997). According to previous models of ethical decision making, an important facet is the behavior of referent others (e.g., Hunt & Vitell, 1986; Treviño, 1986). Peer behavior is an

important element in imposing, reinforcing, and guiding a given individual's behavior. In the context of ethical decision-making, the presence of others, particularly exemplar employees, can either elicit ethical or unethical behavior (Rosenhan, Moore, & Underwood, 1976). However, our understanding of these influences has only recently become of interest in the business ethics literature.

According to Larkin (2000), research examining peer influences can be divided into two domains; (1) the relative significance of peer groups on one's behavior and (2) a self-assessment of one's morality compared to others. The first body of literature supports the notion that peer groups are a factor in determining one's ethical/unethical behavior. This is evident in a number of empirical studies. Zey-Ferrell, Weaver, and Ferrell (1979) found that the perceptions of a peer's behavior influenced an individual's unethical behavior more than the subject's own beliefs. In a related study, Zey-Ferrel and Ferrell (1982) found that the intensity in which individuals make contact with their peers influences their ethical behavior. In a study examining managers from Israel and the United States, Izraeli (1988) found that the behavior of a peer is the best predictor of an individual's ethical behavior. Posner and Schmidt (1984) indicated that there was a positive correlation between employee tenure and ethical values, suggesting that peer group influence is an explanatory factor. Jones and Kavanagh (1996) found that peer groups positively and significantly influenced behavioral intentions, which was also confirmed in a study conducted by Beams, Brown, and Killough (2003). In particular, these latter authors found that peers positively influenced another individual's intent to behave unethically. Keith, Pettijohn, and Burnett (2003) reported that prospective employees' ethical intentions were lower when their peers exhibited low levels of ethical behavior. Terpstra, Reyes, and Bokor (1991) found that individuals were more likely to engage in insider trading if they perceived that many,

as opposed to few, of their peers were doing so. Finally, peer behavior is found to be the best predictor of cheating behavior in the academic dishonesty literature (e.g., McCabe & Treviño, 1993; McCabe et al., 2002). However, with few exceptions (e.g., the work completed by Zey-Ferrell and colleagues and McCabe and colleagues), these studies examined the relationship between peer groups and individual behavior without a strong theoretical framework.

Recognizing the lack of theory in this area, Jones and Ryan (1997; 1998) developed an approach termed moral approbation. Moral approbation is “the desire of moral agents to be seen as moral by themselves or others” (Jones & Ryan, 1998: 433) and is argued to be an important link between moral judgment and moral action. According to Jones and Ryan (1997), individuals assess the level of expected moral approbation from their referent group compared to their own desired level of moral approbation. When individuals determine that the expected level of moral approbation from their referent groups meets or exceeds their desired moral approbation threshold, they are more likely to establish moral intent and act according to their intentions.

The second domain pertaining to peer influence suggests that individuals perceive themselves as more ethical in comparison to their peers (Larkin, 2000). This is a widely found and consistent finding in the literature (e.g., Ferrell & Weaver, 1978; McDonald & Zepp, 1988; O’Clock & Okleshen, 1993; Tyson, 1990, 1992). Given its consistency across studies, researchers have pondered the undesirable consequences of such a belief. According to Newstrom and Ruch, “if managers believe ... that they are more ethical than their peers, they may easily justify some indiscretions on the basis of ‘everybody is doing it’ or ‘it is not as bad as what others are doing’” (1975: 36). In addition, Tyson states, “ a more serious repercussion [believing that individuals are more ethical than their peers] is that they might rationalize

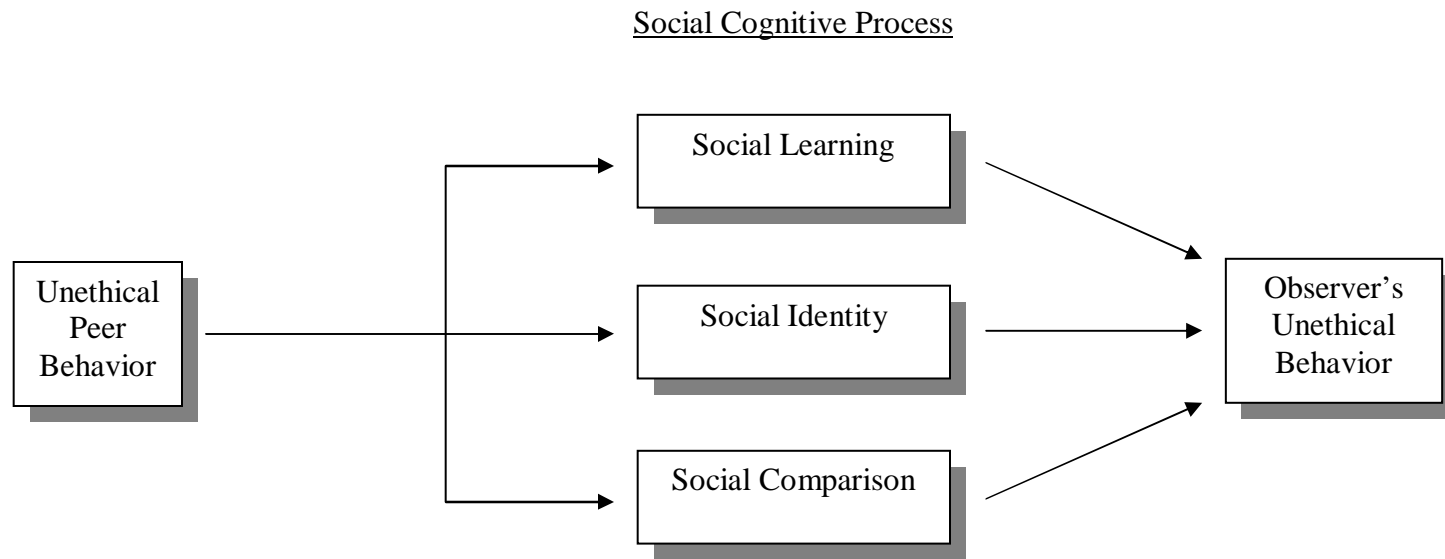
unethical behavior as being necessary to compete evenly with others who are far less principled” (1990: 715).

As a whole, the body of literature in this area clearly suggests the importance of peer influence on unethical behavior. Empirical findings provide support for the social effects posited in many of the seminal ethical decision-making models. However, beyond validating the purported relationships, little was gained in understanding why or how these influences work. In the words of Jones and Ryan, “theory linking organizational/environmental factors and individual ethical decision making is in short supply” (1997: 665).

As a result, I propose to examine three theoretical perspectives that explain the relationship between peer unethical behavior and observer unethical behavior: social learning theory, social identity theory, and social comparison theory (see Figure 1). Incorporating three distinct theories provides contrasting insights into this relationship, as each theory contains a different set of key assumptions, motives and mechanisms (see Appendix A). Given the fact that researchers have criticized the empirical business ethics research for its lack of theoretical grounding (e.g., O’Fallon & Butterfield, 2005; Randall & Gibson, 1990), this study should represent a valuable contribution to the ethical decision-making literature.

As shown in Figure 1, this paper uses these three theories to explain the relationship between unethical peer behavior and the observer’s unethical behavior. To simplify the analysis, I have elected to focus on the case in which observers evaluate whether or not they should engage in an unethical behavior. In other words, I assume that when observers witness unethical peer behavior, they consciously or subconsciously evaluate whether they should follow suit and engage in an unethical behavior. The behavioral outcome of this evaluation depends on the mechanisms contained in each of the three theories.

Figure 1: Basic Model



A fundamental component of social learning theory (SLT) (Bandura, 1968, 1977) is the notion of vicarious learning, which is an important mechanism of behavior modification (Gioia & Manz, 1985). SLT proposes that an individual can learn which behaviors are generally acceptable and/or unacceptable by observing others. Through various processes (i.e., modeling), SLT postulates that an individual will imitate the observed behavior. Therefore, if an individual witnesses a peer engaging in unethical behavior, it is likely that the observer will also engage in an unethical behavior (See Figure 2). In addition, the theory proposes that this relationship can be strengthened or even reversed depending on perceived outcome expectancies. If the observer perceives that the behavior will be rewarded, the theory would predict a positive relationship. However, if the observer perceives that the behavior will be punished, the theory would predict a negative relationship.

From a social identity theory (SIT) perspective (Tajfel, 1972a, 1978; Tajfel & Turner, 1986), the mechanism linking unethical peer behavior to an observer's unethical behavior is the fit between the peer's unethical behavior and the observer's group prototype (see Figure 3). According to SIT, in order for an individual to identify with a group, the process of categorization must occur. Categorization is the process in which an individual is classified into a group based on a variety of characteristics, such as age, race, status, religion, and organizational membership (Tsui, Egan, O'Reilly, 1992), among others. When an individual recognizes that he or she is part of a group (category), is able to recognize that the membership in the group is related to certain value connotations, and is able to emotionally invest in the group, social identification occurs (Tajfel, 1982). A major outcome derived from social identification is depersonalization (Turner, Oakes, Haslam, & McGarty, 1994). Depersonalization is the process where an individual begins to act and think in accordance with



the group's perceived prototypical characteristics, such as the group's norms, values, beliefs, and behaviors. As these prototypical characteristics become internalized, the prototype serves as a guideline as to how a group member should behave (e.g., Barreto & Ellemers, 2000). Thus, when a peer engages in unethical behavior, the observer matches the behavior to the group's prototypical norms and values (i.e., evaluates the behavior relative to the group's prototype). If the peer's unethical behavior fits the group's prototype, the observer is more likely to engage in unethical behavior. However, assuming that most organizational norms and values discourage unethical behavior (e.g., Robinson & O'Leary-Kelly, 1998), the group's prototype should promote ethical, rather than unethical, behavior. Therefore, SIT suggests that there will be a negative relationship between a peer's unethical behavior and an observer's unethical behavior. This relationship will be strengthened by the degree to which the observer identifies with his or her workgroup and the observer's level of self-esteem. According to the theory, positive self-esteem may occur as one identifies with a group (Tajfel, 1972b), strengthening the relationship between group membership and prototypical behavior. Therefore, the lower one's self esteem, the stronger the negative relationship between unethical peer behavior and the observer's unethical behavior.

Finally, as shown in Figure 4, social comparison theory (SCT) suggests that the relationship between a peer's unethical behavior and the observer's unethical behavior is a function of feelings of relative deprivation. According to SCT, when an individual engages in a comparison with a peer for reasons of self-evaluation, self-improvement, or self-enhancement, the result is often a mixed range of emotions (Kumar, 2004). Although positive emotions are often beneficial for the observer and the organization (e.g., Lockwood, Dolderman, Sadler, & Gerchak, 2004), in the situation in which an observer recognizes that a peer has received a

desired good or opportunity as a result of engaging in unethical behavior, negative emotions may arise. An unfavorable comparison can diminish one's self-esteem and evoke feelings of anger, envy, discontent, dissatisfaction, or perceived injustice (Shaver, 1987; Stack, 1984). In order to alleviate these negative emotions, the observer may engage in socially unacceptable behavior (Crosby, 1976; Dube & Guimond, 1986). Drawing from relative deprivation theory (e.g., Stiles et al., 2000; Masters & Smith, 1987; Crosby, 1976; Davis, 1959), and related theories such as equity theory (e.g., Adams, 1965) and organizational justice theory (e.g., Bies & Moag, 1986; Greenberg, 1990; Leventhal, Karuza, & Fry, 1980; Lind & Tyler, 1988; Thibaut & Walker, 1975), when a comparison has been made and the observer falls short of a desired level, negative feelings resulting from relative deprivation, inequity, and injustice occur. In turn, the observer is likely to engage in an unethical behavior in order to restore equity (a positive relationship between unethical peer behavior and the observers' unethical behavior). SCT suggests that this relationship will be influenced by at least two moderating variables. First, self-improvement, which refers to an individual's tendency to continuously strive to improve him- or herself, is predicted to weaken the relationship. Second, self-enhancement (the idea of being better than others) is also predicted to weaken the proposed relationship.

### **Research Context: Hospitality Organizations and Academic Institutions**

The abovementioned theories can be applied across a variety of domains including business organizations (in the form of unethical behavior) and universities (in the form of academic dishonesty). As a result, the proposed relationships were tested using data gathered from nine hospitality organizations (Study 2). Further, one may argue that in order to alleviate the unethical behavior found in business organizations, we should shift our focus to unethical behavior in an academic setting as these individuals are tomorrow's business leaders (McCabe,

Treviño, & Butterfield, 2001). In fact, researchers have found that cheating in a classroom environment is an antecedent to subsequent behavior in professional settings (e.g., Sierles, Hendrickx, & Circel, 1980). Further, Sims (1993) found that academic dishonesty was positively related to unethical behavior in organizations. To compound the issue, academic dishonesty scholars have concluded that peer influence is the best predictor of cheating behavior in universities (e.g., McCabe & Treviño, 1993; McCabe, Treviño, & Butterfield, 2002). Therefore, it seems apparent that an academic context is an acceptable domain to examine the influence of peers on one's behavior.

Recent media headlines have displayed the unfortunate pervasiveness of cheating among undergraduate and graduate students alike. For instance, in the largest cheating scandal ever at Duke University, 34 first year M.B.A. students were caught cheating on a take-home exam. Although academic dishonesty is not a new phenomenon (e.g., Bowers, 1964), it wasn't until recently that researchers have begun to take a great amount of interest in the topic (e.g., McCabe, Treviño, & Butterfield, 1999). Studies have generally focused on individual differences proposed to influence cheating in a university such as: gender (e.g., Buckley, Wiese, & Harvey, 1998; Ward & Beck, 1990), age (e.g., Lambert, Ellen, & Taylor, 2003), grade point average (e.g., Hetherington & Feldman, 1964; Straw, 2002), and self-esteem (e.g., Buckley et al., 1998; Ward, 1986). More recently, however, there has been a shift away from identifying individual factors to a focus on contextual factors. Contextual factors found to be related to academic dishonesty include: extracurricular activities such as Greek social organizations (e.g., McCabe & Treviño, 1997; Straw, 2002), rewards and sanctions (McCabe & Treviño, 1993; 1997), majors (e.g., Brown, 1996; Park, 2003), honor codes (McCabe et al., 1996; 2001), prestige of the university (e.g., Evans, Treviño, & Weaver, 2006), and social learning (e.g., McCabe,

Butterfield, & Treviño, 2006; Michaels & Miethe, 1989). However, with the exception to the few studies examining social learning among peers, peer influences have received little attention in the academic dishonesty literature.

This is a serious omission for a variety of reasons. First, and potentially most important, the perception of a peer's behavior is often found to be the single most important contextual variable on observer behavior (e.g., McCabe & Treviño, 1993; McCabe, Treviño, & Butterfield, 2002). Specifically, the more individuals witness a peer engage in cheating activities, the more likely they are to engage in the same or similar activities (e.g., Jordan, 2001; Lim & See, 2001). Second, empirical evidence has indicated that the prevalence rates for cheating have ranged anywhere from 20% to over 90% (Sims, 1995). Given that as high as 77.1% of respondents have reported witnessing a peer engage in cheating behaviors (Lim & See, 2001), this may lead to higher levels of cheating in the future. Third, although many individuals indicate that they have witnessed a peer engage in cheating behaviors, they are not likely to report the behavior to an authority figure (e.g., Burton & Near, 1995; Nuss, 1984), particularly if the peer is a friend (e.g., Lim & See, 2001). Finally, an honest individual who has witnessed a peer cheat and the behavior went unreported or unpunished, will likely engage in similar behaviors so as to not be at a disadvantage (McCabe et al., 2001).

As the above evidence suggests, peers can have a detrimental effect on one's own behavior. Again, in the academic dishonesty literature, peer behavior has been found to be the single largest predictor of cheating behavior (e.g., McCabe & Treviño, 1993; McCabe, et al., 2002). However, the underlying mechanism describing the relationship between peer and observer behavior is still largely undetermined. Although social learning theory offers one explanation, it may not be the only explanation. This is captured in the following statement

offered by McCabe and Treviño, “the strong influence of peers’ behavior may suggest that academic dishonesty not only is learned from observing the behavior of peers, but that peers’ behavior provides a kind of normative support for cheating. The fact that others are cheating may also suggest, in such a climate, the non-cheater feels left at a disadvantage. Thus, cheating may come to be viewed as an acceptable way of getting and staying ahead” (1993: 533).

Therefore, in Study 1, the hypotheses were also analyzed in the context of academic institutions.

### **Research Objectives**

This research has three major objectives: 1) to use social learning theory, social identity theory, and social comparison theory to form hypotheses regarding the relationship between unethical peer behavior and observers’ unethical behavior; 2) to examine the degree to which each theoretical explanation is supported by empirical evidence; and 3) to investigate circumstances under which the presumed positive relationship between unethical peer behavior and observers’ unethical behavior (as found in previous literature) might be strengthened, weakened, or reversed. This third objective is particularly important given that previous literature uniformly advocates the “Monkey See, Monkey Do” (i.e., social learning) explanation. As discussed in later chapters, alternative theoretical lenses offer more complexity than that suggested by “Monkey See, Monkey Do”. For example, social comparison theory suggests that personal motives (e.g., “getting my fair share” or not falling behind others) may strengthen the positive relationship between unethical peer behavior and observers’ unethical behavior. Other approaches (e.g., social identity theory) would even suggest that contextual influences such as strong group identity or a culture that punishes unethical behavior and/or personal factors such as moral identity and values (e.g., refusing to engage in unethical behavior even if “everyone else is doing it”) might trigger a reaction that is more akin to “Monkey See, Monkey *Don’t*”. Thus, one

goal of this study is to move beyond the overly simplistic assumptions and explanations from social learning theory.

### **Structure of Dissertation**

To begin examining the abovementioned objectives, I first appeal to Jones' (1991) definition of unethical behavior. According to Jones, unethical behavior is behavior that is "either illegal or morally unacceptable to the larger community" (1991: 367). The remainder of this manuscript is written accordingly. Chapter two appeals to the theoretical foundations of social learning theory, social identity theory, and social comparison theory in order to develop three distinct theoretical models that address the question of "should I (observer) engage in an unethical behavior" after witnessing a peer engage in an unethical behavior? First, as previously stated and derived from social learning theory, a positive direct relationship between observed peer unethical behavior and observer unethical behavior will be offered, and the moderating effects of rewards and punishments will be examined. Second, social identity theory will be used to explain a negative relationship between unethical peer behavior and observers' unethical behavior. The influence of three moderating variables, the norm's of the group, the degree to which individuals identify with their group, and self-esteem, is also discussed. Third, social comparison theory will be explored. In addition to predicting a positive direct relationship between unethical peer behavior and observer unethical behavior, the moderating effects of self-improvement and self-enhancement are examined. In the final section of chapter two, I explore the direct relationship between unethical peer behavior and observer unethical behavior and how it is affected by three moderating factors including: a multidimensional construct of moral differentiation; self-monitoring; and ethical culture. The third chapter consists of the survey procedures and measures utilized in a pilot study. In addition, the results of a factor analysis

procedure examining three newly developed measures of vicarious learning, perceived fit with group identity, and relative deprivation are included. Chapter four examines the proposed hypotheses in an academic institution context (Study 1). This chapter encompasses the survey procedure, methods for dealing with common method bias, the measures utilized, and the results of the factor analysis of the newly developed measures, as well as the results of the mediated and hierarchical regression analyses. The fifth chapter consists of the research design and methodology sections of a study of unethical behavior in the hospitality industry (Study 2). Further, it includes the results of the factor analysis of the three new measures and the regression analyses. Chapter six offers a detailed discussion of the findings. Finally, chapter seven concludes the dissertation by offering a summary of key findings, implications for future research, and limitations.

**CHAPTER TWO**  
**THEORETICAL BACKGROUND, THEORETICAL FRAMEWORK, AND**  
**HYPOTHESES**

**SOCIAL LEARNING THEORY**

The theory that has been most commonly applied to our understanding of the relationship between peer behavior and one's own unethical behavior is social learning theory (SLT). As described by Bandura, "most of the behaviors that people display are learned either deliberately or inadvertently, through the influence of example" (1976: 5). This statement implies that individuals in a social context are influenced by others' behaviors. Although the origins of social learning theory can be attributed to the work of Rotter (1960), Bandura (1968, 1977) is generally credited as the seminal theorist. In its developmental stages, social learning theory differed from other behavioral theories in that it considered the reciprocal interaction between cognitive, behavioral, and environmental influences. As stated by Bandura, "In the social learning view, people are neither driven by inner forces nor buffeted by environmental stimuli. Rather psychological functioning is explained in terms of a continuous reciprocal interaction of personal and environmental determinants" (1977: 11-12). The actions taken by an individual will influence the environmental surroundings, which in turn affects the individual's behavior. In addition, the outcome produced by the behavior partly determines the disposition of the individual, which further affects subsequent behavior. As such, a major tenet of the theory is that behavior is a byproduct of the individual and the environment, not just one or the other.

This dyadic relationship is an important component of SLT and separates it from other behavioral theories. Operant theory, for instance, focuses solely on the consequences of behavior. According to this theory, behavior is derived solely from consequences; an individual



is more likely to engage in behavior that is rewarded and less likely to engage in behavior that is punished (e.g., Manz & Sims, 1981). Although operant theory offers a useful explanation for behavior modification, it is incomplete as it does not consider factors that occur prior to the behavior (i.e., expectations).

As described by Bandura (1977), although positive and negative consequences play an important role in determining behavior, they do not adequately explain what behavior will be learned. Bandura (1977) further distinguishes SLT from operant theory on the basis of three major processes: vicarious learning, cognitive processes, and self-control. Vicarious learning is an important component of behavior modification (Gioia & Manz, 1985) and is a major tenet of SLT. SLT proposes that behavior will be imitated through vicarious or observational learning. Although direct experience can aid an individual in determining future behavior, “the process of human development would be greatly retarded, not to mention exceedingly tedious, costly, and hazardous” (Wood & Bandura, 1989:362) if an individual’s skills and knowledge were only developed through direct experience. Bandura suggests that all knowledge and skills that may be derived from direct experience may also be acquired by observing others’ behavior (Bandura, 1986). Cognitive processes, on the other hand, refer to an individual’s ability to observe others behavior, how the behavior will be perceived, the prescribed valence attached to the behavior, and the likelihood that the behavior will be remembered and used in similar situations (Bandura, 1977). Self-control is derived from behavioral consequences. However, Bandura adds to the external positive and negative consequences, such as the behavioral consequences described earlier, by incorporating a self-evaluative consequence. Individuals are not only affected by external consequences, but also by those consequences that are self prescribed. Bandura interprets the above notion accordingly, “The notion that behavior is controlled by its

consequences is unfortunately interpreted by most people to mean that actions are at the mercy of situational influences. In fact, behavior can, and is, extensively self-regulated by self-produced consequences for one's actions.... Because of their great representational and self-reactive capacities, humans are less dependent upon immediate external support for their behavior. The inclusion of self-reinforcement phenomena in learning theory thus greatly increases the explanatory power of reinforcement principles as applied to human functioning" (Bandura, 1976: 28).

As previously mentioned, an important component of SLT is its emphasis on vicarious or observational learning. Learning, defined as a relevant permanent change in behavior (Kazdin, 1975), occurs through modeling. By observing a particular "model's" behavior and recognizing the consequences of such behavior, an individual may, in turn, imitate the behavior. According to Baer and colleagues, "any behavior may be called imitative if it temporally follows behavior demonstrated by someone else, called a model, and if its topography is functionally controlled by the topography of the model's behavior" (1971: 128-129). Therefore, imitation is a function of successful modeling.

Modeling is a means of dispersing the social context's values, attitudes, and behaviors (Weaver, Treviño, & Agle, 2005) and is effective when an individual is able to apply the modeled behavior to a situation. As discussed by Bandura, "by observing a model of the desired behavior, an individual forms an idea of how response components must be combined and sequenced to produce the new behavior. In other words, people guide their actions by prior notions rather than by relying on outcomes to tell them what they must do" (1977: 35). Of most importance, individuals internalize behavior that is learned, purposely or unintentionally, through the influence of example (Bandura, 1976). Therefore, an individual, via a successful modeling

process, is able to quickly reproduce the behavior exhibited by the model (Bandura, 1977; Davis & Luthans, 1980).

In its more complex form, the learning process successfully predicts imitative behavior if the modeling process satisfies four sub-processes that account for the attainment and preservation of observational learning (Davis & Luthans, 1980). The first process is labeled *attentional*. Attention refers to the process in which an individual specifically selects a model for observation and determines which of the model's behaviors are observed. The only way in which an individual is able to learn from another individual is through the process of attending to, and perceiving accurately, the specifics of the modeled behavior. It is the process by which an individual extracts important details of the modeled behavior, if they choose to do so. Bandura (1977, 1986) posited certain factors that will most likely influence the attentional process: (1) the individuals with whom one works with on a daily basis, due to repeated observations; (2) the interpersonal characteristics of the modeled individual (e.g., those who possess engaging qualities are sought out, while those with less intriguing qualities are ignored or rejected); (3) intrinsically rewarding forms of modeling (e.g., televised modeling); and, (4) the nature of the modeled behavior itself (e.g., salience and complexity).

The second process, labeled *retention*, implies that the individual is able to retain and remember the modeled behavior. This is made possible by storing the behavior into memory symbolically through imagery (such as pictures or mental images) or verbal (use of words) coding. The images provide individuals with a cognitive map of how they should behave in related situations (Black & Mendenhall, 1990). Those individuals who are better able to code behavior into words or vivid imagery are better able to learn and retain the specific behavior in question than those who are not as capable of doing so. In addition, rehearsing (either mentally

or physically) reduces the likelihood that an individual will forget the modeled behavior (Bandura, 1977).

*Motor reproduction* is the third process in successful modeling. This process requires individuals to transform the symbolic images or retained words into action. This is made possible as the individuals perform a conception-matching process – the process of matching the individuals’ potential enacted behavior with their cognitive map (Carroll & Bandura, 1987). When a discrepancy occurs, the individuals are able to modify their behavior to achieve closer correspondence to the retained symbolic coding. In other words, in order for the individuals’ behavior to match the symbolic behavior stored in memory, individuals go through self-observation and self-correction until the two types of behavior conform to one another. This is only possible, however, if the individuals are actually capable, either mentally or physically, of doing so. Further, motor reproduction of the modeled behavior can be inhibited when the behavior is not practiced, when there are physical differences between the model and the observer, when the individuals are not able to accurately observe the modeled behavior, and when the observed behavior is not adequately retained (Black & Mendenhall, 1990).

The final process, *motivational*, is closely connected with the outcomes of behavior. This process describes the effect that not all learned behavior is imitated. SLT predicts that in situations where one is rewarded for a behavior, the behavior is more likely to be imitated. If the behavior results in a negative outcome, the behavior is less likely. However, an individual’s self evaluation of the behavior regulates this process. Individuals are more likely to perform the behavior if it is self-satisfying and will reject it if it is personally disapproved (Bandura, 1977). This suggests “that people learn to modify their behavior when their own self-created consequences or standards are not fulfilled. The self-reinforcement consequence is particularly

important to virtually all sustained goal-oriented behavior and explains how their behavior persists despite the lack of immediately compelling external support” (Davis & Luthans, 1980: 286). As one can see, not only does the environment play a key role in learning and imitating behavior, individual factors also play an important role in the process.

Models also influence observer behavior through expectations (Manz & Sims, 1981). Two important types of expectations are outcome and efficacy expectations, which is consistent with Vroom’s (1964) expectancy theory on motivation. However, the expectancies described from a social learning perspective extend Vroom’s conceptualization as it involves the process of learning, which is a social rather than a strictly individual, phenomenon. Accordingly, outcome expectancies can be traced to the work of Tolman (1932/1951), who viewed learning as a process where individuals develop a set of outcome expectations for a particular type of behavior (cf. Bandura, 1986). Outcome expectations refer to the extent to which individuals believe that their behavior will produce positive or negative outcomes. These beliefs are derived through observing modeled behavior and the outcomes associated with the behavior. This observational process allows individuals to gain valuable information regarding which types of behavior are acceptable or unacceptable, without actually engaging in the process. If individuals observe a model being rewarded for a particular behavior, this reinforces the notion that the behavior is acceptable and will most likely be imitated. If individuals observe models being punished for their behavior, this incident is stored into memory and if recalled correctly, reduces the likelihood that the focal individual will engage in the behavior. Referred to as vicarious punishment (Treviño & Ball, 1992), those individuals who accurately recall the behavior will expect to be punished in a similar manner if they engage in the behavior. Under such circumstances, the expectation of being punished would deter the individuals away from

engaging in the unacceptable behavior. This finding has been supported in the literature (e.g., Ashkanasy, Windsor, & Treviño, 2006; Butterfield, Treviño, & Ball, 1996; Treviño & Youngblood, 1990). Therefore, punishment for unacceptable behavior provides indirect cues for which type of behavior is not appropriate (Arvey & Jones, 1985).

The second expectancy, efficacy, is more widely described and studied in the SLT literature and its extension, social cognitive theory (Bandura, 1986; 2001). Self-efficacy refers to the individuals' beliefs about their ability to accomplish a specific behavior or task. Self-efficacy beliefs determine which tasks an individual chooses, how much effort will be exerted, how long the individual will persevere to complete the task, whether the thought processes when completing the tasks are self-aiding or self-hindering, and how much stress and depression an individual experiences when performing the task (Bandura, 1989). Two individuals, with the same set of skills, may perform differently on a task depending on whether their belief in their own efficacy enhances or impairs their motivation and problem-solving capabilities (Wood & Bandura, 1989). Individuals with high levels of self-efficacy believe that they are able to succeed on a given task, will try harder to do so, and will persist until the task is completed. In cases where negative feedback is given, individuals with high levels of self-efficacy will assume that the task is difficult and conclude that more effort must be put forth (Bandura, 1982). Individuals with low levels of self-efficacy, on the other hand, anticipate that they will fail and will not put forth the required effort. If by chance the individual is successful, he or she attributes the success to external factors, such as luck. Therefore, success or positive outcomes have only a minor effect on changing a person's negative self-evaluation (Zimbardo & Leippe, 1991). Barclay (1982) lists four sources that are thought to influence efficacy expectations: performance accomplishments – success raises expectations while failure reduces expectations,

vicarious experience – observing similar others complete a task successfully raises individuals’ belief that they could also perform the task successfully, verbal persuasion – being told that one can successfully perform the task, and emotional arousal. The basic premise behind efficacy expectations has been widely documented in empirical organizational research (e.g., Frayne & Latham, 1987; Kuo & Hsu, 2001; Wood, Bandura, & Bailey, 1990).

Although outcome expectancies and efficacy expectancies are separate constructs, they can work in unison. For example, individuals tend to act on their self-efficacy beliefs when they believe that their behavior will produce positive results (Bandura, 1982; Vroom, 1964). However, individuals are unlikely to change their behavior when they believe they can perform successfully but the environment does not reward such behavior (Frayne & Latham, 1987). Likewise, individuals who believe that the performed behavior will lead to a desirable outcome may not perform the behavior if they believe that they are incapable of performing the behavior (Porras, Hargis, Patterson, Maxfield, Roberts, & Bies, 1982).

Other factors have also been posited to increase the probability that an individual will behave similarly to another individual. Some argue that in order for an observer to learn effectively from a model, the model must be credible (Weiss, 1977, 1978), mostly accurate, display the behavior to be learned, willing to facilitate the process (e.g., Bandura, 1969, 1977; Gioia & Manz, 1985), and be perceived to be similar to the model (Goldstein & Sorcher, 1974). Observational learning is also more likely to occur when the model is powerful (Zimbardo & Leippe, 1991), has a high degree of mastery (Bandura 1969, 1971; Mahoney, 1974), or is among others who display the same behavior (Kazdin, 1976). Observer characteristics that influence the likelihood of imitating modeled behavior include self-esteem (Weiss, 1977, 1978), the value the

individual places on extrinsic rewards (Weiss, 1977), negative self-expectation (the converse of self-esteem), and a high or low need for achievement (Manz & Sims, 1981).

In sum, SLT postulates that the social context influences individual behavior. Through vicarious or observational learning, an individual learns which behaviors are rewarded or punished. These processes act as a guide for an individual's behavior in specific contexts or situations.

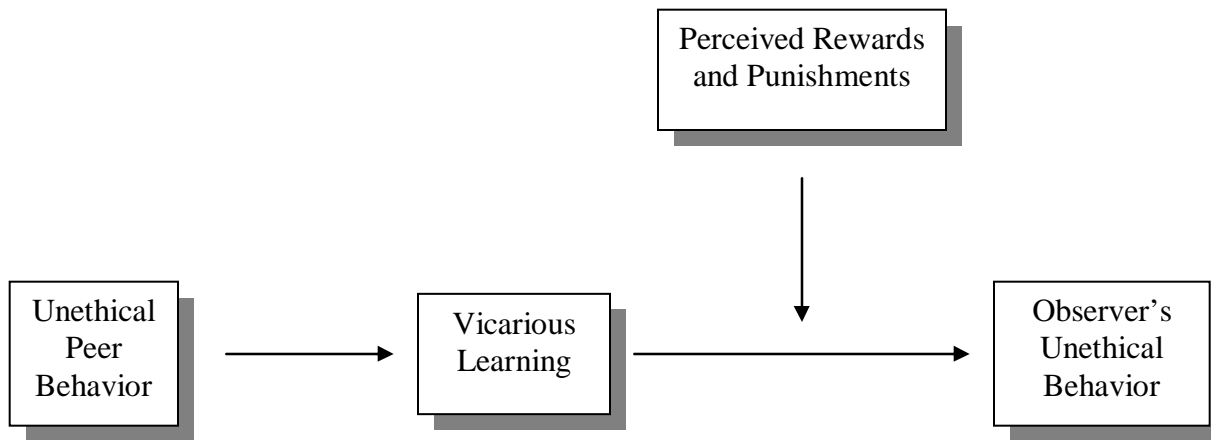
### **Social Learning Theory as a Link between Unethical Peer Behavior and Observers'**

#### **Unethical Behavior**

In the ethical decision-making literature, a number of theoretical models describe how aspects of the social environment influence individual ethical decision making (e.g., Ferrell & Gresham, 1985; Treviño, 1986). Although some of these models include peer influence as an important aspect of the social environment, theorists have yet to adequately develop the theoretical basis underlying this relationship. As illustrated in Figure 2, social learning theory usefully links unethical peer behavior and the observer's unethical behavior.



Figure 2: Social Learning Model



SLT has been applied to organizational and academic research examining a wide array of issues. The most notable are those studied in the context of training modules due to the theories emphasis on modeling (e.g., Bandura, 1988; Black & Mendenhall, 1990; Goldstein & Sorcher, 1974; Latham & Saari, 1979; Manz & Sims, 1986; Porras et al., 1982). However, more current research has successfully applied SLT to study the effects of organizational discrimination (Barclay, 1982), organizational crisis (Nathan & Kovoov-Misra, 2002), organizational punishment (Butterfield et al., 1996; Butterfield, Treviño, Wade, & Ball, 2005; Treviño, 1992), ethical decision making (Ashkanasy et al., 2006; DeConinck, 2003; Kuo & Hsu, 2001; Treviño & Ball, 1992; Treviño & Youngblood, 1990), academic dishonesty (McCabe, Butterfield, & Treviño, 2006; McCabe, Treviño, & Butterfield, 2001), ways to properly manage marginal employees (O'Reilly & Weitz, 1980), self-management (Frayne & Latham, 1987; Manz & Sims, 1980), ethical leadership (Brown & Treviño, 2006; Brown, Treviño, & Harrison, 2005), organizational citizenship behaviors (Bommer, Miles, & Grover, 2003), and antisocial behaviors (O'Leary-Kelly, Griffin, & Glew, 1996; Robinson & O'Leary-Kelly, 1998).

SLT provides a clear explanation for how unethical peer behavior influences individual unethical behavior. However, in the ethics literature, few authors have examined this relationship in accordance with the underlying tenets of the theory. Notable exceptions include researchers who were primarily interested in examining the effects of outcome expectancies. For instance, Treviño and Youngblood (1990) hypothesized that vicarious rewards and punishments would directly and indirectly affect ethical decision-making behavior via the mediating role of outcome expectancies. Using a student sample, the authors found that vicarious rewards, but not vicarious punishments, indirectly effected the ethical decision making process. Specifically, compared to a control group, those individuals in the reward condition exhibited higher levels of

outcome expectancy beliefs, which led to more ethical decisions. The direct effect of vicarious reward and punishment on ethical decision-making was not found. Ashkanasy and colleagues (2006) proposed a similar hypothesis. These authors found a significant relationship between students exposed to accounts of rewarded unethical behavior or punished ethical behavior and the expectation that the organization condoned unethical behavior. However, a full significant mediating effect of the outcome expectancies on ethical decision making was not found. Similarly, Treviño and Ball (1992) found that a severe punishment response to unethical behaviors influenced outcome expectancies. No test of the mediating effect of outcome expectancies on ethical decision-making was conducted. Although this research supports the social learning perspective, the use of students in a controlled environment, where the variables of interest were manipulated using an in-basket exercise, hinders its usefulness for explaining the processes in an organization. Further, observational learning, as described in SLT, was not directly manipulated. Instead, individuals were placed in experimental conditions where the individual was persuaded into believing that a behavior was either rewarded or punished by management.

In a field study using a sample of sales managers, DeConinck (2003) examined the effects of punishment on individuals' outcome expectancies. Although DeConinck found a significant and positive relationship between punishment for unethical behavior and the sales managers' outcome expectancies, the punishment of unethical behavior was again manipulated, in this case through a vignette. Although the above-mentioned research has supported social learning theory in an ethical context, because observational learning was not directly manipulated, these studies represent an incomplete test of SLT.

A more complete test of SLT was conducted by Robinson and O'Leary-Kelly (1998) in relation to antisocial behaviors (a form of unethical behavior). Making use of full-time employees across a variety of organizations, the authors hypothesized and found a positive direct relationship between the level of antisocial behaviors within a group and the level of antisocial behavior among the group's members. Consistent with SLT, the authors also found support for a variety of moderators between group antisocial behavior and members' antisocial behavior: (1) the degree of similarity in antisocial behavior (positive relationship); (2) individuals' tenure in the group (positive relationship); (3) task interdependence (positive relationship); and (4) likelihood of punishment (negative relationship). A fifth moderator, closeness of supervision, was not supported.

In the academic dishonesty literature, social learning theory has been examined as a potential explanation to describe the positive relationship between peer cheating behavior and observer cheating behavior (e.g., McCabe, et al., 2001, 2006; Michaels & Miethe, 1989). The body of evidence is in concurrence with the findings found from an organizational standpoint. The more individuals witness a peer engage in cheating behaviors, the more likely they will act accordingly (e.g., Jordan, 2001; Lim & See, 2001; McCabe et al., 2002). In fact, peer influences from a social learning perspective have been regarded as the most influential contextual variable found in the academic integrity literature (e.g., McCabe & Treviño, 1993)

Guided by SLT, I propose that observed unethical peer behavior will positively influence vicarious learning of the unethical behavior, which will positively influence observers' unethical behavior. In a variety of environments, individuals often look to role models for behavioral guidance. This is particularly true in novel or ambiguous situations, as is often the case when the behavior has ethical implications. In such circumstances, individuals are likely to look for

direction from and “go along” with others’ behavior (Zimbardo & Leippe, 1991). If a peer engages in unethical behavior, the observer is likely to engage in vicarious learning, and will then follow suit and engage in an unethical behavior.

H1: Vicarious learning will mediate the relationship between unethical peer behavior and observers’ unethical behavior such that unethical peer behavior will be positively related to vicarious learning, and vicarious learning will be positively related to observers’ unethical behavior.

### **Moderating Effect of Perceived Rewards and Punishments**

As previously discussed, SLT suggests that perceived rewards and punishments may influence the relationship between vicarious learning and the observer’s unethical behavior. As discussed by Bandura (1977), consequences such as rewards and punishments play an important role in influencing behavior. According to SLT, individuals will engage in those behaviors that are rewarded and avoid behaviors that are punished. The literature is inundated with evidence demonstrating that behaviors that are rewarded are most prominent, even if they are viewed by others as being unethical (e.g., Hegarty & Sims, 1978; Shapeero, Koh, & Killough, 2003; Tensbrunsel, 1998). As such, rewards and punishments can increase unethical behavior either by rewarding unethical behavior, or by punishing ethical behavior, even if such associations are inadvertent. As discussed by Kerr, individuals “seek information concerning what activities are rewarded, and then seek to do (or at least pretend to do) those things often to the virtual exclusion of activities not rewarded” (1975: 769).

In line with SLT, individuals are more likely to imitate the behavior of others that produces positive outcomes (i.e., rewards) than behaviors that are unrewarded or punished (Wood & Bandura, 1989). These outcome expectancies are often realized through vicarious

learning (Bandura, 1986) and have been empirically demonstrated to influence unethical behavior (e.g., McCabe & Treviño, 1993, 1997; Treviño & Youngblood, 1990; Robinson & O’Leary-Kelly, 1998). However, given the negative repercussions of unethical actions on an organization or university, these entities typically have an interest in delimiting such behavior (Robinson & O’Leary-Kelly, 1998). Thus, in situations where an individual believes that he or she will be punished for engaging in unethical behavior, he or she will be *less* likely to engage in the behavior. This prediction is interesting in light of previous theory and research, which has generally assumed that peer behavior is positively related to observers’ unethical behavior.

H2: Perceived rewards and punishments will moderate the relationship between vicarious learning and observer unethical behavior such that perceived rewards will be associated with a positive relationship and perceived punishments will be associated with a negative relationship.

## **SOCIAL IDENTITY THEORY**

Principally developed by Henri Tajfel (1972a,b, 1978, 1981; Tajfel & Turner, 1986) and John Turner (1975, 1982, 1984, 1985), social identity theory (SIT), and its extension; social categorization theory, explains the process of in-group bias and intergroup discrimination. For these two processes to occur, categorization must first occur. Categorization is the process of classifying individuals into groups based on any number of characteristics such as age, race, status, religion, and organizational membership (Tsui, Egan, & O’Reilly, 1992), among others. Categorization serves two primary purposes: (1) it allows individuals to cognitively order the social environment, enabling them to systematically define others, and (2) it permits individuals to define themselves in the social environment (Ashforth & Mael, 1989; Tajfel & Turner, 1986.) The categorization process is relational, meaning that individuals are inclined to define

themselves in relation to individuals in other categories. For instance, the category of “tall” is only meaningful to an individual in relation to the category “short”. Without such comparisons, the systematic process of categorization does not occur.

The outcome derived from the categorization process is the classification of individuals into two groups, an in-group or an out-group. Merely categorizing individuals into two distinct groups is sufficient to induce in-group bias and intergroup discrimination. In what is now referred to as the minimal group paradigm (MGP; Brewer 1979; Oakes & Turner, 1980), Tajfel and colleagues (e.g., Billig & Tajfel, 1973; Tajfel, 1970; Tajfel & Billig, 1974; Tajfel, Billig, Bundy, & Flament, 1971) conducted a series of studies that focused on intergroup behavior, while following a set of criteria that allowed for “minimal differentiation”. These studies provide strong evidence in support of the conclusion drawn by Tajfel et al. (1971); that under certain conditions, simple classification of individuals into an in-group or out-group is a sufficient as well as necessary condition to induce in-group favoritism and discrimination towards the out-group. These minimal intergroup studies have been credited as the initial development of social identity theory (Bettencourt, Dorr, Charlton, & Hume, 2001).

In an effort to explain this intergroup discrimination and in-group bias, Tajfel (1972b, 1974) and Turner (1975) argued that social categorization automatically stimulates comparisons between the in-group and out-group. Based on the earlier work of Festinger (1954), Tajfel (1978) believed that groups, beyond the individual level of analysis as proposed in social comparison theory, engage in a comparison process and are motivated to be seen in a positive light. Thus, when a comparison is made between two groups and the comparison results in a favorable evaluation for one’s in-group, the result is a positive social identity (Tajfel, 1972b) and positive self-esteem (Turner, 1982). Similar to that proposed in social comparison theory (e.g.,

the “unidirectional drive upward”, Festinger, 1954), groups prefer to have a positive social identity. Therefore, the groups selected and the dimensions chosen for comparison between the in-group and a salient out-group usually allow for the in-group to be perceived as distinct and different in positively valued ways (Tajfel, 1978). In other words, the need for such comparisons is driven by the establishment of positive distinctiveness for the in-group (Hogg, 1992, Hogg & Abrams, 1988, 1993), as it often relates to a positive social identity and higher group status (Skevington, 1981). In relation to in-group bias, there typically is a positive correlation between group status and in-group bias (e.g., Bettencourt et al, 2001; Brown, 1978; Mullen, Brown, & Smith, 1992). It is this relationship between status, in-group bias, and positive social identity that has sparked considerable interest among many social psychologists, and has validated many original propositions of SIT.

According to SIT, the interactive effects of cognitive, motivational, and sociostructural variables influence an individual’s response to status structures (Tajfel & Turner, 1979). As previously mentioned, an important aspect of SIT is that membership in a high status group is desirable as it may lead to a positive social identity and self-esteem. Likewise, membership in a poorly evaluated group is typically seen as undesirable. Given the positive association of low status and negative social identity, as well as a positive relationship between low status and low self-esteem (Tajfel & Turner, 1986), individuals are motivated to improve their social standing. Individuals pursue either an individual or collective strategy as a means to achieve a higher status position, depending on a variety of sociostructural/social reality variables (e.g., Bettencourt et al., 2001; Branscombe & Ellemers, 1998; Doosje & Ellemers, 1997; Ellemers, 1993; Mummendy, Kessler, Klink, & Mielke, 1999). More specifically, the strategy that an individual selects in order to achieve positive social identity depends on the individual’s



perception of the stability and legitimacy of the status structure, as well as the nature of the group boundaries. Tajfel and Turner (1979, 1986) describe these sociostructural variables accordingly: (1) *stability of status* is the extent to which the group is able to change its status position; (2) *legitimacy of status* is the extent to which the group members accept the status structure as legitimate; and, (3) *permeability of group boundaries* is the extent to which a group member can leave his or her group to join another. Taken together, these variables partially determine which of the three most widely acknowledged general strategies proposed by Tajfel and Turner (1979, 1986) will be pursued in order to achieve a positive social identity.

First, individuals of a low status group may attempt to psychologically disassociate themselves from, or physically leave, the in-group in order to obtain membership in a relevant high-status group, which is referred to as the social mobility strategy. The objective of this strategy is to improve the individual's identity without changing the status of the in-group as a whole. This is accomplished by adopting the values of the out-group in an effort to be considered part of the higher-status group (van Knippenberg & van Oers, 1984). The second strategy, social creativity, is defined by Tajfel and Turner as "comparing the ingroup to the outgroup on some new dimension ... [or] changing the values assigned to the attributes of the group, so that comparisons which were previously negative are now perceived as positive" (1986: 20). Unlike the social mobility strategy, social creativity is a collective strategy with the objective of increasing the group's status, thereby enhancing the social identities of all group members (Jackson, Sullivan, Harnish, & Hodge, 1996). The final strategy, also classified as a collective strategy, is social change or social competition. Here, individuals of a group will compete directly with a salient out-group to produce actual changes in the relative status of the groups by focusing on those dimensions that are responsible for the status differential. This can

be achieved by confronting an out-group member to change the status quo (see Jackson et al., 1996 for a detailed discussion). Although Tajfel and Turner (1979) have suggested that social mobility is the most dominant strategy used to achieve a positive social identity, as mentioned previously, it depends on the sociostructural dimensions.

Research has suggested that group permeability is a crucial element in determining whether or not individual or collective strategies are pursued (Ellemers, van Knippenberg, de Vries, & Wilke, 1988). Collective strategies should be the dominant strategy in situations where the group boundaries are impermeable, while individual strategies should be preferred in situations where the group boundaries are permeable, which allows social mobility (Ellemers, van Knippenberg, & Wilke, 1990; van Knippenberg & Ellemers, 1993). Individuals of a low status group are more apt to adopt a collective strategy when the status structure is unstable and illegitimate (Tajfel & Turner, 1979, 1986; see also Chattopadhyay, Tluchowska, & George, 2004). Although empirical research has supported these predictions (e.g., Jackson et al, 1996; Lalonde & Silverman, 1994; Wright, Taylor, & Moghaddam, 1990), more recent research tends to suggest that the extent to which these relationships are supported depends on the individual's level of identification with the in-group (Barreto & Ellemers, 2000).

Identification, as one would presume, is a fundamental dimension of social identity theory. Social identity is defined as “that part of an individual's self-concept which derives from his knowledge of his membership of a social group (or groups) together with the value and emotional significance attached to that membership” (Tajfel, 1981: 255). Encompassed within this definition are three key facets that are needed for an individual to achieve social identification (Tajfel, 1982). The first component is cognitive in the sense that one is aware of his or her membership in a group. This is a necessary condition, as intergroup behavior won't

exist until an individual recognizes that he/she perceives, defines, or recognizes him- or herself as a member of a distinct group (Mackie, 1986). The second component, evaluation, is the recognition that this awareness of group membership is related to some value connotations such as the groups representative attributes, typical behaviors, or norms (Mackie, 1986), which differentiate the in-group from an out-group. Finally, affect, or emotional significance, is the emotional investment one obtains in the awareness of group membership and the evaluations. SIT proposes that when these components are realized, an individual moves away from “feeling and thinking like a distinct individual, to feeling and thinking like a representative of a social group” (Lembke & Wilson, 1998: 931). In other words, there is a shift from emphasizing one’s personal identity to emphasizing a shared social identity.

Personal identity refers to those characteristics and behaviors that are unique, as compared to others of the in-group, to the individual (Turner, 1982). Further, personal identities encompass the beliefs one possesses regarding his or her own characteristics, such as the individual’s strengths and weaknesses, personality traits, appearances, etc. Alternatively, social identity refers to the self-categories that define individuals in terms of their shared characteristics with an in-group (i.e., social category), as compared to an out-group (Turner, Oakes, Haslam, & McGarty, 1994). In other words, the characteristics of the in-group become the characteristics of the individual. Therefore, SIT emphasizes a shift away from the perception of the self as a unique individual towards the perception that oneself is an exemplar of the in-group (Brewer, 1991).

According to SIT, individuals have multiple identities (e.g., church member, mother, manager). The particular identity triggered is one that becomes salient under specific situational contexts (Turner, 1985) or that fit with an individual’s own priorities (Deaux & Major, 1987).

Salience is a function of two components: accessibility and fit (Oakes, 1987). Accessibility is described as the readiness in which an individual is able to use a particular self-category. Stemming from an individual's past experiences, current expectations, values, goals, and needs, accessibility reflects the central and important aspects of membership in a group to an individual's self-definition (Turner, 1987). Fit, on the other hand, is the degree in which the characteristics of the given context actually match the criteria that defines the category. As the readiness level associated with accessibility and the degree of fit increases, individuals are said to move away from their own personal identity, to that of a shared social identity. In other words, as individuals begin to define themselves in accordance with "we" and "us", rather than "I" and "me", the individuals begin to move away from their personal identity to that of a social identity leading to identification with the group. An important implication of this process is that as individuals begin to identify (shared social identity becomes salient) with a group, the individuals' self-perceptions tend to become "depersonalized" (Turner et al, 1994).

Depersonalization is the process in which individuals begin to act and think in accordance with the perceived prototypical characteristics of a particular group (i.e., self-stereotyping). As identification becomes more salient, unique individual characteristics are minimized and individuals begin to see themselves as representing the group (Turner & Oakes, 1989). Thus, depersonalization occurs as individuals identify with a category, accepts the group's prototypical characteristics (i.e., norms, values, beliefs, behaviors, etc) and defines oneself in terms of the group. Triggering a particular social identity is considered sufficient for the depersonalization process to occur (Burke & Stets, 1998) and is a critical cognitive component of SIT (Abrams, 1994, Turner, 1987) as it has important implications for individual behavior. By aligning one's self-perception and behavior with that of an in-group's prototype, it

is said to produce “normative behavior, stereotyping, ethnocentrism, positive in-group attitudes and cohesion, cooperation and altruism, emotional contagion and empathy, collective behavior, shared norms, and mutual influence” (Hogg & Terry, 2000: 123).

An important aspect of SIT is that it establishes a connection between categorizing oneself as a group member and normative attitudes and behaviors based on the group’s prototypes (Abrams, 1994). Although the notion of prototypes was not part of the original discussion of SIT (Hogg & Terry, 2000), these defining characteristics of the group have become an integral dimension of the theory to date. Prototypes, according to Hogg and Terry (2000), are fuzzy sets of characteristics that embody the attributes of a group, which distinguish the group from an out-group and are typically described as the group’s attitudes, values, beliefs, norms, feelings and behaviors. Often displayed by prototypical members (group members who best exemplify the group) or by ideal types (an abstraction of group features), the more an individual exemplifies this perceived prototypicality of the group, the more the individual will act in accordance to the distinguishing characteristics (Ashforth & Mael, 1989). As articulated by Terry and Hogg, “the process of self-categorization not only is responsible for the construction of a contextually salient in-group prototype but also assimilates self to the prototype and thus transforms self: Self-perception, beliefs, attitudes, feelings, and behaviors are now defined in terms of the group prototype. In this way, group membership causes people to think, feel, behave, and define themselves in terms of group norms rather than unique properties of the self” (1996: 779-780). In other words, the prototypical characteristics of the group dictate appropriate group member behavior. This proposition has been empirically supported by a number of studies (e.g., Barreto & Ellemers, 2000; Pierro, Cicero, Bonaiuto, van Knippenberg, & Kruglanski, 2005; Schmitt & Branscombe, 2001; Terry & Hogg, 1996).

A recent advancement of SIT, as it relates to prototypical characteristics, is the notion that prototypes fulfill a need for uncertainty reduction (Hogg & Mullin, 1999). The uncertainty-reduction model (Hogg & Abrams, 1993; Hogg & Mullin, 1999) posits that a fundamental process that drives group behavior is the need to reduce subjective uncertainty about oneself, others, or the environment as this will result in unpleasantness and dysfunctional processes. Therefore, as an individual gains membership into a salient group, subjective uncertainty is reduced, leading to positive feelings about oneself, one's in-group members, and the in-group as a whole (Grieve & Hogg, 1999; Hogg & Mullin, 1999; Mullin & Hogg, 1998). Correspondingly, an individual's desire to reduce uncertainty may encourage the individual to identify with the group and embody its prototypical characteristics (Pierro et al, 2005). However, it is noted that uncertainty is more successfully reduced by prototypes that are "simple, clear, highly focused, and consensual ... such groups and prototypes will be attractive to individuals who are contextually or more enduringly highly uncertain, or during times of or in situations characterized by great uncertainty" (Hogg & Terry, 2000:124).

Social identification is derived from group identification (Tolman, 1943). In this paper, and consistent with Ashforth and Mael (1989), these terms will be used interchangeably. Group identification is an individual level phenomenon (Gundlach et al., 2006). It describes the extent to which an individual identifies with the salient in-group. Group identity, on the other hand, is a group level construct that describes the collective level of group identification across all members of the group (Gundlach et al., 2006). As the tendency for all members of the group to identify with the group increases, group identity increases. Conversely, a low level of group identification across all members of a group suggests a weak group identity.

The interplay of these two constructs was advanced with Ashforth and Mael's (1989) conceptual article describing the processes of SIT in an organizational setting. Although Ashforth and Mael were applying the theory at the organizational level, they suggest that the process is also applicable at the workgroup and departmental level. This notion was developed from the work of Albert and Whetten (1985) who distinguished holographic organizations from ideographic organizations. Holographic organizations are organizations in which individuals across multiple groups share a common identity or identities (i.e., organizational identity), whereas ideographic organizations are those in which individuals display one or more specific subunit identities that may or may not coincide with the higher level common identity (work group identity) (Pratt, 2001).

Recent organizational theorists have focused primarily on social identification in terms of organizational identification (e.g., Ahearne, Bhattacharya, & Gruen, 2005; Bhattacharya, Rao, & Glynn, 1995; Cornwell & Coote, 2005; Dutton, Dukerich, & Harquail, 1994; Mael & Ashforth, 1992; Mael & Ashforth, 1995; Tidwell, 2005; Turban & Greening, 1997) and have largely neglected social identity processes at the workgroup level (for an exception, see Gundlach et al., 2006; Lembke & Wilson, 1998; Phua, 2004). This is a serious omission for a number of reasons. First, individuals in organizations are required, now more than ever, to participate in workgroups (Eby, & Dobbins, 1997; Kirkman, Gibson, & Shapiro, 2001), yet our understanding of workgroup dynamics and social identity processes are lacking. Second, as argued by Chattopadhyay and colleagues (2004), a workgroup is a feasible target for group identification. Individuals frequently interact with members of their workgroup, are interdependent in completing tasks, and are often categorized in terms of their workgroup by others. Barker and Tompkins (1994) found that individuals in an organization identified more with their workgroup

then they did with the organization. Their work suggested that the workgroup is more relevant to an individual than the organization, and the workgroup is more salient to individuals' everyday work life than the organization as a whole. Given these assertions and findings, the present study focuses on identification within workgroups. From this point forward, I will use the term group to represent a workgroup, in an organization sense, or an analogous concept that can be applied across a variety of contexts (i.e., a department or a student's major). It is important to note that the term group refers to a lower level of analysis than the term organization.

To identify with a group, it is not necessary for an individual to adopt the group's goals. Rather, identification occurs when individuals psychologically attach themselves to the fate of the group (Mael & Ashforth, 1992). This is the consequence of moving away from the individual's personal identity and toward the groups shared social identity, as previously discussed. Further, the acceptance of an identity does not necessarily mean that an individual accepts the unique values and attitudes that are associated with specific individuals of a given social category. Rather, upon identifying with a group, an individual succumbs to accept the prototypical values, norms, and behaviors that define the group as a whole (Hogg & Terry, 2000). This is a critical component of SIT that distinguishes it from other social influence theories such as social learning theory (Bandura, 1968, 1977) and social comparison theory (Festinger, 1954). "The social identity approach emphasizes the need to identify with the *group/team*, not its members" (Lembke & Wilson, 1998: 929; emphasis added). Therefore, SIT proposes that individuals may still identify with the group, even when individuals leave or enter the group.

Given the complex nature of an organization, individuals may identify with more than one group (i.e., have multiple identities), which has implications for their behavior. For instance,



a manager of an organization may identify with his or her management team, as well as the unit in which the manager directly supervises. Under such a situation, it is relatively easy to envision how these two identities could conflict. Under such situations, an individual has at least four ways of reducing the level of conflict (Ashforth & Mael, 1989). First, individuals may characterize themselves in terms of the most salient identity. This is reportedly able to reduce the level of conflict for an individual as the individual is able to revert to the most personally important or valued identity (Stryker & Serpe, 1982; Thoits, 1983). Second, individuals may defer to the identity which is receiving the most amount of social pressure, in turn, justifying the conflict (cf. *defensive avoidance*, Janis & Mann's, 1977). Third, individuals may decouple the identities so that no conflict is perceived (cf. *value separation*, Steinbruner, 1974). Finally, individuals may submit themselves to each conflicting identity, one after the other, so that the inconsistencies would not have to be resolved with any given action (cf. *sequential attention*, Cyert & March, 1963). As an identity determines how information is processed and acted upon, only one identity can be prevalent at any given point in time (Lembke & Wilson, 1998). Although all four mechanisms described are theoretically feasible, SIT researchers agree that a specific social identity is activated by the most relevant setting (Turner, 1982, 1985). Therefore, the identity that is made most salient (ascribing to the function of accessibility and fit described earlier) under the prescribed situation, becomes the most dominant (e.g., Lobel, 1991). As such, and argued elsewhere, the individual's group identity is a suitable and justifiable level of analysis when examining group identification.

### **Social Identity Theory as a Link between Unethical Peer Behavior and Observers'**

#### **Unethical Behavior**

Many business ethics researchers have lamented the general lack of theoretical grounding in empirical business ethics research (e.g., O'Fallon & Butterfield, 2005; Randall & Gibson, 1990). As discussed in the following paragraphs, SIT can fill this gap by offering an explanation of the relationship between peer behavior and individual unethical behavior. Although SIT and its extended theoretical contributions have been successfully applied to a variety of contexts including: organizational adaptation (Dutton & Dukerich, 1991), emotional labor in service encounters (Ashforth & Humphrey, 1993), intergroup relations in the field of nursing (Oaker & Brown, 1986), work and family roles (Lobel, 1991), organizational attachment (Tsui et al., 1992), workplace diversity (Joshi, Liao, & Jackson, 2006), and identity dynamics in occupational dirty work (Kreiner, Ashforth, & Sluss, 2006) among others, it has yet to be extended to the field of business ethics. This is somewhat surprising, as SIT corresponds with many aspects of ethical decision making. For example, ethical decision making is an inherently social phenomenon. Individuals often examine social cues (e.g., norms and peer behavior) in determining their actions as well as their own level of morality. Ethical decision making also typically occurs in contexts of high uncertainty (Ward, Ward, & Deck, 1993) and ambiguity (Dubinsky & Levy, 1985). As previously discussed, SIT suggests that under such conditions, individuals may seek group membership in order to reduce the level of uncertainty (Hogg & Abrams, 1993; Hogg & Mullin, 1999). SIT and ethical decision making also share the limitations of bounded rationality and key elements of social information processing. As discussed by Lembke & Wilson, "categorization is the cognitive process of screening out information that appear unnecessary for making sense of the environment ... By focusing on the [group], the individual can grasp a more conceptual perspective, and gain a broader understanding of the social and operational implications of behavior" (1998: 933).

According to SIT, individual behavior “depends on the ... the individual’s perception of his relation to the group” (Olmstead, 1974: 150). Identification, therefore, has strong implications for action. The more positive individuals feel about their group, the more likely they are to be motivated to promote group solidarity, cooperative actions, and supportive behaviors among its members (Hogg & Abrams, 1990). The stronger the group identity, the more likely it is that the group’s members will interact and influence one another (Turner, 1987). Referred to as informational influence, Turner (1982) proposed that groups exert influence on their members in order to reduce subjective uncertainty. As a group offers individuals a context in where they are viewed similarly with other members of the group, this reduces uncertainty by offering a place where the shared attitudes and beliefs form the basis for external reality and objective truth on specific issues. Disagreement among the group members, however, results in subjective uncertainty and motivates the members of the group to address differences through mutual social influence. Given that this discrepancy weakens the group’s positive social identity, there is a strong motivational force to align individual behavior to that of the group prototype. This has been validated in recent research, most notably in the form of group norms. As Maldonado, Tansuhaj, and Muehling (2003) suggest, the group prototype encompasses a representation of accepted norms.

Norms “prescribe the context-specific attitudes and behaviors appropriate for group members” (Terry & Hogg, 1996: 780) and are a powerful influence on individual behavior (e.g., Wood, 2000). According to SIT, once individuals identify with a group, they learn the prototypical norms that are characteristic of the group. Through the process of depersonalization, individuals will assign these norms to themselves and others, making their behavior more normative to that of the salient group. The norms, in essence, are privately

accepted, resulting in conformity (Abrams, 1994; Turner et al., 1994). This has been supported by previous research. In a study examining group members' opinions regarding the use of standardized testing, Mackie (1986) found that subjects who identified with the group were more likely to conform to the group's norms. Sanders (2004) found that those individuals who were part of a cohesive team were more likely to conform to the team's norms. Barreto & Ellemers (2000) found that those individuals who highly identify with a group follow the group's norms regardless of whether they were anonymous or accountable for their responses.

However, group norms do not always lead to conformity on the part of all members in all situations. For instance, Barreto & Ellemers (2000) showed that individuals who were classified as low identifiers followed the group's norms when they were held accountable for their responses, but not when their responses were anonymous. However, as discussed by Marques and colleagues, members of a group often derogate nonconforming group members, known as the "black sheep effect" (1988a, 1988b, 1998, 2001; Abrams, Marques, Bown, & Henson, 2000). In essence, if an individual's behavior is inconsistent with the group's prototype, the group, in an effort to protect the group's interests, may pressure the individual to conform. As Durkheim (1960) would suggest, this pressure to conform emerges mainly from the need to reinforce the individual's sense of commitment to the group. When nonconforming group members threaten the viability of the group, other members engage in a "symbolic rejection' of socially undesirable ingroup members" (Marques & Paez, 1994: 62), in order to maintain the group's positive social identity. Marques and colleagues argue that individuals will simultaneously attempt to sustain in-group differentiation and seek legitimacy for in-group norms. Although much of the work in this area was directed towards the degree of liking towards deviant group members, Marques et al. suggest that other issues may be involved: "In derogating in-group deviants, normative

members may not be simply expressing dislike for these deviants, but, more important, they may be attempting to sustain the correctness of their beliefs about the in-group's superiority and, by the same token, their sense of self-worth both by enhancing their social self-concept and by gaining approval from normative in-group members" (2001: 446).

As the above evidence suggests, group deviants (nonconformists) are typically evaluated unfavorably by conforming group members. Nonconforming members are often disliked (Marques & Yzerbyt, 1988), viewed as less capable (Abrams et al., 2000), or in many cases, such as whistleblowers, retaliated against (Mesmer-Magnus & Viswesvaran, 2005). In such situations, nonconforming group members have two primary options; leave the group or change their behavior to conform to the norms of the group. Turner argued that "when social identity in terms of group membership is unsatisfactory, members will attempt to leave that group (psychologically or in reality)" (1987: 30). Individuals may psychologically withdraw from the group by disidentifying, which involves the process of not defining themselves as part of the same group (Elsbach & Bhattacharya, 2001). Or, individuals may physically leave the group in an attempt to find work in another group or organization. However, this may not be an option for all people, considering that one must take into consideration the availability of job alternatives, the external labor market, and other personal constraints which may hinder a person from being able to leave the group (Carsten & Spector, 1987; Mobley, Horner, & Hollingsworth, 1978). In addition, due to the emotional investment attached to an individual's identification with a group, an individual would experience some psychological loss upon leaving the group (Mael & Ashforth, 1995).

On the other hand, nonconforming individuals may change their behavior and act in accordance with group norms. Assuming that most individuals are not able to leave the group

due to one or many of the reasons listed above and that they have a strong desire to maintain a high level of self-esteem (Brockner, 1988), this may be sufficient motivation to conform to the group's prototype, especially if the individuals identify strongly with the group. This has been validated by previous research. Schmitt & Branscombe (2001) found that high identifiers who were considered low in prototypicality experienced negative affect and were motivated to change this perception by expressing more loyalty to the in-group and demonstrating more support for the group's identity. This finding is similar to the mechanism of behavioral commitment as described by Kiesler (1971), which states that individuals will work hard to reach the expectations of the group in order to receive approval from the other members. This implies that individuals are capable and willing to conform to the group's prototypical norms.

The option individuals select is a function of their identification with the group. The first option, either psychologically disassociating or leaving the group, suggests that the individuals no longer identify with the group. The second option indicates that as individuals identify with a group, they will align their behavior with that of the group.

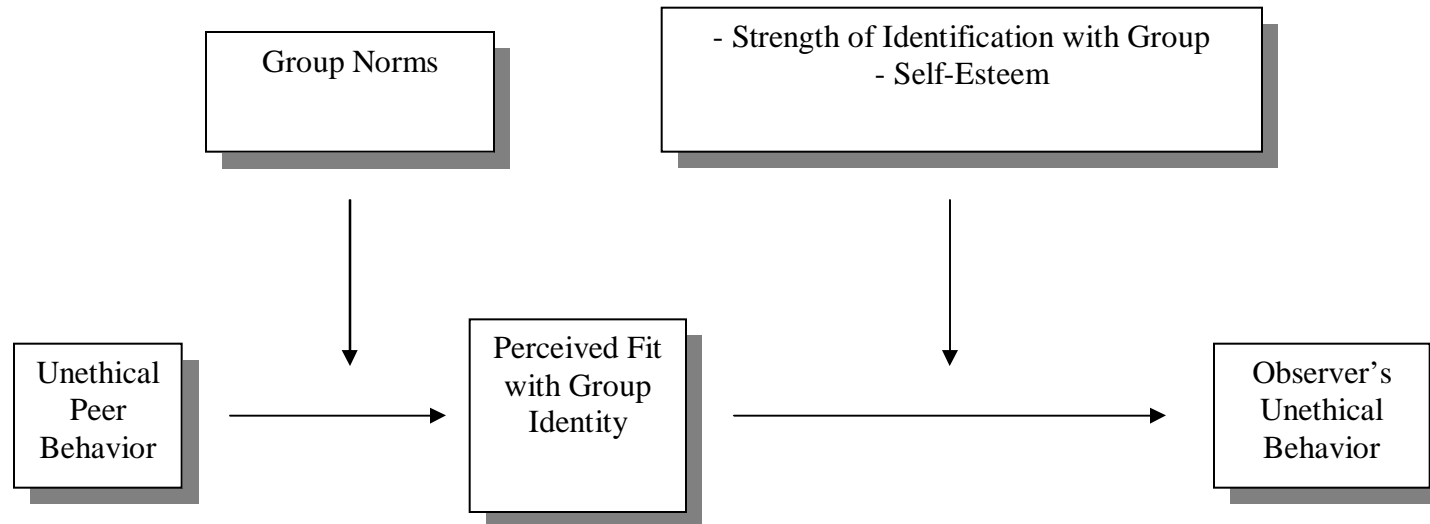
As prescribed in Ashforth and Mael's (1989) conceptual work, the consequences stemming from an individual who identifies with a group include: (1) selection of activities that are in accordance to the group's social identity; (2) loyalty to the group in spite of any negative attributes associated with that group; (3) internalization of, and adherence to, the group's values and norms; and, (4) reinforcement of the group's prestige and practices. These notions have been validated across many domains and have included many forms of behavior, including intraorganizational cooperation (e.g., Dutton et al., 1994; Phua, 2004), organizational citizenship behaviors (e.g., Dutton et al., 1994; Kessler & Parks, 2001; Smith, Organ, & Near, 1983), prosocial behaviors (e.g., O'Reilly & Chatman, 1986; Tidwell, 2005), and other extra-role

behaviors (e.g., Ahearne et al., 2005; Benkoff, 1997; Bhattacharya et al., 1995; Mael & Ashforth, 1992). Through the process of group identification, an individual may also engage in unethical or personally harmful activities so long as it enhances the larger self (Staw, 1984). In reference to this assertion, Doosje and colleagues (1998) argue that even under situations that may be deemed as immoral, high identifiers may either deny that the behavior occurred, or may try to justify it in order to maintain the group's positive social identity.

As this body of evidence suggests, SIT proposes that unethical peer behavior will trigger behavioral conformity consistent with the group prototype. In other words, the observer will evaluate the peer's unethical behavior in relation to, and act in accordance with, his/her group's identity (see Figure 3). Given that most entities have a vested interest in discouraging unethical behavior (e.g., Robinson & O'Leary-Kelly, 1998), this reasoning again challenges the common assumption in the business ethics literature that unethical peer behavior is positively associated with the likelihood that an observer will engage in unethical behavior. SIT challenges this conventional wisdom: from an SIT perspective, unethical peer behavior is likely to have a *negative* relationship with observers' unethical behavior.

H3: Perceived fit with group identity will mediate the relationship between unethical peer behavior and observers' unethical behavior such that unethical peer behavior will be negatively related to perceived fit with group identity and perceived fit with group identity will be positively related to observers' unethical behavior.

Figure 3: Social Identity Model





As previously mentioned elsewhere, the norms of the group dictate the appropriate behavior expected of all group members (Terry & Hogg, 1996). As individuals identify with the group, the norms of the group become internalized resulting in behavioral conformity (Abrams, 1994; Turner et al., 1994). The preceding hypothesis assumes that group norms support ethical behavior. However, it is possible that group norms do not support ethical behavior and may even support unethical behavior, as implied in the academic dishonesty literature (e.g., McCabe & Treviño, 1993; Michaels & Miethe, 1989). This may be true even if the overall organizational culture supports ethical behavior. As suggested by the literature on organizational sub-cultures (e.g., Hofstede, 1998; Martin, 1992; Sackman, 1992), sub-cultures can exist independently of the organization's culture and may influence individual behavior in a manner that is markedly different from that prescribed by the organization's overall culture (e.g., Brown, 1995; Hofstede, 1998; Martin, 1992; Martin & Siehl, 1983). Empirical evidence has shown that sub-cultures may have a greater impact than the organization's culture on individual outcomes (e.g., Lok & Crawford, 2001) and behavior (Hofstede, 1998). This supports a prediction that the relationship between unethical peer behavior and perceived fit with group identity will depend upon the direction of the group norms (i.e., either supporting unethical behavior or discouraging unethical behavior).

H4a: The direction of the group norms will moderate the relationship between unethical peer behavior and perceived fit with group identity such that norms supporting unethical behavior will be associated with a positive relationship.

H4b: The direction of the group norms will moderate the relationship between unethical peer behavior and perceived fit with group identity such that norms supporting ethical behavior will be associated with a negative relationship.

## **Moderating Effects of Strength of Identification and Self Esteem**

*Strength of identification.* The extent to which an individual identifies with a group is a matter of degree (Ashforth & Mael, 1989). Not all group members are equally affected by group membership, and research has suggested that it is important to distinguish between those who are classified as low, versus high, identifiers to a group (e.g., see Doosje et al., 1998). Ashforth and Mael (1989) identified four instances where individuals are more likely to identify with a group. First, identification is increased in groups where the value's and practices are distinct from comparable groups (Oakes & Turner, 1986; Tolman, 1943). Second, related to the arguments regarding self-esteem, individuals are more inclined to identify with a prestigious group (Chatman, Bell, & Staw, 1986; March & Simon, 1958), as individuals prefer to associate with “winners” rather than “losers”. Third, identification is likely to be increased when one is aware of potential out-groups (Allen, Wilder, & Atkinson, 1983; Turner, 1981), reinforcing the awareness of one's own in-group. Finally, group identification is influenced by factors commonly associated with group formation, including: interpersonal interaction, similarity, liking, proximity, shared goals or threat, and common history. Stemming from this conceptual manuscript, researchers have proposed a variety of variables that may accentuate the tendency for an individual to identify with an organizational group. These include: individualism-collectivism dimension (Gundlach et al., 2006), biodata (Cornwell & Coote, 2005; Mael & Ashforth, 1995), perception and prestige of the group (e.g., Ahearne et al., 2005; Bhattacharya et al., 1995; Cornwell & Coote, 2005; Mael & Ashforth, 1992), interaction with other individuals in a group (e.g., Ahearne et al., 2005; Bhattacharya et al., 1995; Dutton et al., 1994), the attractiveness of the group (e.g., Ahearne et al., 2005; Dutton et al., 1994), tenure (e.g., Cornwell

& Coote, 2005; Bhattacharya et al., 1995; Mael & Ashforth, 1992; Phua, 2004), number of other group memberships (e.g., Bhattacharya et al., 1995; Cornwell & Coote, 2005; Mael & Ashforth, 1992), motivation for participation (e.g., Cornwell & Coote, 2005), person-organization fit (e.g., Dutton et al., 1994), distinctiveness of the group (e.g., Dutton et al., 1994; Mael & Ashforth, 1992), self-esteem (Dutton et al., 1994), intra- and interorganizational competition, satisfaction with the organization, and sentimentality (Mael & Ashforth, 1992).

Bhattacharya and colleagues (1995) grouped factors that influence the degree of group identification into three broad categories: group characteristics, affiliation characteristics, and activity characteristics. Group characteristics concern a member's perceptions of the group and its offerings (Bhattacharaya et al., 1995). One factor believed to increase the likelihood that an individual identifies with his or her group is group prestige. Group prestige refers to an individual's beliefs of what others think of the focal group. As suggested by SIT, individuals are drawn to groups that are able to enhance their self-esteem, as well as provide a positive social identity. Thus, as an individual perceives that his or her group is attractive to outside members, the greater the tendency for that individual to identify with the group. This relationship has been shown to be significant and positive in a number of studies in different contexts including art museum members (Bhattacharya et al., 1995), breast cancer survivors (Cornwell & Coote, 2005), and alumni (Mael & Ashforth, 1992).

A second group characteristic that increases the likelihood that individuals will identify with their group is the perceived characteristics of the group. SIT suggests that the perceived favorability of the group's central, distinctive, and enduring characteristics tends to increase the likelihood that one will identify with a salient group. An important aspect of this notion is that the likelihood to identify should be greater if these characteristics are congruent with one's self-

image. The reason being, individuals strive to maintain a consistency between their behavior and self-perceptions (Festinger, 1957). Further, an individual will be more attracted to a group identity, according to Dutton and colleagues (1994), when it matches their sense of who they are (fit) because: (1) this information is easily comprehended and processed; (2) it provides a viable avenue for self-expression (Shamir, 1991); and, (3) it maintains his or her integrity. Finally, SIT proposes that individuals identify with groups that encompass characteristics that are personally valued and are distinctive from other groups. In a study examining a physician's likelihood to identify with a pharmaceutical company, Ahearne et al (2005) found that the individuals who were more likely to identify with the pharmaceutical company were those physicians who reported more favorable perceptions of the company. Individuals will increase their tendency to identify with a group that offers favorable characteristics.

As described by Bhattacharaya et al (1995), affiliation characteristics are those related to an individual's membership. For example, an employee's length of tenure within a group has been shown to be associated with group identification. This is attributed to the fact that as individuals spend more time in an organization, they are acclimated to the group identity, making the characteristics of the group more accessible from memory (Bruner, 1957; see also Bhattacharya et al., 1995). Current research has provided consistent results with regard to tenure's association with group identification. For instance, in a study examining alumni, Ashforth and Mael (1992) found that tenure was positively and significantly associated with organizational identity. Likewise, Cornwell and Coote (2005) found that the number of years one participated in a race was significantly related to organizational identification. Finally, Bhattacharya and colleagues (1995) reported a positive and significant relationship between length of membership to an art museum and the level of identification.

Other factors work against group identification. For example, according to SIT, individuals have multiple group identities. In an organizational setting, individuals may hold an identity related to their group as well as the organization. In addition, as organizations become more complex, they may require an individual to work with multiple groups. Although these identities may be congruent, they are often described as loosely coupled (Ashforth & Mael, 1989). An important implication of these multiple identities is that the relative importance one feels toward a single group may be diluted by the number of groups he or she belongs (Bhattacharya et al., 1995). As cautioned by Turner (1982), when members of a group are distracted from the group's common purpose, as in the case of working in multiple groups, their identification with the focal group might be weakened. Therefore, one would predict that there would be a negative relationship between the number of groups to which individuals belong and their level of identification. This has been supported by the literature in this area (e.g., Bhattacharya et al., 1995; Cornwell & Coote, 2005; Mael & Ashforth, 1992).

The strength with which one identifies with a group also influences subsequent behavior. Those who identify less with a group are motivated to protect their own individual identity (Doosje & Ellemers, 1997). Less identified individuals will behave in accordance to their own self-interests, regardless of whether the actions taken are in the best interest of the group. In contrast, those who highly identify with a group are less likely to participate in behavior that only serves their own interests, but instead are motivated to protect the identity of the group as a whole (Branscombe & Ellemers, 1998; Doosje & Ellemers, 1997). Strong identifiers are more likely to act in accordance with the group's norms in order to preserve their self-esteem and maintain a positive social identity. Further, evidence suggests that individuals who contribute positively to the identity of the group are favored by members of the group over individuals

whose behavior harms the group's image (e.g., Marques, Yzerbyt, & Leyens, 1988; Schmitt & Branscombe, 2001). Thus, in order to be viewed by group members in a positive light and to retain a high level of self-esteem, strong identifiers are likely to conform to the behavior of members of the group (e.g., Barreto and Ellemers, 2000). Likewise, Noel and colleagues (1995) found that individuals strongly identifying with an "in-group" engaged in anti-social behavior towards members of an "out-group" in the form of derogation. However, the direct relationship proposed in SIT between group identification and conformity to the group's norms and behaviors is weakened for low identifying individuals (e.g., Barreto & Ellemers, 2000; Doosje et al., 1998; Ethier & Deaux, 1994; see also Hogg et al., 2006; Sanders, 2004). Therefore, when the group prototype supports unethical behavior, a highly identified member is more likely to follow suit and behave unethically. However, low identifying individuals are more concerned with themselves and are less likely to engage in the prototypical behavior, particularly if the behavior is unethical in nature.

H5: The higher the degree of group identification, the stronger the relationship between perceived fit with group identity and observer's unethical behavior.

*Self-esteem.* Self-esteem is a key dimension in SIT and has been noted to be the motivation behind intergroup behavior (Tajfel & Turner, 1979). Rosenberg (1965, 1979) offered a widely accepted definition of self-esteem: "the evaluation which the individual makes and customarily maintains with regard to himself; it expresses an attitude of approval or disapproval" (Rosenberg, 1965: 5). Generally speaking, those individuals with a high level of self-esteem feel good about themselves, whereas individuals with low levels of self-esteem often feel bad about themselves. It has also been stated that low self-esteem individuals are "susceptible to influence by external and, particularly, social cues" (Brockner, 1988: 27) primarily due to the fact that

these individuals are often unsure of the correctness of their thoughts and actions and turn to others to guide them. Likewise, Bandura (1971, 1977) and others (e.g., Flanders, 1968) have posited that low self-esteem individuals are less confident about their actions, particularly in ambiguous situations, and are more likely to imitate the behavior of others. This has been validated in a number of studies (e.g., Bandura, 1986; Weiss, 1978). Due to the fact that ethical situations are often characterized as uncertain and ambiguous (Dubinsky & Levy, 1985), I expect that an individual's level of self esteem will moderate the relationship between the degree to which the group prototype supports unethical behavior and the observer's unethical behavior.

H6: The lower the observer's degree of self-esteem, the stronger the relationship between perceived fit with group identity and observer's unethical behavior.

## **SOCIAL COMPARISON THEORY**

Theorists have long noted the importance of social comparison processes on individual outcomes such as attitudes, emotions, and behavior (e.g., Adams, 1965; Bandura, 1977; Festinger, 1954; Kelley, 1952; Pettigrew, 1967; Schachter, 1964; Stouffer, Suchman, DeVinney, Starr, & Williams, 1949; Tajfel & Turner, 1979). Much of this literature was spawned by the "reference group" tradition that began in the 1950's. A reference group is "any group that a person uses as a standard for self-evaluation or attitude formation" (Shaver, 1987: 241). Research in this domain emphasizes the role that reference groups play in the development of social norms and structures as well as individual attitudes, beliefs, values, and actions (e.g., Merton & Rossi, 1968). Reference groups can influence individuals in two ways: through normative pressures and social comparison (Kelley, 1952). Normative pressure refers to the notion that groups establish expectations governing behavior and enforce adherence to these expectations through rewards and sanctions. As seen from previous sections in this manuscript,

social identity and social learning are two notable theoretical contributions to the notion of normative pressures. It is this type of influence that has formed the basis for much of the previous contextual research in the ethical decision-making literature (e.g., Treviño, 1986). However, reference groups provide more than behavioral expectations. They also provide a basis for social comparison. Research pertaining to social comparison can be traced to earlier work in Western philosophy, social psychology, and sociology (Suls & Wheeler, 2000). However, it wasn't until Festinger's (1954) seminal theory of social comparison that researchers began to take a major interest in how and why individuals compare themselves with others.

According to Festinger (1954), there are two general assumptions that form the foundation of social comparison theory (SCT): (1) people are motivated to evaluate their attitudes, opinions, and abilities, and (2) in the absence of objective standards, such as when the information environment is vague, ambiguous, and unstructured, this evaluation will occur through a comparison with other people. A major tenet of the theory is that when individuals make comparisons, they tend to make the comparisons with similar others. Referred to as the "similarity hypothesis", this notion suggests that individuals tend to make comparisons with similar, rather than dissimilar, individuals because similar others offer more adequate and relevant comparative information. Arguably, if individuals attempt to make comparisons with referent others who are very different from themselves, the only assessment that they are able to make is that their opinions and abilities are unique. As summarized by Wood (1989), there is empirical support for this hypothesis (Darley & Aronson, 1966; Fox, Ben-Nahum, & Yinon, 1989; Major & Forcey, 1985; Suls & Miller, 1977; Zanna, Goethals, & Hill, 1975).

Despite the supporting evidence, others have questioned this view. For instance, Mettee and Smith (1977) argued that in many cases, individuals prefer to compare themselves with



dissimilar others. Two explanations for this claim were given: (1) the strength of the emotional (potentially negative) consequences is reduced when a comparison is made with dissimilar others, and (2) dissimilar others are often better sources of information. With respect to the first explanation, it has been proposed that unfavorable information about the self is often more painful in comparison with a similar other than with a dissimilar other, as the individual may be able to disregard the latter information as being irrelevant (Wheeler, 1991). This was supported by Major, Sciacchitano, & Crocker (1993), who found that an upward comparison with an in-group member produced lower self-evaluations than an upward comparison with an out-group member. The second explanation, that dissimilar others provide more useful information, may be more applicable in certain situations, such as when similarity of criteria can be assumed by the individual (Mettee & Smith, 1977), when observations are affected by situational biases (Kruglanski & Mayseless, 1990), or when individuals are concerned about their own personal biases (Goethals & Darley, 1977). Likewise, Zimbardo and Leippe (1991) proposed that when the opinion is more or less a matter of fact than a matter of evaluation or when an individual fears invalidity, he or she is more likely to seek a comparison with a dissimilar other than a similar other.

A second tenet hypothesized in Festinger's (1954) seminal paper is commonly referred to as the "unidirectional drive upward"; individuals, particularly those in Western cultures, aspire to improve their abilities. In connection with the desire to compare oneself with a similar other, this drive upward enables the individual to strive to become slightly better than comparison others (Wood, 1989). Although this hypothesis has been validated in previous research (e.g., Bandura, Reese, & Adams, 1982; Helgeson & Taylor, 1993; Lockwood & Kunda, 1997; Mussweiler & Strack, 2000; Seta, 1982), current research indicates that this may be true, but

only under certain circumstances. In particular, comparisons made with similar others, or those that are slightly better than the self, only holds under conditions that align with the individual's motives for such a comparison (Wood, 1989).

An important aspect of SCT pertains to the motives underlying social comparison. Although Festinger focused mostly on self-evaluation (assessing the validity of one's opinions and appraising one's abilities), modern SCT indicates that people compare themselves for other reasons such as self-improvement (improving one's abilities) and self-enhancement (protecting or enhancing one's self-esteem) (Wood, 1989).

According to Festinger, individuals engage in the self-evaluation process when they are primarily concerned with assessing the accuracy or worth of their abilities, opinions, or personality traits. Individuals make self-evaluation comparisons with similar others in order to accurately evaluate the criterion of interest. This phenomenon has been demonstrated in previous studies, often using a rank-order methodology. In these studies, subjects are given false information indicating that their score on an assessment ranks in the middle of scores for other individuals. The subjects are then given the opportunity to view the score of another person and often request to see the scores of others who ranked closest to themselves (e.g., Gruder, Korth, Dichtel, & Glos, 1975; Wheeler, Koestner, & Driver, 1982).

The motive of self-improvement is activated when an individual is interested in learning how to improve or is inspired to improve on a particular attribute. In such cases, the individual typically engages in an upward comparison (comparison with someone who is slightly better in the attribute of comparison), and is in line with Festinger's (1954) idea of the unidirectional drive upward. Research examining this effect has found both positive and negative consequences of such comparisons. An upward comparison has been found to be positive under certain situations

where an individual is able to observe a more proficient person on a particular task (e.g., Blanton, Buunk, Gibbons, & Kuyper, 1999; Taylor & Lobel, 1989), where an individual is able to see another person succeed, which in turn motivates the individual to improve (Huguet, Galvaing, Monteil, & Dumas, 1999; Seta, 1982), where the abilities are irrelevant (Tesser, 1988), or when a person is able to observe others doing well, enabling the observer with a sense of their own potential (e.g., Lockwood & Kunda, 1997; Wheeler, Martin, & Suls, 1997). Although the above research provides support to the notion that upward comparisons can lead to self-improvement, the literature on social comparison is inundated with research indicating that upward comparisons can have negative consequences (e.g., Gibbons, 1986; Major et al., 1993; Wills, 1981). In particular, upward comparison is often times ego deflating or “demoralizing, because one is forced to face one’s own inferiority” (Wood, 1989: 239). In addition, it has also been reported that upward comparisons can result in envy (Schaubroeck & Lam, 2004), especially when the outcome of one individual makes another feel discontent with their own outcome (Kumar, 2004), or result in jealousy (East & Watts, 1999). However, authors have suggested that an upward comparison may evoke positive or negative emotions depending on whom they are comparing themselves with. For instance, it may depend on if the individual is seen as a competitor (Brickman & Bulman, 1977; Mettee & Smith, 1977), a friend (Shah, 1998; Tesser, 1988; Wheeler & Miyake, 1992), or whether the relative position of self and standard is flexible or static (Mussweiler, Ruter, & Epstude, 2004).

In contrast, self-enhancement comparisons appear to be more consistent (see Collins, 1996 for a review). Self-enhancement is seen to occur when an individual makes a biased attempt to maintain a positive view of him- or herself, or to increase his or her level of self-esteem (Gibbons, 1986; Martin & Gentry, 1997). In order for this to occur, an individual

engages in a downward comparison – a comparison with an individual who is lower on an attribute of interest (Wills, 1981). This has been attributed to the fact that downward comparisons can make an individual feel better about him- or herself or about his or her conditions (Wood & Taylor, 1991). Research has indicated that individuals who have experienced job disruption (Pearlin, Lieberman, Menaghan, & Mullan, 1981), marital conflict (Menaghan, 1982), general stressors (Pearlin & Schooler, 1978), and enrichment of tasks (Montagno, 1985) rated their situations more favorably than others.

Whether an individual engages in comparison processes for reasons of self-evaluation, self-improvement, or self-enhancement, the result is often a mixed range of emotional reactions (Kumar, 2004). Although positive emotions are seemingly beneficial for those individuals and the organization (e.g., Lockwood, Dolderman, Sadler, & Gerchak, 2004), it is the negative emotions that are disconcerting as it often times leads to detrimental consequences for an organization. If people are unable to reduce negative feelings and rebuild self-esteem through conventional means, they may turn to deviant, hostile, or even violent behavior (e.g., Greenberg, 1990; Skarlicki & Folger, 1997; Martin & Murray, 1984).

Given the above notions, an apparent context in which SCT could be applied is the ethical decision-making process. Researchers have characterized ethical situations as being commonly associated with high levels of complexity, uncertainty (Ward, Ward, & Deck, 1993) and ambiguity (Dubinsky & Levin, 1985) – the type of situations that trigger social comparison processes (e.g., Festinger, 1954). Yet, few studies and even fewer theoretical treatments of social comparison processes are found in the ethical decision-making literature. This is particularly surprising given the apparent applicability of social comparison in understanding

unethical behavior. As such, SCT has much to offer a field that has been criticized for a lack of theoretical development (e.g., O'Fallon & Butterfield, 2005; Randall & Gibson, 1990).

## **Social Comparison Theory as a Link between Unethical Peer Behavior and Observers'**

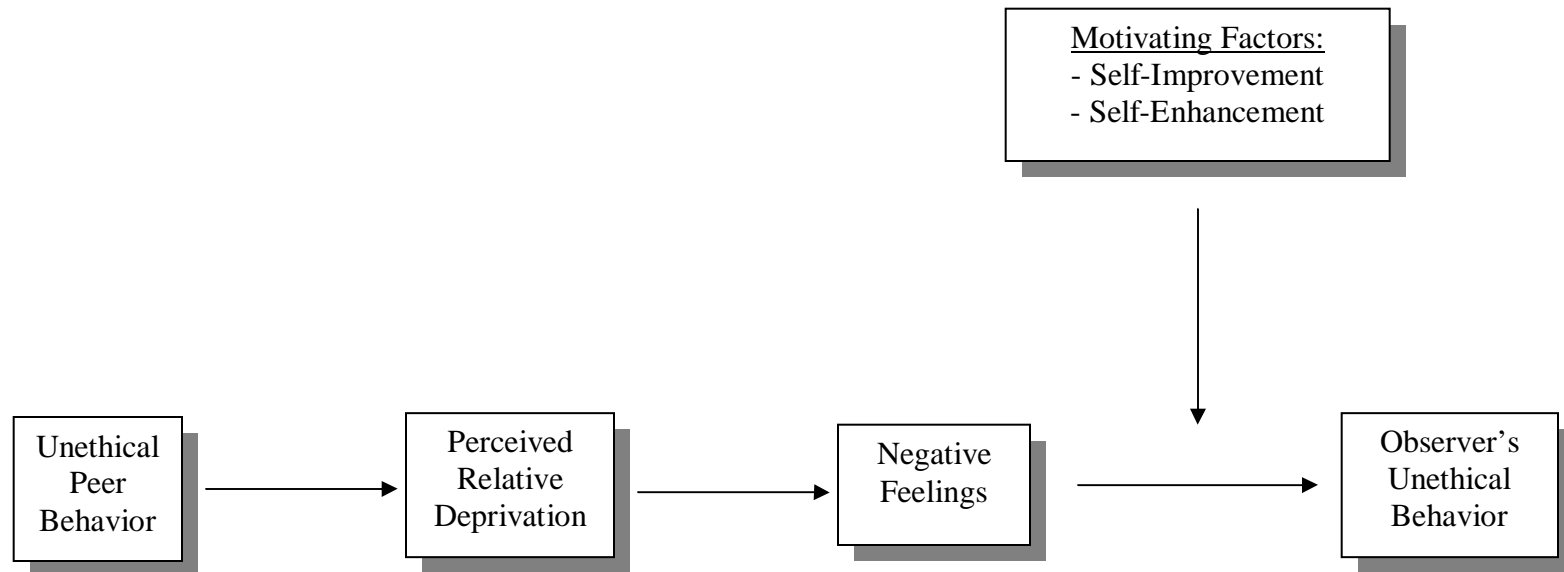
### **Unethical Behavior**

Due to the complexity of SCT, we must begin our discussion by stating a few assumptions and boundary conditions. First, although individuals compare themselves to others along many dimensions (ability, characteristics, opinions, emotions, attitudes, etc.), we focus on organizationally and academically relevant dimensions such as performance, rewards/compensation, and status/power. Second, we are not attempting to describe comparison processes between groups, as might be explained by social identity theory. The primary focus in this section of the manuscript is on comparisons between the focal individual and a referent other (referred to hereafter as the "observer" and the "peer"), who may or may not be part of the observer's group. Third, I follow Shaver in distinguishing two different aspects of social evaluations: "location" and "valuation" (1987: 245-246). Location refers to one's standing relative to a peer. Valuation refers to the value that is placed on the issue at stake. This distinction is important because people do not value all issues equally. For instance, one person might place a high value on receiving a promotion, whereas another person might not. In this discussion, it is assumed that the observer places a high value on the issue at stake, which is a component of relative deprivation theory. Finally, we are not suggesting that unethical behavior is the observer's most common or even primary reaction to an unfavorable social comparison. As seen in Figure 4, the primary mechanism linking peer unethical behavior to an observer's unethical behavior is the feelings of relative deprivation. Thus, this discussion focuses on the

negative feelings that arise when the observer compares him or herself to a peer and falls short of a desired level.

Figure 4 illustrates the proposed model of social comparison effects on observer unethical behavior. Feelings of relative deprivation (as described by the theory itself and related theories) are a central mechanism in establishing the link between peer unethical behavior and observer unethical behavior. In order to establish the link, we appeal to relative deprivation theory (e.g., Stiles et al., 2000; Masters & Smith, 1987; Crosby, 1976; Davis, 1959), and related theories such as equity theory (e.g., Adams, 1965) and organizational justice theory (e.g., Bies & Moag, 1986; Greenberg, 1990; Leventhal, Karuza, & Fry, 1980; Lind & Tyler, 1988; Thibaut & Walker, 1975). Relative deprivation theory is similar to equity theory (Adams, 1965) in predicting general behavioral outcomes of social comparison. However, equity theory focuses on outcome distributions between people who are similar, whereas relative deprivation theory requires no such restriction (Martin & Murray, 1984). In addition, when social comparison reveals that an individual is at a disadvantage compared to a referent other, relative deprivation theory offers a more comprehensive explanation of resulting behavior. Thus, relative deprivation theory is considered more suitable for the present analysis.

Figure 4: Social Comparison Model



A formal interpretation of relative deprivation theory was developed by Davis (1959) in his review of The American Soldier (Stouffer, Suchman, DeVinney, Star & Williams, 1949). A basic postulate of relative deprivation theory is that people engage in social comparison when faced with situations involving the distribution of outcomes. Although “objective” information regarding the distribution of outcomes may be available, subjective perceptions of inequitable outcome distributions are more relevant in eliciting feelings of relative deprivation. Social comparison is a primary process by which people learn about themselves, and it therefore has important implications for people’s feelings and self-esteem. A favorable social comparison can enhance one’s self-esteem and evoke positive feelings. An unfavorable social comparison can diminish one’s self-esteem and evoke negative feelings such as envy, discontent, dissatisfaction, or perceived injustice (Shaver, 1987; Stack, 1984). In the case of an unfavorable comparison, people are motivated to reduce their negative feelings and rebuild their self-esteem. To alleviate these feelings, an individual may engage in socially unacceptable behavior (Crosby, 1976; Dube & Guimond, 1986).

To elicit the negative feelings, theorists argue that three preconditions must be met. First the observer perceives that his or her peer’s have a desired good or opportunity. Second, the observer must want the good or opportunity. Finally, the observer must feel entitled to the good or opportunity (Davis, 1959). In a situation in which any of these preconditions are not satisfied, relative deprivation does not occur.

Support for relative deprivation has been vast in many areas of research. For example, relative deprivation theory has been applied to the contexts of discrimination (Dambrun, Taylor, McDonalds, Crush, & Moet, 2006; Guimond & Dambrun, 2002; Schmitt & Maes, 2002), (Chakravarty & Mukherjee, 1999), income and pay level (Sweeny, McFarlin & Inderrieden,



1990), psychological disengagement (Tougas, Rinfert, Beaton, & de la Dablonniere, 2005), and gender inequity (Ngo, Foley, Wong & Loi, 2003). Relative deprivation has also been applied to deviant behavior. Stiles and colleagues (2000) found that negative self-feelings mediate the relationship between relative deprivation and deviant behavior. More specifically, relative deprivation was positively associated with violent crime, property crime, and drug use via negative self-feelings.

In a related area of inquiry, equity theory proposes that individuals are motivated to maintain fair and equitable relationships with others, and to avoid those relationships that promote inequality (Adams, 1965), as inequitable perceptions lead to undesirable effects. According to equity theory, an individual evaluates the ratio of his or her perceived outcomes (e.g., pay, fringe benefits, prestige) to inputs (e.g., time worked, exerted effort). When an individual perceives that his/her ratio of outcomes to inputs is dissimilar to that of a comparative other, inequity arises. Inequity results in negative feelings, such as discomfort or distress (Scheer, Kumar, & Steenkamp, 2003), and individuals are motivated to reduce these negative emotions. In order to alleviate the negative emotions, individuals may engage in a number of options, including: (1) change their perceptions of their own or the comparison other's ratio of inputs to outcomes; (2) alter their inputs (e.g., not working as hard) or outcomes (e.g., ask for a raise), (3) attempt to reduce the comparative other's inputs or outcomes, or (4) quit.

In the organizational literature, a number of researchers have examined the relationships between pay and equality perceptions. For instance, this association has been studied with respect to job and pay satisfaction (e.g., Levine, 1993; Oldham, Kulik, Ambrose, Stepina, & Brand, 1986), absenteeism (e.g., Summers & Hendrix, 1991), turnover (e.g., Levine, 1993; Telly, French, & Scott, 1971), work performance (e.g., Summers & Hendrix, 1991), and sensitivity to

external market pay levels (Ezzamel & Watson, 2002; O'Reilly, Main, & Crystal, 1988). In each of these studies, when the focal individual perceived the process to be equitable, it resulted in positive outcomes. For example, Levine (1993) found that workers who received higher wages were less likely to quit and more satisfied with their pay.

There is also evidence to support the opposite effect – that negative consequences arise from inequitable perceptions (e.g., Greenberg, 1990; Chen, Choi, & Chi, 2002; Schaubroeck & Lam, 2004; Scheer, et al., 2003). For instance, Shapiro and Wahba's (1978) study of compensation and pay satisfaction showed that people who perceived their compensation to be inequitable reported feelings of dissatisfaction. This dissatisfaction led to dysfunctional behaviors such as turnover, absenteeism, slowdowns, decreased performance and high accident rates. Greenberg (1990) found that individuals who were given a 15% decrease in their annual salary took it upon themselves and increased their outcomes by pilfering money from the organization. It was reported that individuals who felt underpaid were twice as likely to steal money from the organization as were individuals who felt equitably paid. However, when an individual was given an explanation for the pay cut, in an honest and caring manner by the president of the organization, the results were less severe (i.e., less money was stolen).

A final body of research that allows me to derive a relationship between peer unethical behavior and observer unethical behavior is found in the organizational justice literature. Researchers have examined three primary forms of injustice in organizations: distributive (which includes retributive), procedural, and interactional. Distributive justice is concerned with people's reactions to unfair outcome distributions (e.g., Adams, 1965; Greenberg, 1990). Retributive justice is closely related to distributive justice in that it concerns the fairness of observed punishment distributions. However, retributive justice concerns focus explicitly on

retaliatory responses to unfair outcome distributions (i.e., “giving people their just desserts”; Hogan & Emler, 1981). For instance, if an employee is caught stealing from the company, one might expect the supervisor to take punitive action against that employee (e.g., Treviño, 1992). Procedural justice focuses on the fairness of the procedures used to achieve outcomes (e.g., Leventhal, 1980; Thibaut & Walker, 1975). According to Leventhal, observers evaluate the fairness of procedures relative to criteria such as consistency, accuracy and representativeness of information, correctability, and ethicality. Interactional justice refers to the perceived quality of the interpersonal treatment used by decision makers, including respectful behavior and truthfulness of communication (e.g., Bies & Moag, 1986). This area of research has shown that individuals believe outcomes and procedures to be most fair when an individual’s viewpoint is taken into consideration (Tyler, 1988), decisions are made without bias (Lind & Lissak, 1985), individuals are treated in a polite and civil manner (Bies & Moag, 1986), someone (either the individual or a peer) is able to receive a positive outcome (Ambrose, Harland, & Kulik, 1991), and supervisors show adequate sensitivity and concern towards the individuals (Skarlicki & Folger, 1997). Favorable outcomes (e.g., positive justice perceptions) are more likely when more of these dimensions are addressed, and unfavorable outcomes (e.g., retaliation) are more likely when fewer of these issues are addressed.

Empirical evidence of the link between injustice perceptions and unethical behavior is provided by research on workplace aggression and revenge (e.g., Ambrose, Seabright, & Schminke, 2002; Aquino, Tripp, & Bies, 2001), which has examined how perceptions of workplace unfairness lead to vengeful workplace behaviors. Recipients of inequitable allocations have been shown to attempt to “even the score” with the referent other through actions such as limiting the rewards received by the referent other (e.g., Bennett, 1998; Adams,

1965). Ball, Treviño & Sims' (1994) field study showed that people who received unfair punishments were more likely to engage in behaviors such as retaliating against or lying to their boss and attempting to sabotage or interfere with the work of their coworkers. Skarlicki and Folger (1997) found that distributive, procedural, and interactional justice perceptions interacted to predict retaliatory behaviors. Specifically, distributive injustice only predicted retaliatory behaviors when procedural justice and interactional justice were low. With respect to procedural justice, fair procedures tended to moderate the relationship, such that an individual's retaliatory tendencies seemed to diminish what would have otherwise been maximized under conditions of low distributive and interactional justice. Similarly, under conditions where employers tended to treat employees with respect and dignity, as well as provide a sense of sensitivity and concern toward the employees, the employees were somewhat tolerant of unfair pay distributions and procedures. In a study of employee reactions to unfair processes, Kickul (2001) found that individuals were more likely to behave in a deviant manner when they perceived that the organization failed to fulfill promises and conducted itself improperly. Ambrose et al. (2002) found a strong link between injustice perceptions and workplace sabotage. They found that when the source of injustice was interactional, individuals were more likely to engage in retaliatory behavior, whereas when the source of injustice was distributive, the reaction was more likely to involve the restoration of equity. Finally, in a related context of academic cheating behavior, McCabe and colleagues (1999) found that student cheating has been linked to perceived unfairness such as an unfair grade distribution (a distributive justice issue), unfairness of grading procedures (a procedural justice issue), and unfair treatment by faculty (an interactional justice issue).

The above evidence found in the relative deprivation, equity, and justice literatures suggests that when an observer views a peer engaging in unethical behavior in order to gain an outcome desired by the observer, perceived inequity and injustice occurs, resulting in feelings of anger, resentment, grievance, moral outrage, envy, or low self-worth (e.g., Runciman, 1966; Stack, 1984; Stiles, et al., 2000). This negative evaluation can serve as threat to the individual's self-esteem and may invoke negative self-feelings. In order to alleviate these feelings, the individual may engage in an unethical act.

H7a: Unethical peer behavior will be positively related to perceived relative deprivation.

H7b: Perceived relative deprivation will be positively related to negative self-feelings.

H7c: Negative self-feelings will be positively related to observers' unethical behavior.

### **Moderating Effect of Self-Improvement and Self-Enhancement**

As previously stated and consistent with the Festinger's (1954) unidirectional drive upward hypothesis, individuals are continuously striving to improve themselves. The empirical evidence in support of this notion is evident in studies using a rank-order approach. These studies have repeatedly shown that when individuals have an option of comparing themselves on a dimension with a peer, they engage in a comparison with a peer who is slightly better than themselves (e.g., Gruder, 1971; Wheeler, Shaver, Jones, Goethals, Cooper, Robinson, Gruder, & Butzine, 1969; Wheeler & Koestner, 1984). Making a comparison with another individual who is slightly better than oneself may result in positive consequences for the individual. Individuals are now able to make inferences about their own performance or potential (Wood, 1989), particularly if the comparison is made with a similar other. If the individuals conclude that they are able to perform at the higher level, they may be motivated to achieve the desired level in order to improve themselves. In the current context, individuals may discredit the unethical

behavior of a peer because it does not fit with their motive of improving oneself. Therefore, even if individuals experience negative feelings derived from relative deprivation, they may not engage in an unethical act on the basis that they are able to recognize that it may not result in self-improvement.

H8a: The more the observer seeks self-improvement, the weaker the relationship between negative self-feelings and observer's unethical behavior.

Individuals make comparisons for other reasons than improving oneself. Another motive is self-enhancement (Wood, 1989). Simply speaking, individuals want to believe that they are better than their peers (Collins, 1996) because oftentimes people associate the idea of being better with being good (Festinger, 1954). Therefore, individuals engage in comparisons for self-enhancement purposes.

Comparisons related to self-enhancement are primarily aimed at protecting or improving one's self-esteem (Gibbons, 1986; Martin & Gentry, 1997). Self-esteem, as it relates to the social comparison literature, is often enhanced when an individual makes a downward comparison – a comparison with a peer who is rated slightly lower on a dimension. As mentioned elsewhere, there is empirical support for this view of engaging in a downward comparison to enhance one's own self beliefs (e.g., Menaghan, 1982; Montagno, 1985; Pearlin & Schooler, 1978; Pearlin, et al., 1981). However, recent theorists have also argued that individuals make upward comparisons for self-enhancement purposes (e.g., Collins, 1996). Regardless of whether individuals make an upward or downward comparison for self-enhancement purposes, the motive is the same – to be better than their peers. Incorporating this notion into the current context, individuals who witness their peers engage in unethical behaviors may choose not to behave similarly on the basis that they want to be better than their peers.

Instead, the individuals may be motivated to act ethically because they have earned their accomplishments honestly, placing them slightly better than their peers.

H8b: The more the observer seeks self-enhancement, the weaker the relationship between negative self-feelings and observer's unethical behavior.

## **OTHER MODERATING FACTORS**

One of the objectives of this study is to examine circumstances in which the relationship between unethical peer behavior and an observer's unethical behavior might be strengthened, weakened, or reversed. As such, a number of additional moderating factors are examined, which are predicted to affect the strength or direction of the overall relationship between unethical peer behavior and the observer's unethical behavior. Within the field of ethical decision-making, theorists have suggested that the relationship between various independent variables and an individual's unethical behavior can be moderated by a number of contextual and individual variables (e.g., Jones, 1991; Treviño, 1986). The moderating factors of interest include moral differentiation, self-monitoring, and ethical culture.

### **Moral differentiation**

One possible explanation for the positive relationship commonly found in previous research between unethical peer behavior and observers' unethical behavior is that these studies examined people in situations with significant uniformity pressures (e.g., strong norms, social attraction, and social learning situations). However, what is often overlooked are the potential effects on an individual's behavior when these pressures may be minimal or non-existent, particularly under situations when an individual is faced with a vague, ambiguous, complex, or uncertain ethical situation. When faced with uncertain situations, individuals may look beyond objective information and rely on their expectations (Sonenshein, 2007). In a general sense, the

more moral one's expectations become, the less likely the individual will engage in unethical behaviors. Under such circumstances, we may expect a *negative* relationship between unethical peer behavior and individual unethical behavior – i.e., as unethical peer behavior increases, the observer becomes *less* likely to engage in unethical behavior.

A negative relationship would be consistent with Festinger's (1954) "unidirectional drive upward". Assuming that this principle applies to unethical behavior (i.e., one is striving to become a more moral person), unethical peer behavior is unlikely to evoke unethical behavior on the part of the observer, and may even provoke the opposite reaction – a desire to behave more ethically. This is consistent with my earlier discussion regarding the motives for self-improvement and self-enhancement. The stronger one's desire to improve or enhance him- or herself, the more likely the individual will distance him- or herself from others' unethical activities. By allowing oneself to succumb to the unethical activities portrayed by others, neither motive is achieved, at least in a moral sense.

Beyond the basic tenets of social comparison theory, other theoretical views bring forth potential explanations that counter the "monkey see, monkey do" explanation often reported from a social learning perspective. One possible explanation is the notion of 'possible selves' (Markus & Nurius, 1986), which serves as a mechanism that guides individual behavior. According to Markus and Nurius (1986), 'possible selves' represents our ideal self and is based on three aspects; what we would like to become, what we might become, and what we are afraid of becoming. Given that most individuals have respect for human dignity and worth (Aguilera, Rupp, Williams, & Ganapathi, 2007), one of our many possible selves may include a moral self. That is, individuals want to become moral, believe that they can be moral, and are afraid of what transpires when they are not moral. The stronger the moral self resides in an individual, the



more it becomes a part of his or her personal identity. As personal identities are comprised of various personalities and characteristics (Ashman & Winstanely, 2007), not all individuals prescribe to the same moral self, in a relative sense. For instance, an individual with a high moral self may have a greater need for a ‘meaningful existence’. Aguilera and colleagues (2007) describe a ‘meaningful existence’ as the ability to shift one’s focus from economic self-interests and group standing to what is morally correct. In such a situation, “one is drawn to what one feels is [right], independent of how actions affect one personally” (Aguilera et al., 2007: 842). Therefore, when individuals prescribe to their moral self, they are more likely to be motivated to “differentiate” themselves from the unethical actions of their peers. When this differentiation is based on a moral foundation, it is what I call “moral differentiation”.

Tentatively, I describe moral differentiation as a multidimensional construct that offers insight into how and why individuals distance themselves from others in a moral sense. It is the extent to which individuals characterize themselves as being “better” – more principled/moral – than others (c.f., Festinger, 1954). It involves the notion of being “above” certain unethical behaviors, while not succumbing oneself to the unethical behaviors of others. It is a construct describing one’s depreciation of others’ low ethical beliefs, values, standards, and behaviors. Finally, it is a process of which, or a set of practices, that focuses on raising oneself to a higher moral level. In essence, moral differentiation explains why certain individuals will make ethical decisions in difficult situations, in spite of circumstances that may result in negative personal consequences.

In this study, I have operationalized moral differentiation as being comprised of five components that theoretically explain the notion of differentiating oneself from another. As Sonenshein states, “individuals see what they want to see” (2007: 1029), implying that certain

characteristics may deter individuals away from the behavior of others. The included components are: low sociability (a “big five” personality dimension that includes introversion; e.g., McCrae & Costa, 1999); low need for affiliation (which indicates that the observer has little need to establish, maintain or restore close personal relationships with others; e.g., McClelland, 1971); proximity (the psychological, social, cultural, and/or physical distance between people (Jones, 1991: 376)); negative relationships (i.e., one strives to be dissimilar from a peer that he or she dislikes (French & Raven, 1959)); and, moral identity (“a self conception organized around a set of moral traits” (Aquino & Reed, 2002)). Each is discussed in detail below.

*Introversion.* Introversion, as the opposite of extraversion, is one of the “Big Five” personality traits of what is known as the five-factor model (FFM) of normal adult personality (Digman, 1990; Goldberg, 1993). Individuals characterized as being extraverted have the tendency to be outgoing, active, assertive, high spirited, and tend to seek excitement. These individuals have been shown to have a high regard for status, recognition, and power (Costa & McCrae, 1988). As a result, they tend to prefer to be around others and will spend more time socializing with their peers than will introverts (the theoretical opposite of extraverts) (Costa & McCrae, 1992). In contrast, introverted individuals prefer to be alone, thus avoiding contact with their peers. Research has shown that extraverts report higher levels of work related performance (e.g., Barrick & Mount, 1991; Liao, & Chuang, 2004), relationship building (Wanberg, & Kammeyer-Mueller, 2000), and tend to seek support from others during stressful situations (Watson & Hubbard, 1996). Further, Phillips and Bedeian (1994) argue that extraverted individuals are more likely to seek interaction with others (particularly others in a leadership position) to not only gain the satisfaction derived from the interaction, but to also increase the possibility of being assigned rewarding tasks. As the above evidence suggests, extraverted

individuals seek social interaction as a form of personal stimulation. As a result, they may seek to establish closer relationships with their peers, making them susceptible to their peers' behavior. In fact, in three of four studies, Cizek (1999) found that extraversion was positively related to cheating. In contrast, due to their tendency to avoid contact with others, introverted individuals are less likely to notice the unethical behavior of their peers. Therefore, individuals reporting high levels of introversion are less likely to engage in unethical behavior.

H9a: The higher the degree of introversion on the part of the observer, the weaker the relationship between unethical peer behavior and observer's unethical behavior.

*Need for affiliation.* One of three human motivation needs developed by McClelland and colleagues (McClelland, 1961, 1970, 1975; McClelland, Atkinson, Clark, & Lowell, 1976), need for affiliation is defined as the need to maintain and secure friendly relationships among one's peers. As a personality characteristic, need for affiliation describes an individual's tendency to seek social contact and belongingness to a group (Veroff & Veroff, 1980). Individuals with a high need for affiliation have the desire to be liked by others and are more interested in engaging in activities involving high interpersonal interactions (Watson & Barone, 1976). Further, they receive social gratification through harmonious relationships (Murray, 1938), which explains their need for strong in-group relationships. Often characterized as interdependent orientation (e.g., Wiesenfeld, Raghuram, & Garud, 2001; Yamaguchi, 2003), individuals with a high need for affiliation tend to identify themselves in relation to social networks. Martin (1984) proposes that in order to protect their self-concept, individuals with a high need for affiliation tend to behave in socially appropriate ways in order to produce favorable evaluations by others. In contrast, individuals with a low need for affiliation (or independent orientated individuals) emphasize individual ability and skills above collaborative efforts (Yamaguchi, 2003). These

individuals tend to perform in ways that promote high internal evaluations of self-worth. Therefore, they are more likely to resist conforming to the expected behavior of others, as long as it is consistent with their self-concept. In application, in order to seek social approval and to retain a positive relationship among their peers, individuals with a high need for affiliation will be more likely to engage in similar behaviors performed by their peers. In contrast, individuals with a low need for affiliation will engage in behaviors that will satisfy their own motives, even when the behavior is inconsistent with their peers' expectations.

H9b: The lower the degree of the observer's need for affiliation, the weaker the relationship between unethical peer behavior and observer's unethical behavior.

*Proximity.* According to Jones (1991), the more proximate one person is to another, the more likely one is to perceive moral issues with regard to that other person, to make ethical judgments with regard to that person, and to behave ethically toward that person. Conversely, if one does not feel proximate to another person (e.g., a stranger), one is less likely to perceive moral issues with regard to that person, to make ethical judgments with regard that person, and to behave ethically toward that person. Recent research tends to support the notion that proximity is influential in the ethical decision-making process (for exceptions see McMahon & Harvey, 2007; Singhapakdi, Vitell, & Kraft, 1996). For instance, Carlson et al. (Carlson, Kacmar, & Wadsworth, 2002) found that the closer an individual was to the situation (having sympathy for the victim), the more likely he or she was able to identify the behavior as unethical. Likewise, Chia and Mee (2000) found that respondents in a high proximity condition (the organization manipulated is located in the same country as the participants) were more likely to recognize the moral issue. Finally, Watley and May (2004) found that perceptions of proximity fully mediated the relationship between personal information and ethical behavioral intent. Although the

evidence above supports a positive association between proximity and ethical behavior, the primary focus was either on psychological or physical aspect of proximity. In this study, I am examining the social proximity between the observer and his or her peer. As individuals interact regularly with one another, they are more apt to have similar perceptions and engage in similar behaviors than with people they do not interact with (Erickson, 1988). Therefore, as observers distance themselves socially from a peer who is behaving unethically, they are less likely to act similarly.

H9c: The lower the degree of the observer's proximity to his or her peers, the weaker the relationship between unethical peer behavior and observer's unethical behavior.

*Negative relationships.* The impact of negative relationships in an organization setting is a relatively new phenomenon and has primarily been examined from a social network perspective (e.g., Labianca, Brass, & Gray, 1998). Negative relationships are said to provide a greater impact on an individual's attitude, cognition, and behavior than positive relationships (Taylor, 1991). For instance, research suggests that negative relationships have a more profound effect than positive relationships on life satisfaction, mood, and stress (e.g., Finch, Okun, Barrera, Zautra, & Reich, 1989; Rook, 1984; Ruchman & Wolchik, 1988; Schuster, Kessler, & Aseltine, 1990). Positive relationships, however, have been found to produce higher performance ratings (Mehra, Kilduff, & Brass, 2003) and offer an individual social support when treated unfairly (Umphress, Labianca, Brass, Kass, & Scholten, 2003). In addition, under ambiguous situations (i.e., situations involving an ethical component), individuals with positive social relationships will be more likely to rely on their peers for advice (Salancik & Pfeffer, 1978). Negative relationships, however, have been found to be associated with higher levels of perceived intergroup conflict (Nelson, 1989) and have been suggested to lead to negative

attitudes and lower level of trust among individuals (Labianca et al., 1998). Further, negative relationships have been shown to lead to higher levels of depressed mood (e.g., Schuster, Kessler, & Aseltine, 1990) and distress (e.g., Ruchman & Wolchik, 1988). Given the negative consequences of these outcomes on an individual's well-being, the individual is likely to distance themselves from such relationships.

H9d: The higher the degree of the observer's negative relationships with his or her peers, the weaker the relationship between unethical peer behavior and observer's unethical behavior.

*Moral identity.* Moral identity has been described as a self-regulative mechanism that guides moral behavior (e.g., Hart, Atkins, & Ford, 1998). Recently, based on the work of Erikson (1964), Aquino and Reed (Aquino & Reed, 2002; Reed & Aquino, 2003) developed a trait based conceptualization of moral identity. In staying consistent with Erikson's (1964) view of one's identity as being the heart of the individual's self-concept, Aquino and Reed (2002) developed an instrument that reflects two primary aspects – internalization and symbolization. Internalization reflects the degree to which one's self-concept is consistent with a set of moral traits. Symbolization, on the other hand, reflects the degree to which an individual expresses these moral traits through action. When an individual's self definition includes a sense of morality, the individual is more likely to express these thoughts and feelings. Further, the individual's behavior is consistent with their moral self-concept. Empirical research has supported this notion (e.g., Aquino & Reed, 2002; Reed, Aquino, & Levy, 2007). For instance, Wowra (2007) found that students who placed a greater emphasis on their moral identity were less likely to cheat on their school work. However, Caldwell and Moberg (2007) did not find a significant relationship between moral identity and moral imagination. In the current context,

when individuals with a high level of moral identity witness a peer engage in unethical behavior, they are less likely to engage in the behavior given that it does not fit with their self-concept.

H9e: The higher the degree of the observer's moral identity, the weaker the relationship between unethical peer behavior and observer's unethical behavior.

### **Self-Monitoring**

Self-monitoring measures the extent an individual observes, regulates, and controls their public appearance in interpersonal relationships (Snyder, 1979). The basic premise of self-monitoring theory is that an individual's behavior is influenced differently by situational factors, such that individuals vary in their ability to adapt their behavior to the requirements of the situation. High self monitors are more prone to the influences of social cues as they treat "interactions with others as dramatic performances designed to gain attention, make impressions, and at times entertain" (Snyder, 1987: 179). Further, high self-monitors who are uncertain of their actions, look to the behavior of others in similar situations that appear to be behaving appropriately (Snyder, 1974). In fact, they have been described as chameleons, enabling themselves to blend into their social environment (Brown & Treviño, 2006). Low self monitors, in contrast, are less influenced by surrounding others. Rather than searching the social environment for cues in how they should behave, low self monitoring individuals search within themselves for behavioral guidance. Thus, the behavior of low self-monitors tend to reflect the individuals own inner attitudes, emotions, and dispositions. Unlike high self-monitors, low self-monitors are less likely to compromise their morals and behave unethically (Bedian & Day, 2004). In the ethics literature, researchers have proposed that high self-monitors are positively associated with over-trust (Goel, Bell, & Pierce, 2005), ethical leadership (Brown & Treviño, 2006), and willingness to lie (Ross & Robertson, 2000). Further evidence provides support for

the moderating effects of self-monitoring on individual behavior (e.g., Premeaux & Bedeian, 2003; Spangenberg & Sprott, 2006). For example, Ross and Robertson (2000) found that high self-monitors in a strong ethical climate were less likely to act unethically. Further, high self-monitors with greater sales-based incentives were more likely to behave unethically. However, Elm and Nichols (1993) found no significant relationship between self-monitoring and ethical climate on a managers level of moral reasoning. The evidence suggests that high self-monitors are more likely than low self-monitors to search for external cues to determine the appropriate behavior. Therefore, high self-monitors will turn to their peers for guidance in how they should behave.

H10: The lower the degree of the observer's self-monitoring, the weaker the relationship between unethical peer behavior and observer's unethical behavior.

### **Ethical Culture**

Research has suggested that an organization's ethical culture influences the likelihood of individual unethical behavior (e.g., Treviño, 1986, 1990). Ethical culture is a multidimensional construct composed of a variety of formal and informal systems (Treviño, 1990). The formal system encompasses organizational policies, leadership, authority structures, reward systems, and training programs, while the informal system includes factors such as peer behavior and ethical norms (Treviño, Butterfield, & McCabe, 1998). It is through these systems where the ethical norms of the organization are developed and shared among all the individuals in an organization (Key, 1999).

Embedded in the ethical culture is the effectiveness of the organizations' code of ethics. The number of organizations and universities adopting a code of ethics (or a code of conduct in an academic context) has increased over the past few decades (Somers, 2001). This may be



partly explained by the issuance of the 1991 Federal Sentencing Guidelines which reduced the fine for those organizations who are able to prove that they have communicated ethics codes to their employees, yet were found guilty of employee negligence (Rafalko, 1994). Although there is a monetary incentive for organizations to adopt ethics codes, they have also been found to successfully influence individual behavior (e.g., Adams, Tashchian, & Shore, 2001; Pierce & Henry, 1996). This is particularly true when the code is perceived as being more than mere “window dressing.” As shown by McCabe, Treviño, & Butterfield (1993), codes are particularly effective in influencing behavior when they are strongly implemented and embedded in the organizational culture.

An existence of a code of ethics demonstrates to the organizations stakeholders that the managers have placed some value on ethical behavior. Further, it demonstrates that moral considerations are perceived to be an important component in the organization. As a result, codes of ethics may reshape the organizations culture by reshaping its norms and values (Somers, 2001). Thus, it is not surprising to find that ethical behavior is most prevalent in organizations that have successfully implemented a code of ethics (e.g., Ferrell & Skinner, 1988; Schwartz, 2001). In contrast, an absence of a code of ethics may suggest that management places little value on ethical behavior, or that management has not even considered this component as an important determinant of individual behavior (Adams, Tashchian, & Shore, 2001). As a result, the moral component of decision making has not been instilled in the organizations values and norms, leading to an increase in unethical actions among the organizations members (e.g., Greenberg, 2002; Treviño & Weaver, 2001).

As implied above, ethical culture focuses more on the moral aspects of the organizational culture. Thus, ethical culture represents the shared norms and beliefs regarding the ethics of the

organization. In essence, it establishes what type of behavior is considered acceptable or unacceptable in the organization. Therefore, if the formal and informal aspects of ethical culture promote ethical conduct and discourage unethical conduct, individuals within an organization will be less likely to behave unethically. The literature in this area has supported this claim. Ethical culture was significantly and positively related to the ethical behavioral intentions of marketing managers (Shis, Chen, Shan, 2006), it directly and indirectly influenced an individual's ethical judgments (Douglas, Davidson, & Schwartz, 2001; Key, 2002), and Treviño and colleagues (1998) found that in organizations where a code of ethics existed, ethical culture was negatively associated with observed unethical behavior.

H11: The stronger the ethical culture, the weaker the relationship between unethical peer behavior and the observer's unethical behavior.

## **CHAPTER THREE**

### **PILOT STUDY**

#### **RESEARCH DESIGN AND METHODOLOGY**

Data collection occurred at three different points in time across a period of three months beginning in June and ending in September of 2007. The first set of data was collected using a sample of undergraduate students from two medium-sized universities for the purpose of conducting a pilot study. As described in more detail below, the pilot study was performed to analyze the internal reliability and validity of newly developed measures before the measures were administered to a larger sample population. The second set of data was collected approximately 2 months after the pilot study. Similar to the pilot study, the sample consisted of undergraduate students from the same two medium-sized universities. This data was used to test the reported hypotheses in the context of academic dishonesty and is reported in Study 1. The third and final set of data collection involved business professionals in the hospitality industry. Utilizing this sample, Study 2 tests the hypotheses in an organizational context focusing on workplace unethical behavior.

The purpose of the pilot study was to (1) conduct a factor analysis on newly developed mediating variables (vicarious learning, evaluative fit, and relative deprivation) and (2) perform a reliability analysis on the included measures. The results tend to suggest that each of the variables represent distinct constructs and all measures reported acceptable reliability coefficients (See Tables 1 & 2 below). In addition, the pilot study was performed to mitigate any unforeseen problems before the survey was distributed to a larger sample.

#### **Sample**

The participants of the pilot study were undergraduate students from two medium-sized universities located in the Northwest and South regions of the United States. The ability to sample students from these two locations offered valuable insight into the effects of a code of conduct (ethics) on individual behavior as one university had a written, formal honor code while the second university did not. In all, six classes (three from each university) were asked to participate. Of the six classes, four were upper-division (Marketing and Management courses) and the other two were lower-division courses (general business). Approximately 256 undergraduate students represented potential participants. Of these, 125 individuals completed the survey. Six of these participants were excluded due to issues with missing data, submitting the survey multiple times, or by responding to each question with the same response (e.g., selecting the strongly disagree option throughout the entire survey, even with respect to those items that were designed to be reverse coded). Therefore, 119 participants formed the sample, representing a 46.5% response rate. However, this figure is most likely to be under-stated of the true response rate. It was possible and very likely that students were enrolled in more than one of the participating classes. However, due to the fact that the survey was anonymous, it is not possible to determine how many students are counted more than once in the potential participant pool. The average age of the participants was 22.4 (SD = 3.70) with an average of 12.3 (SD = 23.13) hours of ethics training at the participants respective university. Approximately 42% of the respondents attended the university with a formal code of conduct, 50% were female, and 47.1% of the respondents reported an academic class standing of a senior (4.2% were sophomores, 32.8% were juniors, 10.1% were 5<sup>th</sup> year seniors, and 3.4% reported “other” as their class standing).

### **Survey Procedure**

Three professors from each of the two universities were contacted in June, 2007 asking for their willingness to participate in this study. The professors were selected on the basis that their classes were offered to multiple majors, not just a single major. After the professors agreed to participate, they were sent a letter addressed to the potential participants with information regarding the study and the hyperlink to the survey. The information was forwarded to the participants via one or more of three methods –verbal communication on behalf of the professor, distributing the information on paper to the students, or posting the hyperlink and information on the professor’s class website. The survey was developed in the web survey software, WebSurveyor. The survey was extensive containing measures of self-esteem, self-monitoring, need for affiliation, introversion, self-improvement, social desirability, peer behavior, observer’s behavior, emotions, vicarious learning, evaluative fit, relative deprivation, injustice reactions, strength of identification with the student’s major and the university, group norms at the major and university level, self-enhancement, proximity, negative relationships, moral identity, ethical culture, perceived likelihood of being caught and punished, effectiveness of the rules and procedures regarding academic dishonesty, and relevant demographics. In a small pretest, it was determined that most individuals will complete the survey in approximately 30 minutes. All responses were received anonymously. In order to minimize order effects, the option to randomize the order of the items within many scales was utilized. This is a feature of WebSurveyor.

Initially, all potential participants were informed that after completing the survey they would have the opportunity of entering their name (in a completely different website than the questionnaire to ensure anonymity) into a random drawing for one of 25 gift certificates ranging in value of \$25 to \$100. This drawing took place after all three data collection processes were

complete; sometime in October, 2007. However, in order to increase the response rate, midway through the data collection process the professors were contacted to encourage the students to complete the survey. In addition, the participants of the pilot study were informed that at least one gift certificate would be awarded to each participating class. As a result, six participants were awarded a gift card in August, 2007. However, only five of the six participants claimed their gift card. Beyond the gift card, no other incentive was offered to the potential participants, with the exception of one class. Five of the six classes informed the participants that completion of the survey is completely voluntary. The six class, however, offered the participants class credit for participation.

## **MEASURES**

### **Independent Variable**

*Unethical peer behavior.* The independent variable, unethical peer behavior, was assessed with the academic dishonesty scale developed by McCabe and Treviño (1993). The scale includes a list of 17 questionable academic behaviors (e.g., fabricating or falsifying a bibliography, helping someone else cheat on an exam, receiving unpermitted help on an assignment, etc. See Appendix F for the full scale) and asked the respondents to indicate “over the past year, how often have you observed other students engage in the following types of behavior in your university?” A time frame of the most recent year was used to promote recall and is consistent with previous research (Robinson & O’Leary-Kelly, 1998; Treviño et al, 1998; Weaver & Treviño, 1999). The items were assessed using a Likert-type scale anchored by 1 = never, 2 = rarely, 3 = occasionally, 4 = frequently, 5 = very frequently (alpha = .94).

### **Dependent Variable**

*Observer unethical behavior.* Observer unethical behavior was computed with the same 17-item academic dishonesty scale developed by McCabe and Treviño (1993) used to measure the dependent variable (See Appendix G). This is similar to the format utilized in previous academic integrity research (e.g., McCabe et al., 2002). The directions leading to the series of behaviors asked the participants “Over the past year, how often have you engaged in the following types of behavior in your university?” The items were assessed using a Likert-type scale anchored by 1 = never, 2 = rarely, 3 = occasionally, 4 = frequently, 5 = very frequently (alpha = .95).

### **Mediating Variables**

Prior to responding to the items used to assess each of the mediating variables, the participants were asked to review the list of behaviors used to measure the independent and dependent variables. For their convenience, the list of behaviors was given to the participants at the top of the page preceding the questions.

*Vicarious learning.* According to the hypotheses derived from social learning theory, vicarious learning will mediate the relationship between unethical peer behavior and observer unethical behavior. Despite the number of studies examining social learning theory, to my knowledge, no measure exists for this variable. As a result, a new measure was constructed using terms that describe the vicarious learning process, such as learning and modeling. Examples of the five items include: “I learned these behaviors from my peers” and “my peers served as role models for my behavior” (See Appendix H). The participants were asked to rate the degree to which they agreed or disagreed with the statements on a 5-point Likert-type scale (1 = strongly disagree to 5 = strongly agree) (alpha = .88).

*Perceived fit with group identity.* In reference to social identity theory, the extent to which unethical peer behavior matches one's identity as it relates to the participants major mediates the relationship between unethical peer behavior and observer unethical behavior. The "major" (in contrast to the "university") was selected as the appropriate group context based on a question asking the respondents to report the degree to which a number of academic programs (the university, the college within the university, the major, the department, or a class) are important to their identity. The results from the pilot study indicated that the university and the major were the two predominant programs selected as being most important to the respondents' identity (32.8% respectively). As a result, the major was selected as the appropriate context given its similarity to the context of a "workgroup" as described in an organization. The university is more analogous to the context of an "organization".

The four questions developed for this measure were designed to assess the evaluative fit between the unethical peer behavior and the major's prototypical behavior. To make the major salient, the participants were once again asked to rate the degree to which the 17 behaviors are typical of their major on a 5-point Likert-type scale (1 = not at all, 3 = somewhat, 5 = very much) ( $\alpha = .91$ ). Example items include "to what degree do these behaviors fit with your major's identity" and "to what degree are these behaviors considered normal within your major. (See Appendix I).

*Relative deprivation.* It is proposed that perceived relative deprivation and negative feelings mediate the relationship between unethical peer behavior and observer unethical behavior from a social comparison theory perspective. In order for a situation to elicit negative feelings derived from relative deprivation, the observer must want and feel entitled to the desired good or opportunity that he or she believes is being received by the peer (Davis, 1959). As a



result, I have developed six items to measure perceived relative deprivation. Examples of the items include: “to what degree did your peers benefit from engaging in these behaviors”, “to what degree do you believe that these benefits should be yours, not your peers”, and “to what degree do you think that your peers received benefits that were entitled to you from engaging in these behaviors” (See Appendix J). These were assessed on a 5 point scale ranging from 1 = not at all, to 3 = somewhat, to 5 = very much (alpha = .85).

*Negative feelings.* The second social comparison mediator, negative self-feelings, was measured by asking the respondents to rate the degree to which a variety of negative emotions occurred after observing their peer engage in a behavior identified from a drop down menu. The use of a drop down menu in this situation required the respondents to select a single behavior they clearly recall observing a peer engage in. This method was used to ensure that the reported responses to each of the negative emotions were directly tied to a specific behavior, rather than reporting a general overall emotion response for all behaviors. In essence, this procedure should provide a more accurate and clearer measure of negative feelings. The list of 12 negative (e.g., angry, disgust, and outrage) emotions were based on the work of a variety of theorists (e.g., Barclay, Skarlicki, & Pugh, 2005; De Cremer & Van Hiel, 2006), but were mostly developed from the work of Shaver and colleagues (1987) and adapted from the work of Weiss, Suckow, and Cropanzano (1999) (See Appendix K). Shaver and colleagues developed a list of over 200 emotion words and grouped them into emotion categories. These items were evaluated on a 5-point Likert-type scale ranging from 1 = not at all, to 3 = somewhat, to 5 = very much (alpha = .93).

In addition to the negative emotions listed above, a 6-item positive emotion scale (e.g., happy, satisfied, and joy) was included. Although relative deprivation posits a direct link

between negative emotions and unethical behavior, recent research suggests that positive emotions may also influence the ethical decision making process (e.g., Gaudine & Thorne, 2001; George & Jones). The 6-item scale was developed primarily through the work of Shaver et al. (1987) (See Appendix K). Similar to the negative emotion scale, these items were assessed on a 5-point Likert-type scale ranging from 1 = not at all, to 3 = somewhat, to 5 = very much (alpha = .88).

### **Moderating Variables**

*Perceived rewards and punishments.* Perceived rewards and punishments was measured by giving the participants a list of items indicating the degree to which they are rewarded or punished for acting unethically. The items were adapted from the ethical culture questionnaire (Treviño et al., 1998) based on the theoretical work of Treviño (1990). An example of the 2-item measure assessing perceived rewards are “cheating is rewarded in this university” (reverse-coded). A 4-item measure assessed perceived punishments and example items include “academic dishonesty (e.g., cheating) is punished in this university” and “professors in this university disciplines cheating when it occurs”. These items were computed on a 5-point Likert-like scale ranging from 1 = completely false, 2 = somewhat false, 3 = neither true nor false, 4 = somewhat true, and 5 = completely true (See Appendix L) (alpha for perceived rewards = .86 and alpha for perceived punishments = .83).

*Strength of identification with group.* The strength of identification with the group (i.e., major in this context) was measured by adapting the 8 items developed by Hogg, Hains, and colleagues (1996, 1997, 1998). This measure asked the participants to indicate their level of agreement on a 5-point Likert-type scale (1 = strongly disagree, 5 = strongly agree). Example

items are “you are glad to be a member of the major” and “your major is important to you” (See Appendix M) (alpha = .91).

*Self-esteem.* Self-esteem was assessed with the 10-item scale developed by Rosenberg (1965). The Rosenberg Self-Esteem scale is a generally accepted global measure of self-esteem and has been reported to be a reliable measure in a number of studies (e.g., Weiss, 1978). The respondents were asked to indicate the degree to which they agree or disagree with the items on a 5-point Likert-type scale (1 = strongly agree, 5 = strongly disagree). Example items are “I feel that I am a person of worth, at least on an equal basis with others” and “I certainly feel useless at times” (reverse-coded) (See Appendix N) (alpha = .89).

*Direction of group norms.* The group’s (again, the major in this study) norms have been hypothesized to moderate the relationship between unethical peer behavior and perceived fit with the group’s identity. Six items adapted from the ethical culture questionnaire (Treviño et al., 1998) was used to assess the direction of the group norms. A 2-item measure was used to assess major’s norms supporting ethical behavior. Example item includes “academic honesty (e.g., non-cheating behaviors is the norm in the major)” (alpha = .52). A 4-item measure was used to compute major’s norms supporting unethical behavior. Example item includes “in my major, academic dishonesty (e.g., cheating) is common place” (alpha = .83). All respondents were asked to indicate their level of agreement on a 5-point Likert-type scale (1 = strongly disagree, 5 = strongly agree) (See Appendix O).

*Moral differentiation.* A number of scales were included in the questionnaire to assess the construct of moral differentiation. *Need for affiliation.* Need for affiliation was adapted from the work of Heckert and colleagues (2000) and from the Manifest Needs Questionnaire (Steers & Brunstein, 1976). Respondents were asked to rate their level of agreement to 8 items

on a 5-point Likert-type scale (1 = strongly disagree, 5 = strongly agree). Example items are “when I have a choice, I try to work in a group instead of by myself” and “I pay a good deal of attention to the feelings of others at school” (See Appendix P) (alpha = .63). *Introversion*. 12 items from the NEO – Five Factor Inventory (Costa & McCrae, 1985) were included to assess the introversion measure. Previous research has found that this is a valid and reliable measure for this personality factor (e.g., Costa & McCrae, 1988). Participants rated their level of agreement on a 5-point Likert-type scale (1 = strongly disagree, 5 = strongly agree). Example items are “I like to have a lot of people around me” (reverse coded) and “I usually prefer to do things alone” (See Appendix Q) (alpha = .81). *Proximity*. According to Jones (1991), proximity influences individual decision-making such that most individuals will avoid decisions that will negatively affect others who are socially, culturally, psychologically, or physically close to themselves. As a result, a 4-item scale adapted from the empirical contributions of Watley & May (2004) were included in this study to assess this measure. Participants were asked to indicate the degree to which they agreed or disagreed with the statements on a 5-point Likert-type scale (1 = strongly disagree, 5 = strongly agree). Example items are “you interact with your peers quite a bit during the day” and “you consider your peers as friends” (See Appendix R) (alpha = .83). *Negative relationships*. A 5-item measure to assess negative relationships was adapted from the work of a number of researchers (Labianca, Brass, & Gray, 1998; Oh, Chung, & Labianca, 2004; Umphress, Labianca, Brass, Kass, & Scholten, 2003). On a scale from 1 = strongly disagree to 5 = strongly agree, participants were asked to indicate their level of agreement with the statements. Example items are “you dislike your peers” and “your relationship with your peers is negative” (See Appendix S) (alpha = .89). *Moral identity*. Moral identity, as used in this study, is a trait-based measure. Moral identity was measured using the

scale developed by Reed and Aquino (Aquino & Reed, 2002; Reed and Aquino, 2003). In a number of studies, Aquino and Reed (2002) demonstrated that the full scale consists of two distinct factors, which is consistent with Erickson's (1964) interpretation of individual identity. The first factor, labeled internalization, reflects the degree to which a set of moral traits is in congruence with one's own self-concept. The second factor, symbolization, indicates the degree to which the individual publicly expresses these moral traits through action. In these studies, Reed and Aquino reported cronbach's alpha's ranging from .83 to .90 and .66 to .83 for the internalization and symbolization factors, respectively. With respect to this study, the full moral identity scale (rather than splitting the scale into two subscales) was used to assess this measure. The full scale (10 items) was used due to the fact that I am interested in the global measure of moral identity. The participants read a list of characteristics (e.g., caring, compassionate, etc.) and were asked to visualize a person (which could be themselves or someone else) who had these characteristics. After the participants had a clear image of this person, they were then asked to rate the level of agreement to the statements on a 5-point Likert-type scale (1 = strongly disagree, 5 = strongly agree). Example items are "being someone who has these characteristics is an important part of who I am" and "the types of things that I do in my spare time (e.g., hobbies) clearly identify me as having these characteristics" (See Appendix T) (alpha = .83).

*Self-improvement.* Stemming from Festinger's (1954) theoretical contributions to social comparison theory, a measure of self-improvement was developed for this study. The newly developed 4-item measure asked the participants to rate their level of agreement on a 5-point Likert-type scale (1 = strongly disagree, 5 = strongly agree). Example items include "I am the type of person who has a desire to improve myself" and "I am motivated to improve myself as a person" (See Appendix U) (alpha = .80).

*Self-enhancement.* To measure self-enhancement, a 3-item measure was formed based on the theoretical underpinnings of social comparison theory (Festinger, 1954). Participants responded to these items on a 5-point Likert-type scale (1 = strongly disagree, 5 = strongly agree). Items include “you want to be better than your peers” and “in general, you strive to be better than your peers (See Appendix V) (alpha = .83).

*Self-monitoring.* Self-monitoring was assessed using an abbreviated version of Snyder’s (1974) self-monitoring scale developed by Lennox and Wolfe (1984). The revised scale consists of 13 of the original 25 items and measures only sensitivity to the expressive behaviors of others and ability to modify self-presentation. Example items include “in social situations, I have the ability to alter my behavior if I feel that something else is called for” and “I have trouble changing my behavior to suit different people and different situations”. The items were assessed on a 5-point Likert-type scale (1 = strongly disagree, 5 = strongly agree) (See Appendix W) (alpha = .86).

*Ethical culture.* The ethical culture questionnaire (Treviño et al., 1998) was adapted to assess the degree to which the university’s overall culture promotes ethical behavior. The questionnaire consists of 27 items measured on a 5-point Likert-type scale with 1 = completely false, 2 = somewhat false, 3 = neither true nor false, 4 = somewhat true, and 5 = completely true. Consistent with Key (1999) a few of the original items were reworded to eliminate the term, code of ethics, and replaced with university rules and procedures regarding cheating. This step was taken because only one of the two universities included in this sample had a formal code of conduct. With the replacement phrase, all participants were able to respond to each item. Example items are “administration (i.e., President, Provost, Deans, Department Chairs, etc.) of

this university are models of ethical behavior” and “university rules and procedures regarding cheating serve only to maintain the university’s public image” (See Appendix X) (alpha = .90).

*University.* Treviño (1990) proposed that organizational policies, rules, and statements are an important component of an organizations culture. Typically, these are assessed through a formal code of ethics, or in this case, a formal code of conduct. Within this study, the code of ethics variable is built into the sample itself – one of the two universities has a formal code of conduct, while the other does not (coded 0 for no code and 1 for code). For statistical purposes, this measure is used as a control variable.

*Social Desirability.* Social desirability bias is a concern in the ethics literature, particularly when self-report measures are used. As a result, a short form (13 items) of the Marlowe-Crowne social desirability scale was included to control for these effects. Previous research has shown a cronbach’s alpha of .70 (Ballard, 1992). Participants were asked to rate their level of agreement on a 5-point Likert-type scale (1 = strongly disagree, 5 = strongly agree). Example items include “I sometimes feel resentful when I don’t get my way” and “I am sometime irritated by people who ask me favors” (See Appendix Y) (alpha = .74).

*Demographic characteristics.* Numerous demographic items were included as potential control variables. These items include factors such as age, gender, academic class standing, major, cumulative grade point average, “major” grade point average, hours of ethics training received at the university, and hours spent a week on a variety of activities (e.g., paid employment, caring for a dependent, social fraternity/sorority/club, business fraternity/club, intercollegiate (varsity) athletic team, and intercollegiate (club sport) athletic team (See Appendix Z).

## RESULTS

All correlations, standard deviations, and scale reliabilities (cronbach's alpha's) for the pilot study are reported in Table 1. As can be seen from Table 1 and reported previously, most measures reported robust reliability coefficients. As previously mentioned elsewhere, given the positive results with respect to the exploratory factor analysis (described below) and the fact that only two of the aforementioned measures reported cronbach's alpha's below the commonly accepted .70 value (Nunnally, 1978), all items were included in the academic dishonesty study (Study 1).

*Factor analysis results.* The primary reason for conducting the factor analysis was to ensure that the newly developed mediating variables (vicarious learning, evaluative fit, and relative deprivation) were indeed unique and separate dimensions. The results of a maximum likelihood extraction procedure using a Varimax rotation factor analysis revealed three stable factors: a 6-item scale for relative deprivation, a 5-item scale for vicarious learning, and a 4-item scale for perceived fit with group identity (evaluative fit). As seen in Table 2, the three factors explained 59.80% of the total variance.



**Table 1**  
**Summary Statistics and Correlations for Pilot Study**

	Mean	s.d.	1	2	3	4	5	6	7	8	9	10
1. Self-esteem	3.98	0.74	(.89)									
2. Self-monitoring	3.75	0.55	.56**	(.86)								
3. Need for affiliation	3.22	0.54	.32**	.36**	(.63)							
4. Introversion	2.28	0.57	-.61**	-.52**	-.63**	(.81)						
5. Self-improvement	4.43	0.58	.47**	.37**	.07	-.43**	(.80)					
6. Social desirability	3.03	0.51	-.34**	-.23*	-.08	.15	-.12	(.74)				
7. Unethical peer behavior	2.16	0.74	-.24**	-.16	-.05	.17	-.13	.18	(.94)			
8. Positive emotions	1.48	0.67	-.20*	-.11	.17	.05	-.19*	.03	.16	(.88)		
9. Negative emotions	2.38	0.95	-.21*	-.12	-.19*	.09	.01	.09	.09	.00	(.93)	
10. Vicarious learning	2.71	0.95	-.01	.01	.37**	-.21*	-.00	.24**	.06	.15	-.03	(.88)
11. Evaluative fit - Major	1.90	0.86	-.09	-.05	.04	-.02	-.19*	.14	.53**	.07	.05	.22*
12. Relative deprivation	2.53	0.88	-.11	.02	.05	.01	-.15	.26**	.36**	.16	.16	.27**
13. Strength of identification - Major	4.04	0.71	.37**	.20*	.22*	-.42**	.41**	-.13	-.14	-.09	-.06	.08
14. Major's norms - unethical	2.13	0.86	-.21*	-.08	.00	.07	-.28**	.04	.33**	.19*	.16	.24**
15. Major's norms - ethical	3.83	0.96	.23*	.08	-.11	-.09	.23*	-.10	-.21*	-.19*	.02	-.13
16. Self-enhancement	3.95	0.79	.16	.09	.04	-.27**	.38**	.20*	.08	-.09	.12	.15
17. Proximity	3.59	0.80	.32**	.19*	.50**	-.51**	.17	.01	-.01	.10	-.16	.40**
18. Negative relationships	2.02	0.82	-.47**	-.29**	-.46**	.55**	-.40**	.07	.03	.01	.22*	-.24**
19. Observer's unethical behavior	1.46	0.56	-.33**	-.11	.08	.20*	-.51**	.09	.53**	.45**	-.03	.16
20. Moral identity	3.85	0.59	.37**	.29**	.07	-.34**	.51**	-.06	-.13	-.26**	.09	-.03
21. Ethical culture	3.56	0.50	.22*	.06	.10	-.16	.28**	-.09	-.30**	-.15	-.10	-.04
22. Perceived rewards	2.19	1.04	-.30**	-.09	-.13	.17	-.15	.12	.16	.14	.18	-.12
23. Perceived punishments	3.79	0.81	.17	.03	.10	-.08	.16	-.08	-.34**	-.05	-.15	.01
24. Gender	1.50	0.50	.09	.05	.11	-.22*	.17	.02	-.09	-.25**	.13	.06
25. Age	22.83	6.33	-.24**	-.04	-.12	.19*	.09	-.07	-.03	-.03	.12	-.15
26. University	0.42	0.50	-.00	.05	-.03	.08	.00	.05	.05	-.16	-.01	.09

Scale reliabilities (Cronbach's alphas) appear on the diagonal, where applicable. Sample size, n = 119.

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
(.91)														
.35**	(.85)													
-.25**	-.12	(.91)												
.65**	.29**	-.34**	(.83)											
-.29**	-.14	.41**	-.32**	(.52)										
.02	.19*	.27**	-.10	.19*	(.83)									
-.09	.07	.51**	-.19*	.16	.23*	(.83)								
.14	.07	-.43**	.27**	-.13	-.20*	-.78**	(.89)							
.37**	.37**	-.31**	.37**	-.21*	-.15	.03	.15	(.95)						
-.17	.02	.37**	-.34**	.20*	.32**	.33**	-.44**	-.32**	(.83)					
-.47**	-.20*	.46**	-.41**	.33**	.13	.25**	-.29**	-.32**	.24**	(.90)				
.29**	.27**	-.21*	.46**	-.02	-.06	-.29**	.36**	.19*	-.28**	-.50**	(.86)			
-.45**	-.17	.40**	-.34**	.23*	.09	.23*	-.27**	-.24**	.16	.84**	-.38**	(.83)		
.10	.01	.11	.11	.01	.00	.15	-.18	-.12	.27**	.14	-.04	.02		
-.08	-.02	-.13	.05	-.05	-.07	-.27**	.15	-.07	-.08	.01	.14	-.05	-.06	
.09	.13	-.07	-.02	.09	-.05	.08	-.15	.04	.08	.04	.06	.07	.16	-.12

**Table 2**  
**Rotated Factor Analysis for the Pilot Study - Varimax Rotation**  
**Mediating Variables**

Questionnaire Items	Factor Loadings		
	1	2	3
<b>1. Relative Deprivation</b>			
- Did your peers benefit from engaging in these behaviors?	.51	.14	.09
- Did your peers receive something (e.g. an opportunity or a good) from engaging in these behaviors?	.62	.18	.09
- Did your peers receive something that you wanted from engaging in these behaviors?	.89	.17	.10
- Did your peers receive something that you value from engaging in these behaviors?	.70	.19	.07
- Do you believe that these benefits should be yours, and not your peers?	.70	-.03	.21
- Do you think that your peers received benefits that were entitled to you from engaging in these behaviors?	.63	-.04	.23
<b>2. Vicarious Learning</b>			
- I learned these behaviors from my peers.	.19	.74	.21
- My peers served as role models for my behavior.	.12	.80	-.03
- I learned from the example provided by my peers.	.15	.81	.09
- I have learned a great deal about how I should behave from my peers.	-.04	.65	.02
- I learned these behaviors by observing my peers.	.18	.77	.12
<b>3. Perceived Fit - Major</b>			
- Do these behaviors fit with your major's identity?	.16	.08	.83
- Are these behaviors typical of your major?	.21	.11	.88
- Are these behaviors considered normal within your major?	.21	.14	.81
- Are these behaviors characteristic of your major's identity?	.11	.03	.78
EIGENVALUES	3.06	3.00	2.92
% of Variance	20.4	20	19.4

## CHAPTER 4

### STUDY 1 – ACADEMIC DISHONESTY

#### RESEARCH DESIGN AND METHODOLOGY

##### Sample

Similar to the participants included in the pilot study, the sample for Study 1 was comprised of undergraduate students from two medium-sized universities in the Northwest and South regions of the United States. Again, one of the universities had a formal code of conduct, while the other did not. In total, 15 classes were asked to participate and all but one accepted the invitation. The 14 included classes, with the exception of one class, were upper-division business courses. The courses were part of the College of Business curriculum at both universities and included eight management, four marketing, and two hospitality management courses. The participants of the eight management courses were from the university located in the Northwest region of the United States, while the participants from the remaining six courses attended the university located in the South region of the United States. The classes (with the exception of the hospitality management courses) were selected on the basis of providing participants from an array of majors, as the classes were required courses for all college of business students. As a result, the sample comprised primarily of students majoring in marketing, accounting, finance, management, hospitality management, and management/computer information systems.

In total, the 14 classes offered 1,072 potential participants. Of these, 541 participants completed the questionnaire. Five individuals were eliminated from the data set due to an abundant amount of missing information. As a result, 536 individuals comprised the sample, denoting a 50.0% response rate. The average age of the participants was 20.60 (SD = 2.24) with

an average of 12.7 (SD = 20.06) hours of ethics training at the participants respective university. Approximately 86% of the respondents attended the university with a formal code of conduct, 56.2% were female, and 61.2% of the respondents reported an academic class standing of a junior (4.8% were sophomores, 25.2% were seniors, 5.0% were 5<sup>th</sup> year seniors, 2.1% reported “other” as their class standing, and 1.9% did not report their class standing).

Due to the fact that the results of the pilot study demonstrated strong reliability coefficients for most of the measures (see Table 1) and the participants for both the pilot study and Study 1 were in similar classes from the same two universities, the participants from the pilot study were combined with the participants of Study 1 to form the total sample. Therefore, the final sample included a total of 655 participants (a 49.3% response rate). The average age of the participants was 21.0 (SD = 3.47), 55.1% were female, and 77.9% were from the university with a formal code of conduct. The participants reported an average of 12.6 (SD = 20.6) hours of ethics training from their respective university and 56.0% were juniors (4.6% were sophomores, 29.2% were seniors, 6.0% were 5<sup>th</sup> year seniors, 2.3% reported “other” as their class standing, and 2.0% did not report their class standing).

### **Survey Procedure**

The survey procedure for the initial sample was similar to the procedure performed in the pilot study. Ten professors (seven from one university and three from the other) were contacted prior to the start of the fall semester at both universities. The professors received a letter informing them of the purpose of the study, as well as the procedure that would take place if they agreed to participate. With the exception of one professor, all agreed to participate comprising a total of 14 individual classes. Again, with the exception to two of the fourteen classes, the classes were selected on the basis of being able to sample individuals from a variety of majors

within the College of Business. Upon agreeing to participate, the professors received a letter addressed to the potential participants with information regarding the study and the hyperlink to the questionnaire itself. The professors were then asked to distribute the information via one or more of three methods – verbal communication, the information printed on paper and physically disseminated, or by posting the information on their class website. In addition, in most cases, the initial contact with the potential participants was made by me, or another researcher. In the situation where I was not able to make the initial contact, but was conducted by another researcher, a written protocol explaining the purpose and importance of the study was announced. Roughly one week after the initial contact was made, a follow-up message was sent to the respective professors asking them to encourage the students in their classes to complete the questionnaire. Data collection ended approximately 2 ½ weeks after the initial contact. All responses were received anonymously. In order to minimize order effects, the option to randomize the order of the items within many scales was utilized. In addition, in order to reduce the possible effects of percept-percept bias, roughly 64% of the potential respondents received a survey containing the items for the dependent variable first, while the remaining respondents received a survey containing the items for the independent variable first.

Similar to the procedure completed for the pilot study, the potential participants were informed that upon completing the survey, they would have the opportunity to enter their name into a random drawing to receive one of 20 (five less than the pilot study due to the fact that 5 gift certificates were already awarded) gift certificates ranging in value between \$25 and \$100. The drawing for the remaining gift cards took place in October, 2007. With the exception to two classes that required participation through class credit and one class that offered extra credit for

participation, no other incentive was offered to the potential participants. Participation was completely voluntary in the remaining courses.

### **Common Method Bias**

Common method variance has been considered a potential problem in behavioral research, particularly when researchers use self-report methods to measure the constructs of interest (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Although one potential outcome related to common method bias – percept-percept inflation – has been shown in recent research to be the exception, rather than the rule (Crampton & Wagner, 1994), it is still imperative for researchers to attempt to control for this potential bias. As a result, I have incorporated most of the procedural remedies and two statistical remedies suggested by Podsakoff and colleagues (2003) into this study.

With respect to the procedural remedies, the following actions were performed. First, the items pertaining to the independent and dependent variables were separated in the survey by scales pertaining to other constructs. Second, the respondents were informed that their responses are anonymous and were assured that there are no right or wrong answers. Further, the respondents were asked to respond to each item as honestly as possible. Third, the order of the independent and dependent variables were counterbalanced. Specifically, roughly 64% of the potential respondents (52% if you include the pilot study potential respondents) received a survey with the items pertaining to the dependent variable first, followed by the items pertaining to the independent variable. The remaining potential participants viewed the items pertaining to the independent variable first, followed by the dependent variable. Further, the order of the items in many of the scales was randomized and intermixed with other constructs, as recommended by Kline et al. (Kline, Sulsky, & Rever-Moriyama, 2000). Fourth, great care was

taken to avoid including poorly written and ambiguous questions in the survey. For example: (a) when necessary, a definition for an unfamiliar term (e.g., identity) was offered; (b) the scales developed (e.g., vicarious learning, etc.) for this study included items that were simple, specific, and concise; and, (c) double-barreled questions were avoided. The robust reliability coefficients found in Table 3 provide support for the notion that the items were written appropriately. Fifth, wherever necessary, verbal labels for the midpoints of scales were given (e.g., emotions scale). Sixth, items written for the newly developed scales did not include negatively worded items, which may be a source of method bias (Podsakoff et al., 2003). Finally, the social desirability scale (Crowne & Marlowe, 1960) was included in the survey and used in one of the statistical remedies discussed below.

There were two statistical remedies performed to control for common method bias; the Harman's single-factor test and partial correlation procedures.

*Harman's single-factor test.* Widely used, the Harman's single-factor test requires the researcher to submit all variables in an exploratory factor analysis and examine the unrotated factor solution. This technique assumes that common method bias is an issue if (a) a single factor emerges from the solution, or (b) one general factor emerges accounting for the majority of the variance (Podsakoff et al., 2003). Although the results of this technique are not reported here, the findings suggest that, with respect to this technique, common method bias is not present. More specifically, considering the traditional accepted Eigen value of 1.0, 46 factors emerged. Further, the first factor only accounted for roughly 14% of the total variance.

*Partial correlation procedures.* One other technique used to control for common method bias is to partial out the effects of factors postulated to influence (as a potential spurious variable) the purported hypothesized relationships. One variable commonly assumed to cause common



method variance is social desirability (Podsakoff et al., 2003). As a result, a partial correlation analysis following the guidelines offered by Podsakoff and colleagues (2003) was utilized and is consistent with the procedures used by other ethics researchers (e.g., Lucas & Friedrich, 2005). This technique requires the researcher to compare the variables partial correlations to their zero-order correlations. Simply speaking, if the difference between the correlations is small, common method bias (at least what is attributed to the third variable; in this case social desirability) may not be an issue. As can be seen in Appendix B, the difference between the zero-order and partial correlations among the independent, dependent, and mediating variables is relatively small, suggesting that common-method bias due to the influences of social desirability may be minimal at best.

In total, the above results, coupled with the procedural remedies, suggests that common method bias may not be a significant issue in this study.

## **MEASURES**

Based on the robust reliability coefficients and the results of the factor analysis regarding the newly developed mediating variables, all measures in Study 1 were identical to those in the pilot study, with a couple of exceptions. As a result, the discussion regarding each measure below is brief. For a more detailed explanation of each measure, please refer to the information reported in the pilot study

### **Independent and Dependent Variables**

Unethical peer behavior ( $\alpha = .94$ , see Appendix F) and observer unethical behavior ( $\alpha = .93$ , see Appendix G) was again assessed with the 17-item academic dishonesty scale developed by McCabe and Treviño (1993).

### **Mediating Variables**

The factor analysis results revealed three stable factors. Thus, the same scales were used to assess vicarious learning (alpha = .91, see Appendix H), perceived fit with group identity (alpha = .92, see Appendix I), relative deprivation (alpha = .88, see Appendix J), and negative feelings (alpha = .92, See Appendix K).

### **Moderating Variables**

The same scales used in the pilot study to assess the moderating variables were utilized in Study 1. These include: perceived rewards and punishments (alpha = .82 for perceived rewards and alpha = .82 for perceived punishments, see Appendix L); strength of identification with group (alpha = .91, see Appendix M); self-esteem (alpha = .88, see Appendix N); direction of group norms (alpha = .57 for major's norms supporting ethical behaviors and alpha = .83 for major's norms supporting unethical behaviors, see Appendix O); need for affiliation (1-item removed to improve reliability; alpha = .72, see Appendix P); introversion (alpha = .80, see Appendix Q); proximity (alpha = .86, see Appendix R); negative relationships (alpha = .87, see Appendix S); moral identity (alpha = .84, see Appendix T); self-improvement (alpha = .84, see Appendix U); self-enhancement (alpha = .84, see Appendix V); self-monitoring (alpha = .82, see Appendix W); ethical culture (alpha = .91, see Appendix X); and social desirability (alpha = .91, see Appendix Y). University was once again coded as 0 = no code and 1 = code. Finally, numerous demographic items were included as potential control variables or for future research. These items include the factors of age, gender, academic class standing, major, cumulative grade point average, "major" grade point average, hours of ethics training received at the university, and hours spent a week on a variety of activities (e.g., paid employment, caring for a dependent, social fraternity/sorority/club, business fraternity/club, intercollegiate (varsity) athletic team, and intercollegiate (club sport) athletic team (See Appendix Z).

## RESULTS

Table 3 contains the correlations, standard deviations, and reliabilities for the measures contained in Study 1. This section is broken down into two primary subsections – factor analysis results and regression results. The proposed mediating relationships (Hypotheses 1, 3, and 7) were tested using the Baron and Kenny (1986) test for mediation. Baron and Kenny (1986) propose a four step process for assessing mediation. Full mediation occurs when the analysis indicates that the first three steps are statistically significant, while the fourth is not. When the fourth step is statistically significant, but the regression coefficient is smaller to that of step one, partial mediation is said to occur. The four steps include: (1) regressing the dependent variable on the independent variable; (2) regressing the mediation variable on the independent variable; (3) regressing the dependent variable on the mediation variable while controlling for the independent variable; and, (4) regressing the dependent variable on the independent variable while controlling for the mediation variable. This four step process was utilized for each proposed mediated model. To test the moderating effects proposed in Hypotheses 2, 4, 5, 6, and 8 through 13, hierarchical regression analysis was employed. Appendix D gives a breakdown of each proposed hypothesis as well as summary of the findings for Study 1.

*Factor analysis – mediation variables.* The results of the maximum likelihood extraction procedure using Varimax rotation factor analysis for the proposed three mediating variables for Study 1 are presented in Table 4. As seen from Table 4, the factor analysis revealed three stable factors; relative deprivation (6-items), vicarious learning (5-items), and perceived fit with group identity (4-items). All items loaded as expected on their respective factors. In total, 63.59% of the total variance is explained by these three factors. These results, as well as those presented in

the factor analysis utilizing the pilot study data discussed previously, suggest that the three mediating factors are distinguishable constructs.

**Table 3**  
**Summary Statistics and Correlations for Study 1**

	Mean	s.d.	1	2	3	4	5	6	7	8	9	10
1. Self-esteem	4.08	0.66	(.88)									
2. Self-monitoring	3.76	0.48	.39**	(.82)								
3. Need for affiliation	3.43	0.59	.30**	.28**	(.72)							
4. Introversion	2.23	0.53	-.54**	-.42**	-.68**	(.80)						
5. Self-improvement	4.55	0.53	.48**	.36**	.25**	-.45**	(.84)					
6. Social desirability	3.00	0.52	-.32**	-.04	-.15**	.16**	-.17**	(.73)				
7. Unethical peer behavior	2.01	0.69	-.16**	-.05	-.05	.03	-.09*	.22**	(.94)			
8. Positive emotions	1.43	0.77	-.07	-.10*	.05	.04	-.16**	.03	.04	(.93)		
9. Negative emotions	2.32	0.90	-.13**	-.08*	-.12**	.06	-.01	.05	.18**	-.01	(.92)	
10. Vicarious learning	2.61	1.01	-.02	.01	.14**	-.12**	-.02	.20**	.21**	.08*	.07	(.91)
11. Evaluative fit - Major	1.63	0.78	-.14**	-.07	-.03	.05	-.14**	.09*	.31**	.25**	.09*	.24**
12. Relative deprivation	2.39	0.92	-.13**	.05	-.01	-.01	-.05	.18**	.33**	.07	.30**	.27**
13. Strength of identification - Major	4.19	0.67	.35**	.30**	.27**	-.41**	.40**	-.08*	-.06	-.09*	-.01	.03
14. Major's norms - unethical	1.87	0.79	-.23**	-.12**	-.14**	.17**	-.23**	.11**	.25**	.10**	.07	.13**
15. Major's norms - ethical	4.13	0.86	.25**	.09*	.15**	-.20**	.22**	-.12**	-.15**	-.09*	-.01	-.06
16. Self-enhancement	3.81	0.82	.13**	.24**	.03	-.16**	.23**	.15**	.08*	-.09*	.10*	.08*
17. Proximity	3.87	0.76	.36**	.29**	.51**	-.53**	.29**	-.04	.01	-.07	-.09*	.18**
18. Negative relationships	1.77	0.72	-.38**	-.27**	-.47**	.51**	-.37**	.11**	.06	.15**	.14**	-.07
19. Observer's unethical behavior	1.37	0.45	-.26**	-.13**	-.01	.12**	-.32**	.18**	.52**	.27**	.04	.22**
20. Moral identity	3.95	0.60	.31**	.33**	.26**	-.43**	.47**	-.13**	-.08*	-.16**	.07	-.00
21. Ethical culture	3.77	0.53	.24**	.16**	.19**	-.23**	.30**	-.17**	-.24**	-.13**	-.02	-.12**
22. Perceived rewards	1.90	0.95	-.17**	-.05	-.11**	.12**	-.16**	.11**	.16**	.13**	.09*	.06
23. Perceived punishments	4.08	0.75	.20**	.15**	.16**	-.18**	.26**	-.11**	-.24**	-.11**	-.05	-.08
24. Gender	1.55	0.50	-.03	.04	.12**	-.18**	.16**	-.01	.05	-.17**	.08	-.01
25. Age	21.01	3.47	-.07	-.01	-.12**	.11**	.02	-.09*	-.02	-.01	.04	-.05
26. University	0.78	0.42	.02	-.00	.13**	-.07	.05	.01	-.08*	-.04	-.02	-.01

Scale reliabilities (Cronbach's alphas) appear on the diagonal, where applicable. Sample size, n = 655.

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
(.92)														
.34**	(.88)													
-.25**	-.04	(.91)												
.46**	.24**	-.31**	(.83)											
-.31**	-.19**	.37**	-.48**	(.57)										
.04	.20**	.19**	.01	-.02	(.84)									
-.13**	.00	.46**	-.21**	.20**	.24**	(.86)								
.25**	.10**	-.42**	.32**	-.22**	-.15**	-.70**	(.87)							
.30**	.25**	-.22**	.30**	-.23**	-.10**	-.06	.16**	(.93)						
-.23**	-.02	.35**	-.28**	.22**	.23**	.43**	-.48**	-.27**	(.84)					
-.40**	-.27**	.35**	-.40**	.38**	.01	.34**	-.41**	-.27**	.45**	(.91)				
.33**	.26**	-.19**	.32**	-.20**	.02	-.22**	.31**	.18**	-.28**	-.60**	(.82)			
-.35**	-.23**	.27**	-.35**	.32**	.03	.29**	-.38**	-.27**	.37**	.83**	-.47**	(.82)		
-.07	-.01	.12**	-.06	.07	-.11**	.13**	-.16**	-.05	.29**	.20**	-.15**	.11**		
-.01	-.02	-.08	.04	-.06	-.08*	-.21**	.11**	-.04	-.04	-.04	.10*	-.07	-.06	
-.11**	-.08	.08*	-.10	.16**	-.09*	.16**	-.13**	-.06	.08*	.21**	-.13**	.14**	.12**	-.27**

**Table 4**  
**Rotated Factor Analysis for Study 1 - Varimax Rotation**  
**Mediating Variables**

Questionnaire Items	Factor Loadings		
	1	2	3
<b>1. Relative Deprivation</b>			
- Did your peers benefit from engaging in these behaviors?	.62	.12	.06
- Did your peers receive something (e.g. an opportunity or a good) from engaging in these behaviors?	.70	.11	.12
- Did your peers receive something that you wanted from engaging in these behaviors?	.86	.14	.12
- Did your peers receive something that you value from engaging in these behaviors?	.83	.08	.12
- Do you believe that these benefits should be yours, and not your peers?	.67	.06	.17
- Do you think that your peers received benefits that were entitled to you from engaging in these behaviors?	.61	.10	.19
<b>2. Vicarious Learning</b>			
- I learned these behaviors from my peers.	.22	.76	.12
- My peers served as role models for my behavior.	.08	.80	.08
- I learned from the example provided by my peers.	.09	.83	.07
- I have learned a great deal about how I should behave from my peers.	.05	.74	.09
- I learned these behaviors by observing my peers.	.16	.84	.12
<b>3. Perceived Fit - Major</b>			
- Do these behaviors fit with your major's identity?	.18	.09	.80
- Are these behaviors typical of your major?	.19	.10	.84
- Are these behaviors considered normal within your major?	.18	.12	.88
- Are these behaviors characteristic of your major's identity?	.13	.11	.80
<b>EIGENVALUES</b>	3.32	3.29	2.27
<b>% of Variance</b>	22.2	22.0	19.5

## **Control Variables**

Four variables were statistically controlled for in all regression analyses. These four variables include: (1) social desirability; (2) age; (3) gender; and, (4) university. Social desirability, gender, and age were imputed as control variables since previous research has shown these to influence the ethical decision-making process (e.g., Deshpande, 1997; Ross & Robertson, 2003; Schminke & Ambrose, 1997). University, as operationalized in this study, reflects the code of conduct variable (coded 0 = no code of conduct and 1 = code of conduct). Previous research has indicated that the existence of a code is associated with lower levels of unethical behavior (e.g., McCabe et al., 1996).

## **Study 1 – Mediated Regression Results**

*Social learning theory.* Hypothesis 1 predicts vicarious learning will mediate the relationship between unethical peer behavior and observer unethical behavior. In step 1, observer unethical behavior was regressed on unethical peer behavior. As seen in Table 5, the relationship was statistically significant (Beta = .50,  $p < .01$ ), indicating there is an effect that may be mediated. Due to the fact that step 1 is the same in each mediated regression analysis, it will not be discussed in further analyses. Step 2, regressing vicarious learning against unethical peer behavior was also statistically significant and in the predicted direction (Beta = .17,  $p < .01$ ). Regressing the dependent variable on vicarious learning, while controlling for the effects of unethical peer behavior (step 3) resulted in a statistically significant effect (Beta = .10,  $p < .01$ ). Further the overall model was statistically significant ( $R^2 = .29$ ,  $\Delta R^2 = .01$ ,  $F(6, 648) = 43.28$ ,  $p < .01$ ), suggesting that vicarious learning at least partially mediates the relationship between unethical peer behavior and observer unethical behavior. In the final step (step 4), observer unethical behavior was regressed onto unethical peer behavior while controlling for



vicarious learning. The results indicate that unethical peer behavior is still a significant predictor of observer unethical behavior (Beta = .49,  $p < .01$ ). However, the regression coefficient decreased from .50 to .49, indicating a partial mediation effect. Therefore, Hypothesis 1 is partially supported.

*Social identity theory.* Social identity theory predicts that the perceived fit with the major's identity will mediate the relationship between unethical peer behavior and observer unethical behavior (Hypothesis 3). Specifically, unethical peer behavior will be negatively related to perceived fit with the major's identity, which will then be positively related to the observer's unethical behavior. In step 2, perceived fit was regressed onto unethical peer behavior. As seen in Table 6, this relationship was statistically significant (Beta = .30,  $p < .01$ ). However, contrary to prediction, this relationship is positive, not negative. Likewise, the effect of perceived fit on observer unethical behavior while controlling for unethical peer behavior (step 3) was also statistically significant (Beta = .15,  $p < .01$ ). The overall model was statistically significant ( $R^2 = .30$ ,  $\Delta R^2 = .02$ ,  $F(6, 648) = 45.19$ ,  $p < .01$ ). Finally, regressing observer unethical behavior on unethical peer behavior while controlling for evaluative fit produced a significant effect (Beta = .46,  $p < .01$ ). The difference between the regression coefficients of unethical peer behavior from model 1 to model 4 decreased by .04, suggesting partial mediation. Given the fact that step 2 reported a positive, and not a negative, relationship between unethical peer behavior and evaluative fit, Hypothesis 3 is partially supported.

*Social comparison theory.* In the final mediation analysis, two variables are predicted to mediate the relationship between unethical peer behavior and observer unethical behavior. Specifically, unethical behavior is predicted to be positively related to perceived relative deprivation (Hypothesis 7a). In turn, perceived relative deprivation is predicted to be positively

related to negative self-feelings (Hypothesis 7b). Finally, negative self-feelings are predicted to be positively related to observers' unethical behavior (Hypothesis 7c). Given the fact that this model predicts 2 mediated effects, an additional step was added to the Baron and Kenny (1986) analysis, which is consistent with the procedure conducted by Tepper & Taylor (2003).

Regressing perceived relative deprivation against unethical peer behavior (step 2), a statistically significant effect was found (Beta = .30,  $p < .01$ ), supporting Hypothesis 7a (See Table 7). The relationship between perceived relative deprivation and negative self-feelings (while controlling for unethical peer behavior – step 3a) was also significant and in the expected direction (Beta = .28,  $p < .01$ ), supporting Hypothesis 7b. Likewise, regressing observer unethical behavior on negative self-feelings (controlling for both unethical peer behavior and relative deprivation – step 3b) produced a significant effect (Beta = -.08,  $p < .05$ ) and an overall significant model ( $R^2 = .29$ ,  $\Delta R^2 = .01$ ,  $F(7, 647) = 37.15$ ,  $p < .01$ ). However, as the standardized regression coefficient indicates, the relationship is negative, not positive as hypothesized. Therefore, Hypothesis 7c is significant, but in the opposite direction. In the final regression analysis (step 4), the relationship between unethical peer behavior and observer unethical behavior (while controlling for relative deprivation and negative self-feelings) produced a significant effect (Beta = .49,  $p < .01$ ). As the standardized regression coefficient decreased by .01, this again suggests partial mediation. Given the negative relationship between negative self-feelings and observer unethical behavior, the overall social comparison model is only partially supported. The results suggest partial mediation, but one of the relationships was in the opposite direction from prediction.

**Table 5**  
**Mediated Regression Results for Study 1 - Social Learning Theory**

Variables	Step 1 <sup>1</sup>		Step 2 <sup>2</sup>		Step 3 <sup>1</sup>		Step 4 <sup>1</sup>	
	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2
<i>Control</i>								
Social desirability	.17**	.07	.20**	.16**	.07	.05	.14**	.05
Age	-.04	-.03	-.04	-.04	-.03	-.03	-.04	-.03
Gender	-.04	-.07*	-.01	-.02	-.07*	-.07	-.04	-.07*
University	-.07	-.02	-.02	.00	-.02	-.02	-.06	-.02
<i>Independent</i>								
Unethical peer behavior		.50**		.17**	.50**	.49**		.49**
<i>Mediator</i>								
Vicarious learning						.10**	.19**	.10**
<i>F</i>	6.46**	49.50**	7.25**	9.84**	49.50**	43.28**	9.95**	43.28**
<i>R</i> <sup>2</sup>	.04**	.28**	.04**	.07**	.28**	.29**	.07**	.29**
$\Delta R^2$	.04**	.24**	.04**	.03**	.28**	.01**	.07**	.22**

<sup>1</sup> Dependent variable in analysis was observer unethical behavior. <sup>2</sup> Dependent variable in regression analysis was vicarious learning.

N = 655.

Standardized regression coefficients are shown.

\* p < .05

\*\* p < .01

**Table 6**  
**Mediated Regression Results for Study 1 - Social Identity Theory**

Variables	Step 1 <sup>1</sup>		Step 2 <sup>2</sup>		Step 3 <sup>1</sup>		Step 4 <sup>1</sup>	
	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2
<i>Control</i>								
Social desirability	.17**	.07	.09*	.02	.07	.06	.15**	.06
Age	-.04	-.03	-.03	-.03	-.03	-.03	-.04	-.03
Gender	-.04	-.07*	-.06	-.08*	-.07*	-.06	-.03	-.06
University	-.07	-.02	-.12**	-.09*	-.02	-.01	-.04	-.01
<i>Independent</i>								
Unethical peer behavior		.50**		.30**	.50**	.46**		.46**
<i>Mediator</i>								
Evaluative fit - Major						.15**	.28**	.15**
<i>F</i>	6.46**	49.50**	4.08**	16.04**	49.50**	45.19**	16.75**	45.19**
<i>R</i> <sup>2</sup>	.04**	.28**	.03**	.11**	.28**	.30**	.11**	.30**
$\Delta R^2$	.04**	.24**	.03**	.09**	.28**	.02**	.11**	.18**

<sup>1</sup> Dependent variable in analysis was observer unethical behavior. <sup>2</sup> Dependent variable in regression analysis was evaluative fit - major.

N = 655.

Standardized regression coefficients are shown.

\* p < .05

\*\* p < .01

**Table 7**  
**Mediated Regression Results for Study 1 - Social Comparison Theory**

Variables	Step 1 <sup>1</sup>		Step 2 <sup>2</sup>		Step 3a <sup>3</sup>		Step 3b <sup>1</sup>		Step 4 <sup>1</sup>	
	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2
<i>Control</i>										
Social desirability	.17**	.07	.18**	.11**	.01	-.02	.06	.06	.13**	.06
Age	-.04	-.03	-.03	-.03	.04	.05	-.03	-.03	-.04	-.03
Gender	-.04	-.07	-.00	-.02	.07	.07*	-.07*	-.07*	-.04	-.07*
University	-.07	-.02	-.09*	-.06	.00	.02	-.01	-.01	-.05	-.01
<i>Independent</i>										
Unethical peer behavior		.50**		.30**	.17**	.09*	.48**	.49**		.49**
<i>Mediator</i>										
Relative deprivation						.28**	.08*	.10**	.23**	.10**
Negative self-feelings								-.08*	-.04	-.08*
<i>F</i>	6.46**	49.50**	6.62**	18.38**	5.12**	12.96**	42.29**	37.15**	10.10**	37.15**
<i>R</i> <sup>2</sup>	.04**	.28**	.04**	.12**	.04**	.11**	.28**	.29**	.09**	.29**
$\Delta R^2$	.04**	.24**	.04**	.09**	.04**	.07**	.28**	.01*	.09**	.20**

<sup>1</sup> Dependent variable in analysis was observer unethical behavior. <sup>2</sup> Dependent variable in regression analysis was relative deprivation.

<sup>3</sup> Dependent variable in regression analysis was negative emotions.

N = 655.

Standardized regression coefficients are shown.

\* p < .05

\*\* p < .01

## Study 1 – Hierarchical Regression Results

As previously stated, hierarchical regression analysis was used to test the proposed moderating hypotheses (Hypotheses 2, 4, 5, 6, and 8 through 13). Following the recommendation presented by Cohen, Cohen, West, and Aiken (2003), all predictor variables were mean centered to reduce potential multicollinearity issues. Further analysis of the variance inflation factor (VIF) scores (not shown) reports all values less than the standard 10.0 cut-off value (Cohen et al., 2003), suggesting that multicollinearity did not present a biasing problem. In order to fully interpret the interactions, interaction plots were developed (Figures 5 through 16). For all interaction plots, values representing plus or minus 1 standard deviation from the mean were used.

*Social learning theory moderating variables.* Hypothesis 2 predicted that perceived rewards and punishments would influence the relationship between vicarious learning and observer unethical behavior. Specifically the interaction between vicarious learning and perceived rewards will result in a positive association with observer unethical behavior, while the interaction between vicarious learning and perceived punishments will be negatively associated with observer unethical behavior. As seen in Table 8, Hypothesis 2 was not supported. After controlling for the variables discussed previously (e.g., social desirability, age, gender, and university) in step 1 and entering the independent variables in step 2, the interaction terms were entered in step 3 (this process was repeated for each hierarchical regression analysis, therefore it will not be discussed in the proceeding analyses). Neither interaction term was statistically significant (Beta = .04,  $p = .27$  for the vicarious learning x perceived rewards interaction term and Beta = -.02,  $p = .61$  for the vicarious learning x perceived punishments interaction term).

**Table 8**  
**Hierarchical Regression Results for Study 1 - Social Learning Theory<sup>a</sup>**

Variables	Model 1	Model 2	Model 3
<i>Control</i>			
Social desirability	.17**	.11**	.11**
Age	-.04	-.05	-.05
Gender	-.04	-.02	-.02
University	-.07	-.03	-.04
<i>Independent</i>			
Vicarious learning		.17**	.18**
Perceived rewards		.06	.06
Perceived punishments		-.21**	-.21**
<i>Interactions</i>			
Vicarious learning x Perceived rewards			.04
Vicarious learning x Perceived punishments			-.02
<i>F</i>	6.46**	13.47**	10.73**
<i>R</i> <sup>2</sup>	.04**	.13**	.13**
$\Delta R^2$	.04**	.09**	.00

<sup>a</sup> The dependent variable is observer unethical behavior.

N = 655.

Standardized regression coefficients are shown.

\* p < .05

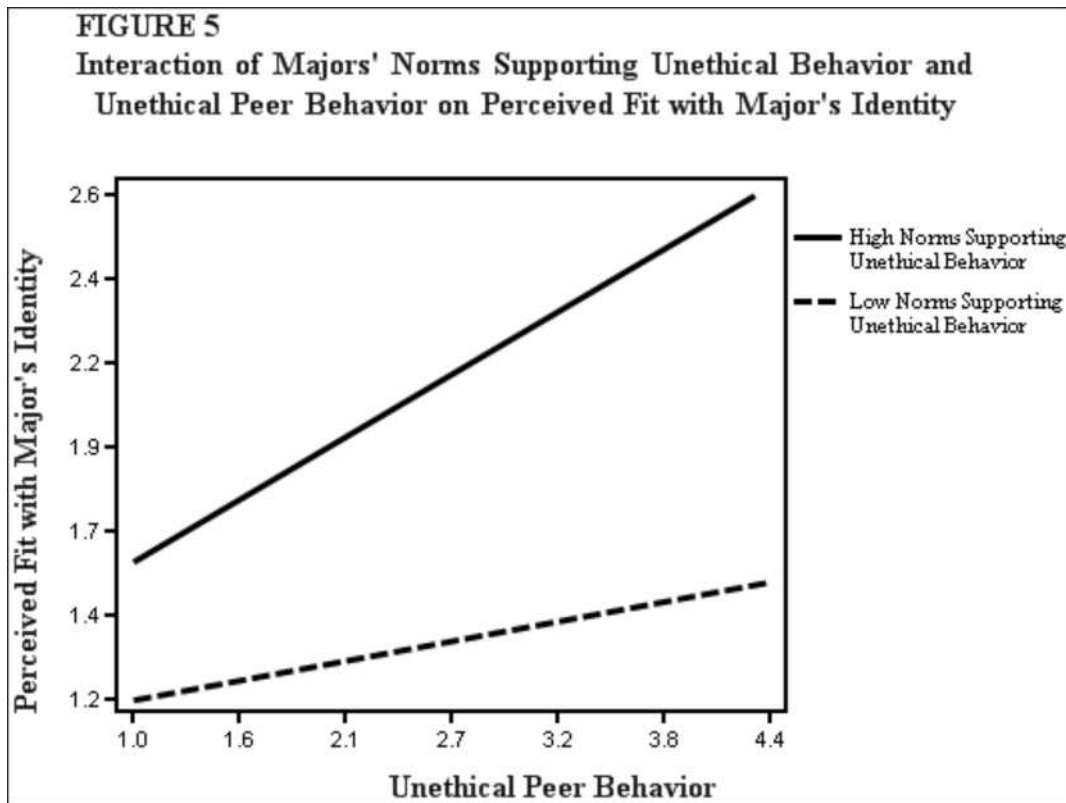
\*\* p < .01

*Social identity theory – test of major’s norms moderating variable.* Hypothesis 4 predicts that the direction of the major’s norms will influence the relationship between unethical peer behavior and perceived evaluative fit with the major’s identity. More specifically, when the major’s norms support unethical behavior, the relationship will be positive between unethical peer behavior and perceived fit with the major’s identity (Hypothesis 4a). In contrast, when the major’s norms support ethical behavior, the relationship will be negative between unethical peer behavior and perceived fit with the major’s identity (Hypothesis 4b). Two separate hierarchical regression analyses were conducted given the variables relatively high correlation ( $r = -.48, p < .01$ ). A high correlation among a set of predictors may have issues of multicollinearity, which may lead to a false interpretation of the regression coefficients and unreliable significance results (Cohen et al., 2003). Table 9, shows the results of the hierarchical regression analysis for the major’s norms supporting unethical behavior x unethical peer behavior interaction. The overall model was significant ( $R^2 = .27, \Delta R^2 = .01, F(7, 647) = 33.88, p < .01$ ). The major’s norms support unethical behavior by unethical peer behavior interaction was also statistically significant ( $Beta = .10, p < .01$ ). Figure 5 shows that when the norms supporting unethical behavior is high, there is a stronger, positive relationship between unethical peer behavior and perceived fit with the major’s identity than when the norms supporting unethical behavior is low. Thus, Hypothesis 4a is supported.

Table 10, shows the regression results of the major’s norms supporting ethical behavior x unethical peer behavior interaction. The findings suggest a significant interaction ( $Beta = -.07, p < .05$ ) and overall model ( $R^2 = .18, \Delta R^2 = .01, F(7, 647) = 20.16, p < .01$ ). Figure 6 shows that the relationship between unethical peer behavior and the perceived fit with the major’s identity is

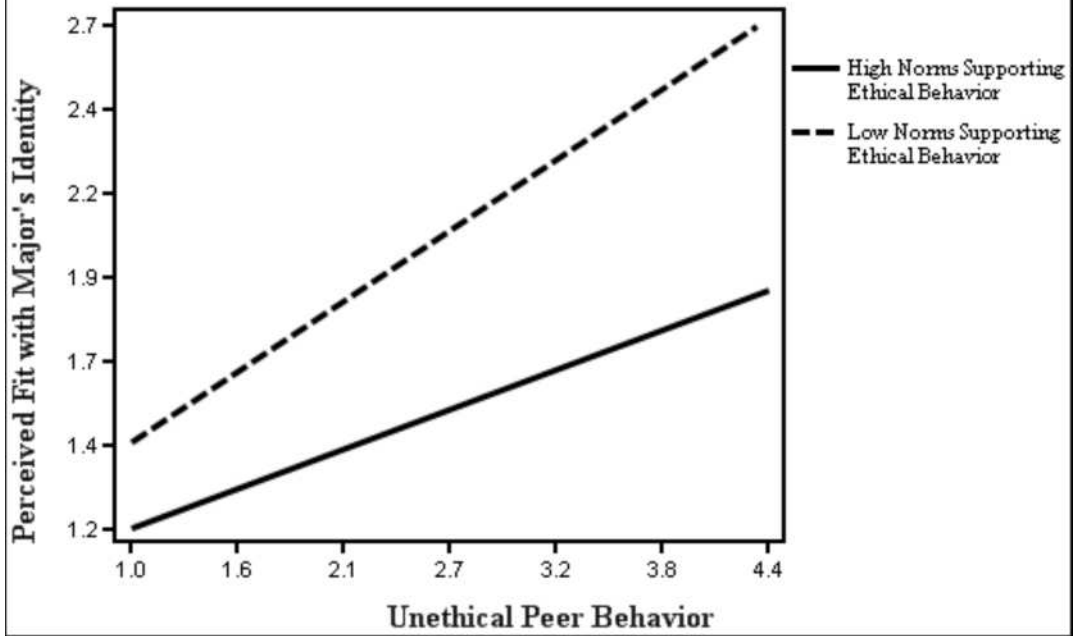


weaker when the norms supporting ethical behavior is high versus low. However, the relationship is positive, not negative as predicted. Thus, Hypothesis 4b is partially supported.



**FIGURE 6**

**Interaction of Majors' Norms Supporting Ethical Behavior and Unethical Peer Behavior on Perceived Fit with Major's Identity**



**Table 9**  
**Hierarchical Regression Results for Study 1 - Social Identity Theory - Norms of  
the Major Support Unethical Behavior<sup>a</sup>**

Variables	Model 1	Model 2	Model 3
<i>Control</i>			
Social desirability	.09*	-.00	.01
Age	-.03	-.04	-.04
Gender	-.06	-.05	-.05
University	-.12**	-.06	-.05
<i>Independent</i>			
Unethical peer behavior		.21**	.18**
Major's norms support unethical behavior		.40**	.39**
<i>Interactions</i>			
Unethical peer behavior x Major's norms support unethical behavior			.10**
<i>F</i>	4.08**	37.67**	33.88**
<i>R</i> <sup>2</sup>	.03**	.26**	.27**
$\Delta R^2$	.03**	.23**	.01*

<sup>a</sup> The dependent variable is perceived fit with major's identity.

N = 655.

Standardized regression coefficients are shown.

\* p < .05

\*\* p < .01

**Table 10**  
**Hierarchical Regression Results for Study 1 - Social Identity Theory - Norms of the Major Support Ethical Behavior<sup>a</sup>**

Variables	Model 1	Model 2	Model 3
<i>Control</i>			
Social desirability	.09*	-.00	.00
Age	-.03	-.03	-.04
Gender	-.06	-.06	-.06
University	-.12**	-.05	-.05
<i>Independent</i>			
Unethical peer behavior		.27**	.26**
Major's norms support ethical behavior		-.26**	-.29**
<i>Interactions</i>			
Unethical peer behavior x Major's norms support ethical behavior			-.07*
<i>F</i>	4.08**	22.74**	20.16**
<i>R</i> <sup>2</sup>	.03**	.17**	.18**
$\Delta R^2$	.03**	.15**	.01*

<sup>a</sup> The dependent variable is perceived fit with major's identity.

N = 655.

Standardized regression coefficients are shown.

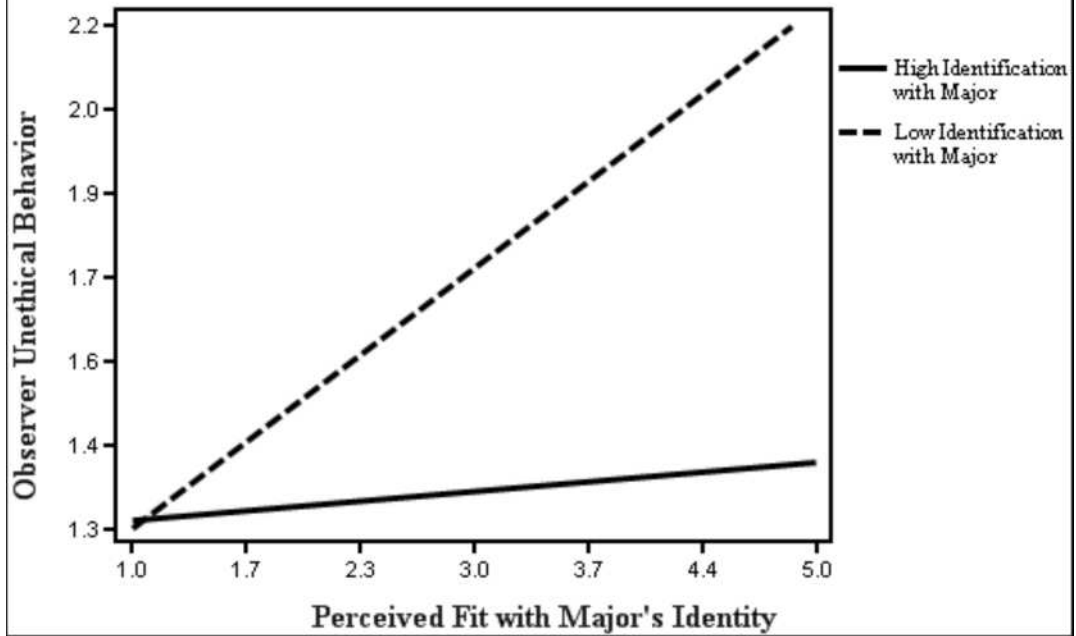
\* p < .05

\*\* p < .01

*Social identity theory moderating variables.* Hypothesis 5 predicts that the relationship between perceived fit with the major's identity and observer unethical behavior will be stronger under conditions where the observer strongly identifies with his or her major. Table 11 shows that the overall interaction model was significant ( $R^2 = .21$ ,  $\Delta R^2 = .05$ ,  $F(9, 645) = 18.93$ ,  $p < .01$ ). Further, examining Model 3 of Table 11, there is a significant strength of identification x perceived evaluative fit interaction (Beta =  $-.14$ ,  $p < .01$ ). Figure 7 displays the plotted values indicating that the relationship between perceived fit with major's identity and observer unethical behavior is slightly stronger when identification with the major is high. However, there is a stronger relationship between perceived fit with major's identity and observer unethical behavior when the strength of identification is low, rather than high. Therefore, Hypothesis 5 is found to be statistically significant, but opposite of prediction. Hypothesis 6 predicts a similar moderation effect for self-esteem such that the positive relationship between perceived fit with major's identity and observer unethical behavior will be stronger when observer self-esteem is low. Again, examining Model 3 in Table 11, the interaction term is statistically significant (Beta =  $-.14$ ,  $p < .01$ ). Figure 8 shows that the lower the individual's self-esteem, the stronger the relationship between perceived fit with major's identity and observer unethical behavior as predicted. Thus, Hypothesis 6 is supported.

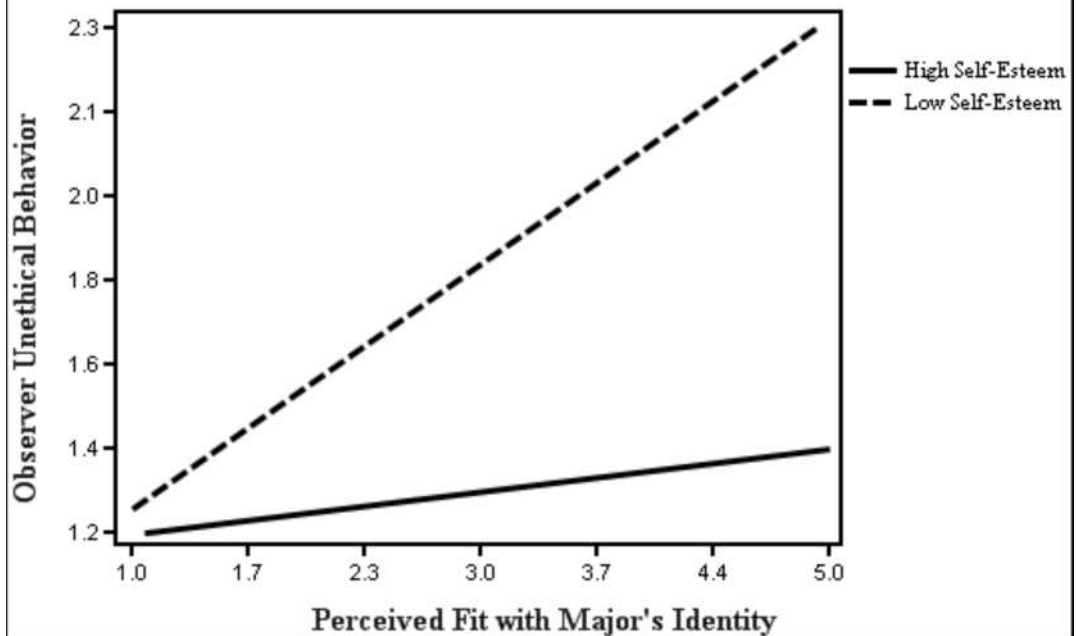
**FIGURE 7**

**Interaction of Identification with Major and Perceived Fit with Major's Identity on Observer Unethical Behavior**



**FIGURE 8**

**Interaction of Self-Esteem and Perceived Fit with Major's Identity on Observer Unethical Behavior**



**Table 11**  
**Hierarchical Regression Results for Study 1 - Social Identity Theory<sup>a</sup>**

Variables	Model 1	Model 2	Model 3
<i>Control</i>			
Social desirability	.17**	.09*	.11**
Age	-.04	-.06	-.06
Gender	-.04	-.03	.00
University	-.07	-.04	-.04
<i>Independent</i>			
Evaluative fit - Major		.24**	.21**
Strength of identification - major		-.09*	-.07
Self-esteem		-.18**	-.16**
<i>Interactions</i>			
Evaluative fit - Major x Strength of identification - Major			-.14**
Evaluative fit - Major x Self-esteem			-.14**
<i>F</i>	6.46**	17.24**	18.93**
<i>R</i> <sup>2</sup>	.04**	.16**	.21**
$\Delta R^2$	.04**	.12**	.05**

<sup>a</sup> The dependent variable is observer unethical behavior.

N = 655.

Standardized regression coefficients are shown.

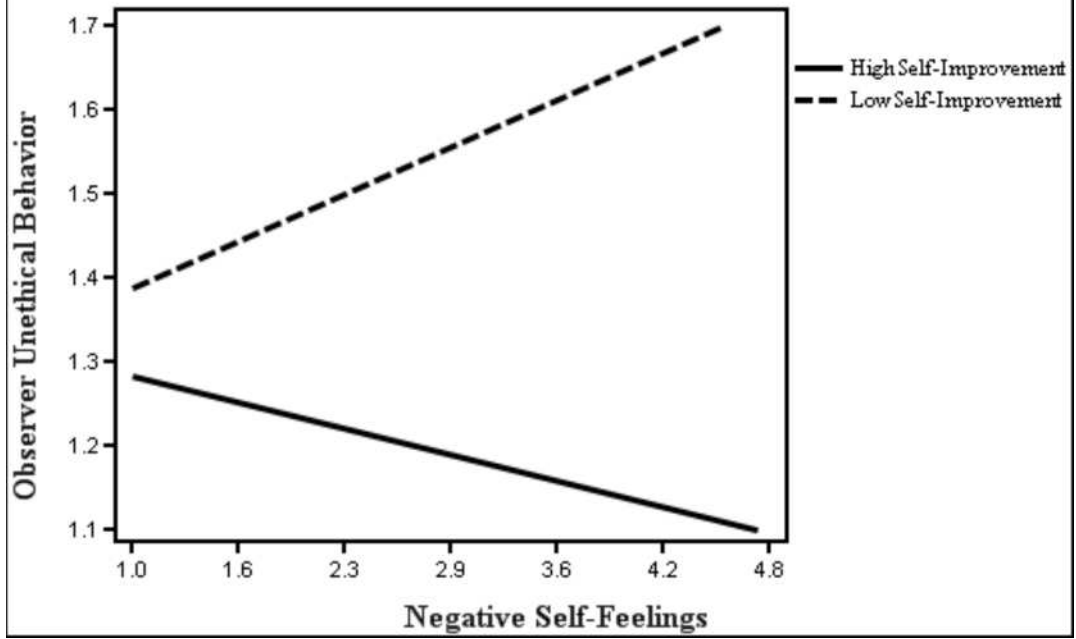
\* p < .05

\*\* p < .01

*Social comparison theory moderating variables.* Hypothesis 8 proposes that self-improvement and self-enhancement will influence the relationship between negative self-feelings and observer's unethical behavior. Specifically, when an individual seeks self-improvement (Hypothesis 8a) or self-enhancement (Hypothesis 8b), the positive relationship between negative self-feelings and observer unethical behavior will be weaker. As shown in Table 12, the overall interaction model was statistically significant ( $R^2 = .14$ ,  $\Delta R^2 = .02$ ,  $F(9, 645) = 11.80$ ,  $p < .01$ ). Further examination reveals that the negative self-feelings x self-improvement interaction was significant (Beta =  $-.12$ ,  $p < .01$ ), while the negative self-feelings x self-enhancement interaction was non-significant (Beta =  $-.03$ ,  $p = .37$ ), thus Hypothesis 8b is not supported. Validating Hypothesis 8a, Figure 9 shows that the relationship between negative self-feelings and observer unethical behavior is negative when self-improvement is high, while the relationship is positive when self-improvement is low. Therefore, Hypothesis 8a is supported.



**FIGURE 9**  
**Interaction of Self-Improvement and Negative Self-Feelings on Observer Unethical Behavior**



**Table 12**  
**Hierarchical Regression Results for Study 1 - Social Comparison Theory<sup>a</sup>**

Variables	Model 1	Model 2	Model 3
<i>Control</i>			
Social desirability	.17**	.14**	.13**
Age	-.04	-.05	-.05
Gender	-.04	-.01	-.02
University	-.07	-.06	-.06
<i>Independent</i>			
Negative emotions		.04	.05
Self-improvement		-.27**	-.27**
Self-enhancement		-.07	-.08
<i>Interactions</i>			
Negative emotions x Self-improvement			-.12**
Negative emotions x Self-enhancement			-.03
<i>F</i>	6.46**	13.16**	11.80**
<i>R</i> <sup>2</sup>	.04**	.13**	.14**
$\Delta R^2$	.04**	.09**	.02**

<sup>a</sup> The dependent variable is observer unethical behavior.

N = 655.

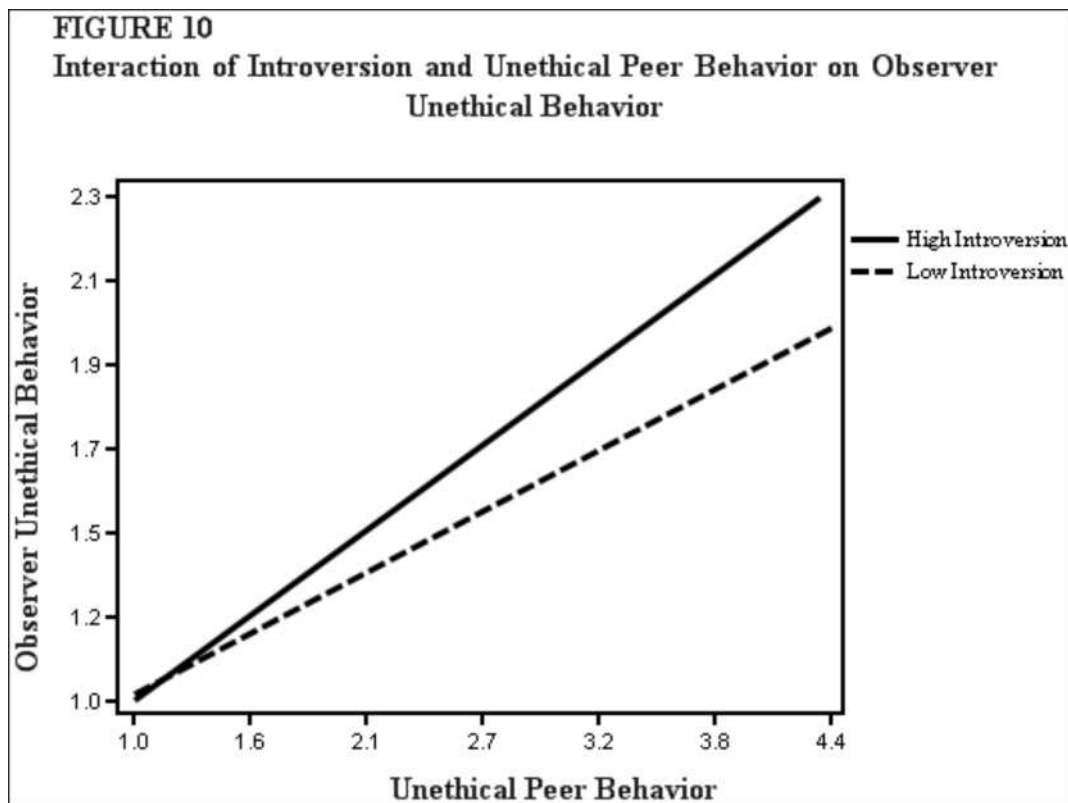
Standardized regression coefficients are shown.

\* p < .05

\*\* p < .01

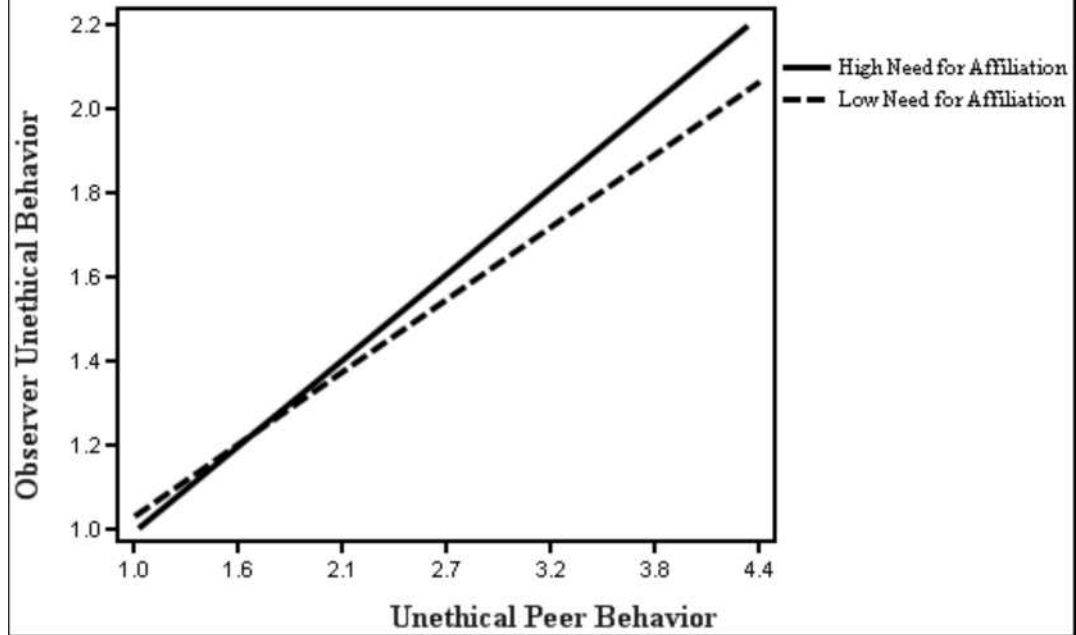
*Moral differentiation moderating variables.* Hypothesis 9 predicts that moral differentiation will influence the relationship between unethical peer behavior and observer unethical behavior. Specifically, the relationship will be weaker when the observer reports high levels of introversion (Hypothesis 9a), low levels of need for affiliation (Hypothesis 9b), low proximity (Hypothesis 9c), high levels of negative relationships (Hypothesis 9d), and high levels of moral identity (Hypothesis 9e). The results are reported in Table 13. The introversion x unethical peer behavior interaction was statistically significant in the full model (Beta = .13,  $p < .01$ ), as was the need for affiliation x unethical peer behavior interaction (Beta = .13,  $p < .01$ ), the proximity x unethical peer behavior interaction (Beta = .18,  $p < .01$ ), the negative relationship x unethical peer behavior interaction (Beta = .18,  $p < .01$ ), and the moral identity x unethical peer behavior interaction (Beta = -.11,  $p < .01$ ). Further, the overall interaction model (Model 3) was statistically significant ( $R^2 = .39$ ,  $\Delta R^2 = .05$ ,  $F(15, 639) = 27.13$ ,  $p < .01$ ). Figures 10 through 14 depict the observed relationships. Figure 10 shows that regardless of whether or not an individual's level of introversion is high or low, there remains a positive relationship between unethical peer behavior and observer unethical behavior. However, the relationship between unethical peer behavior and observer unethical behavior is weaker when the individuals' level of introversion is low, rather than high as predicted. Therefore, Hypothesis 9a is found to be statistically significant, but opposite of prediction. Likewise, Figure 11 displays a positive relationship between unethical peer behavior and observer unethical behavior when need for affiliation is high and low. As predicted, the relationship is weaker when need for affiliation is low. Therefore, Hypothesis 9b is supported. Figure 12 shows a positive relationship between peer unethical behavior and observer unethical behavior for both proximity conditions. However, the relationship is weaker when proximity is high, rather than low, as predicted. As a

result, Hypothesis 9c is found to be statistically significant, but opposite of prediction. However, a closer examination of the graph does not suggest a strong interaction, as the lines are close to being parallel. Therefore, this finding should be interpreted with caution as it may indicate a strong likelihood that multicollinearity is an issue with this particular interaction. Figure 13 displays the relationship between unethical peer behavior and observer unethical behavior in relation to negative relationships. As shown, the relationship between unethical peer behavior and observer unethical behavior is weaker when negative relationships is low, rather than high as predicted. Therefore, Hypothesis 9d is found to be statistically significant, but opposite of prediction. As predicted, Figure 14 shows that the relationship between unethical peer behavior and observer unethical behavior is weaker when moral identity is high, rather than low, supporting Hypothesis 9e.



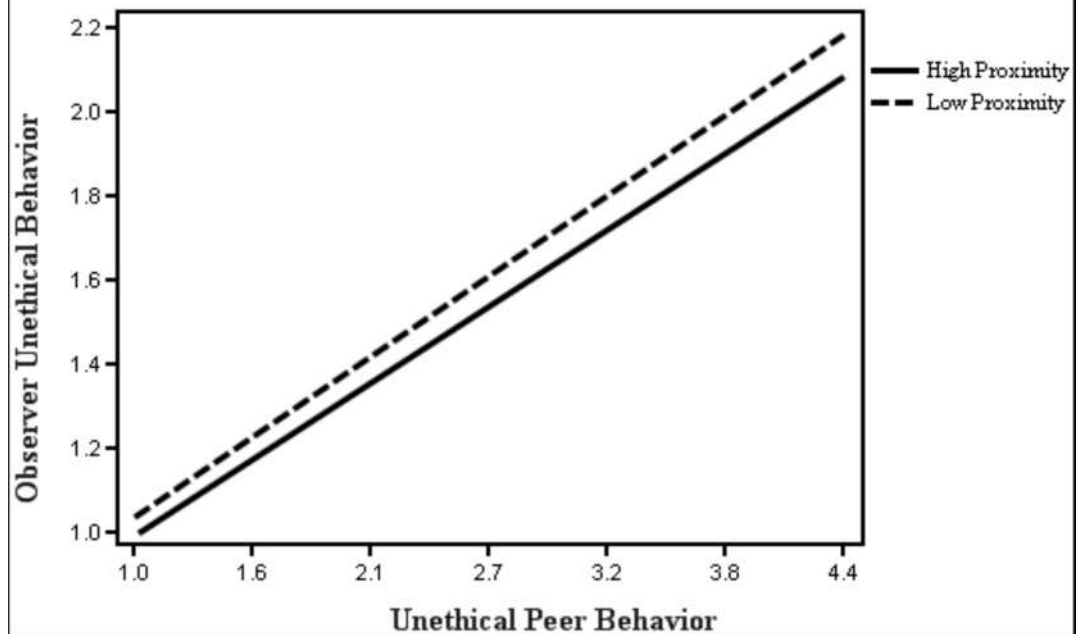
**FIGURE 11**

**Interaction of Need for Affiliation and Unethical Peer Behavior on Observer Unethical Behavior**

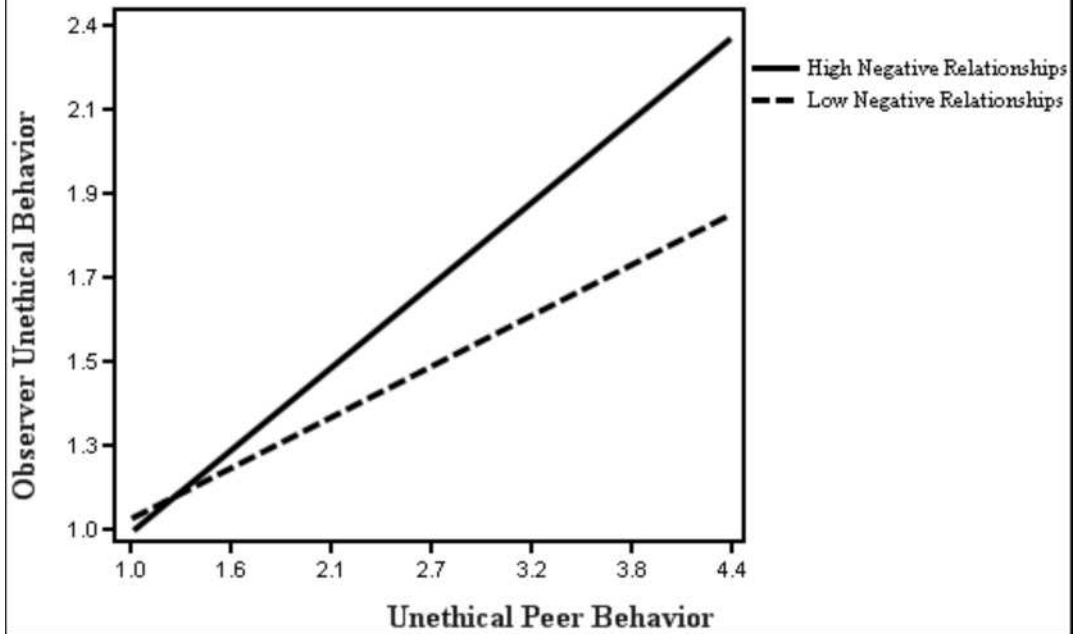


**FIGURE 12**

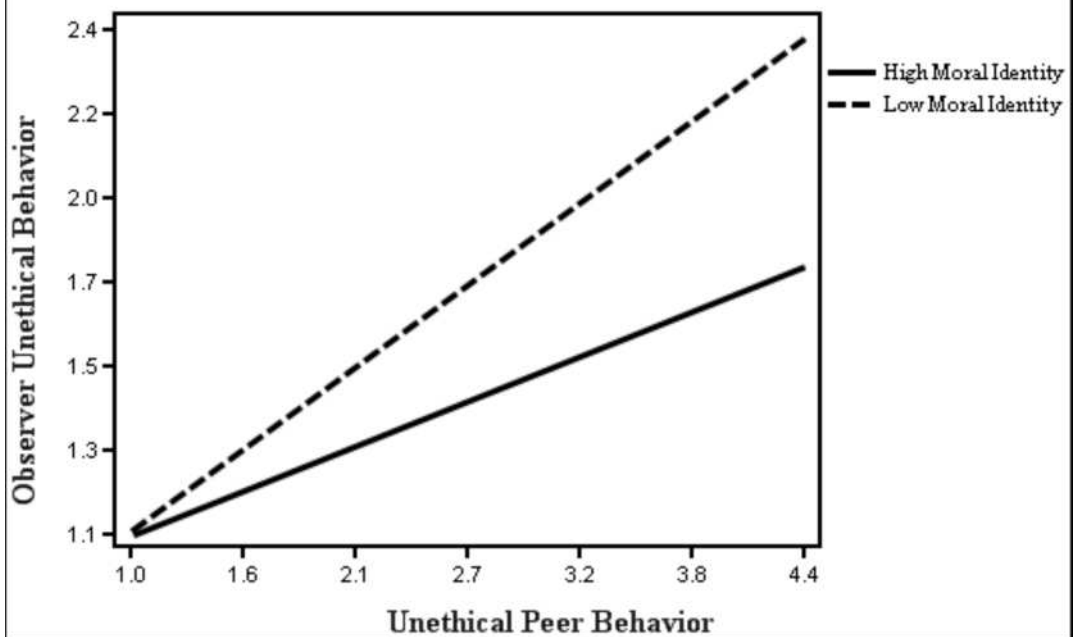
**Interaction of Proximity and Unethical Peer Behavior on Observer Unethical Behavior**



**FIGURE 13**  
**Interaction of Negative Relationships and Unethical Peer Behavior on Observer Unethical Behavior**



**FIGURE 14**  
**Interaction of Moral Identity and Unethical Peer Behavior on Observer Unethical Behavior**



**Table 13**  
**Hierarchical Regression Results for Study 1 - Moral Differentiation<sup>a</sup>**

Variables	Model 1	Model 2	Model 3
<i>Control</i>			
Social desirability	.17**	.04	.06
Age	-.04	-.03	-.05
Gender	-.04	-.01	-.01
University	-.07	-.02	-.00
<i>Independent</i>			
Unethical peer behavior		.49**	.45**
Need for affiliation		.16**	.14**
Introversion		.11*	.10*
Proximity		.06	.09
Negative relationships		.10*	.11*
Moral identity		-.19**	-.19**
<i>Interactions</i>			
Unethical peer behavior x Need for affiliation			.13**
Unethical peer behavior x Introversion			.13**
Unethical peer behavior x Proximity			.18**
Unethical peer behavior x Negative relationships			.18**
Unethical peer behavior x Moral identity			-.11**
<i>F</i>	6.46**	32.68**	27.13**
<i>R</i> <sup>2</sup>	.04**	.34**	.39**
$\Delta R^2$	.04**	.30**	.05**

<sup>a</sup> The dependent variable is observer unethical behavior.

N = 655.

Standardized regression coefficients are shown.

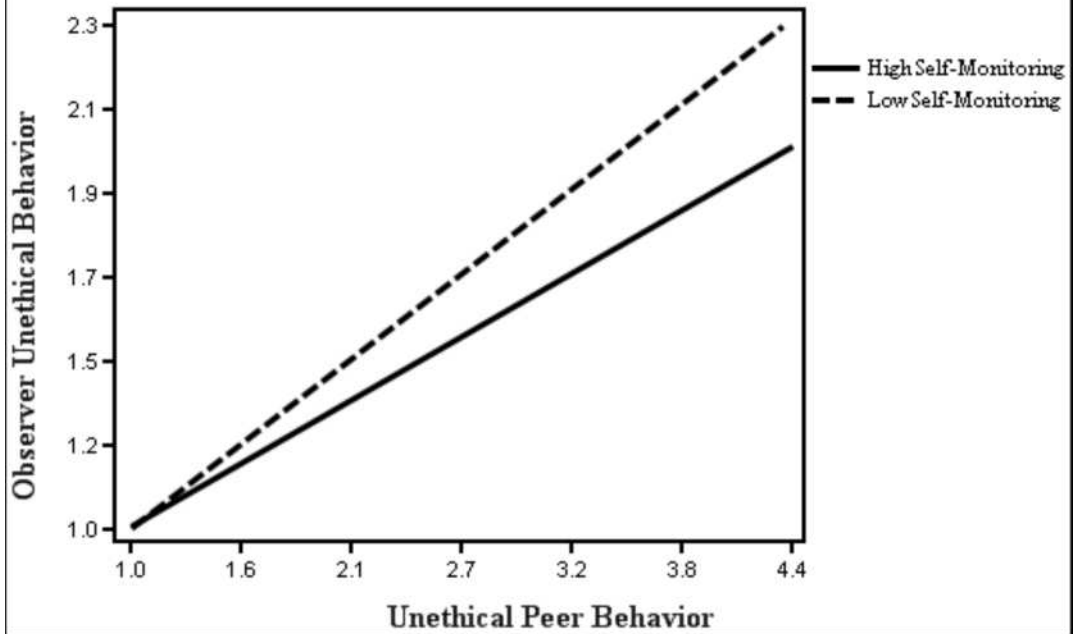
\* p < .05

\*\* p < .01

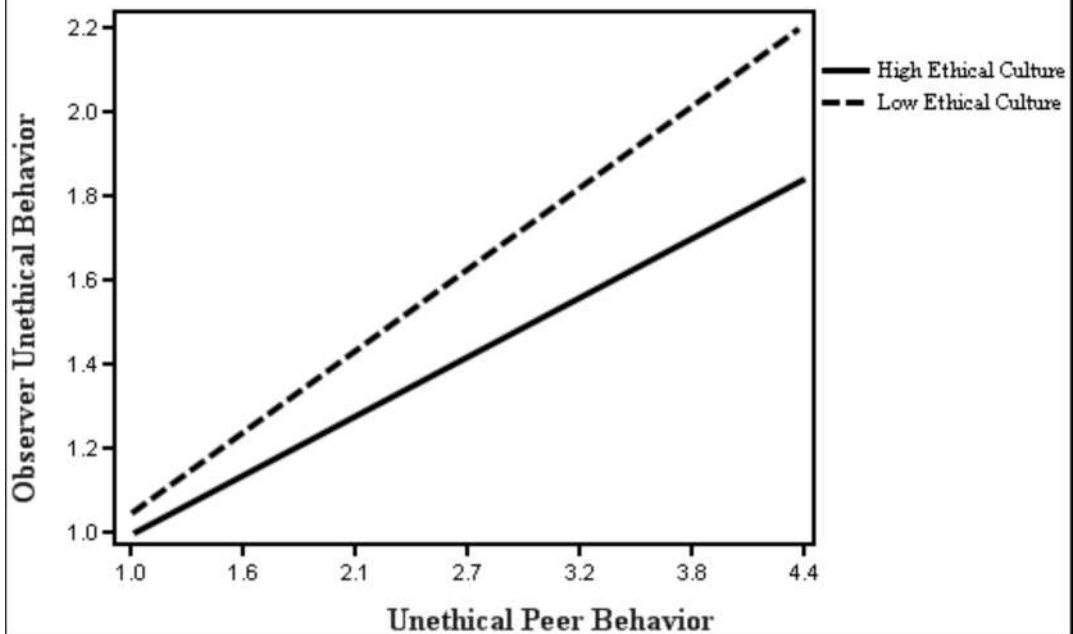
*Other individual and contextual moderating variables.* Hypotheses 10 and 11 predict that the relationship between unethical peer behavior and observer unethical behavior will be weaker when the observer reports lower levels of self-monitoring (Hypothesis 10) and an ethical culture is present (Hypothesis 11). As seen in Table 14, the inclusion of the interaction terms yielded a significant overall model ( $R^2 = .32$ ,  $\Delta R^2 = .01$ ,  $F(9, 645) = 32.89$ ,  $p < .01$ ). Further seen in Table 14, the unethical peer behavior x self-monitoring interaction was significant (Beta =  $-.08$ ,  $p < .05$ ), as was the unethical peer behavior x ethical culture interaction (Beta =  $-.08$ ,  $p < .05$ ). Figure 15 reveals that the relationship between unethical peer behavior and observer unethical behavior was weaker when self-monitoring was high, rather than low, contrary to prediction. Therefore, Hypothesis 10 is found to be statistically significant, but opposite of prediction. As predicted, Figure 16 shows that the relationship is weaker when ethical culture is high, rather than low. Thus, Hypothesis 11 is supported.



**FIGURE 15**  
**Interaction of Self-Monitoring and Unethical Peer Behavior on Observer Unethical Behavior**



**FIGURE 16**  
**Interaction of Ethical Culture and Unethical Peer Behavior on Observer Unethical Behavior**



**Table 14**  
**Hierarchical Regression Results for Study 1 - Other Individual and Contextual Variables<sup>a</sup>**

Variables	Model 1	Model 2	Model 3
<i>Control</i>			
Social desirability	.17**	.05	.06
Age	-.04	-.03	-.04
Gender	-.04	-.05	-.04
University	-.07	.00	.01
<i>Independent</i>			
Unethical peer behavior		.47**	.45**
Self-monitoring		-.08*	-.08*
Ethical Culture		-.13**	-.14**
<i>Interactions</i>			
Unethical peer behavior x Self-monitoring			-.08*
Unethical peer behavior x Ethical culture			-.08*
<i>F</i>	6.46**	39.76**	32.89**
<i>R</i> <sup>2</sup>	.04**	.30**	.32**
$\Delta R^2$	.04**	.26**	.01**

<sup>a</sup> The dependent variable is observer unethical behavior.

N = 655.

Standardized regression coefficients are shown.

\* p < .05

\*\* p < .01

## **CHAPTER 5**

### **STUDY 2 – HOSPITALITY INDUSTRY**

#### **RESEARCH DESIGN AND METHODOLOGY**

In contrast to Study 1, Study 2 was included to test the proposed hypotheses in a hospitality industry context. As the preceding paragraphs indicate, the scales used to test the relationships in Study 2 were almost identical to both the pilot study and study 1 (correcting for context specific information), with the biggest exception pertaining to the independent and dependent variables. Great care was taken to develop almost identical surveys so that a comparison of the results between the two studies can be made.

#### **Sample**

The participants of Study 2 were industry professionals from nine Hospitality organizations. The segments of the hospitality industry represented in the sample are: event planning (3 organizations), lodging (2 organizations), managed foodservice (2 organizations), country clubs (1 organization), and resorts (1 organization). The focal organizations are located in either the mid-Atlantic or South regions of the United States, with many having “sister” organizations spread across the United States. The focal organizations were selected to participate on the basis that a member of the organization serves on my department’s advisory council. The advisory council member served as the contact person for the study and was primarily responsible for distributing the web-based survey to his or her colleagues. Prior to distributing the survey, the contact person was asked to distribute the questionnaire to roughly 20 individuals from one or two of the organizations departments. Twenty was selected as an appropriate target in order to encourage participation. Further, requesting more than twenty individuals would limit the number of potential departments viable for participation.

In total, 177 potential participants received the questionnaire (ranging from a low of 3 individuals from one organization to a high of 32 in another organization). 104 participants completed the survey, resulting in a 58.76% response rate. Given the sensitive nature of the topic and the considerable length of the survey, this response rate is excellent; particularly if it is compared to the accepted 19% response rate in ethical decision-making research (Hunt, 1990). The participants' average age was 37.89 (SD = 12.10) and 62.5% are female. The majority of the sample had a college degree (46.2%) and 59.6% reported working for an organization with a formal code of ethics (9.6% does not and 30.8% were not sure if the organization had a code of ethics). The respondents averaged 8.15 years (SD = 8.16) with their current organization, 5.98 years (SD = 6.74) with their current department, reported an average of 12.30 hours (SD = 22.54) of formal ethics training in the past ten years, and 53.8% indicated working in a supervisory position. The number of individuals employed by the organizations ranged from 5 to 200,000, with an average of 13,841 (SD = 35,371) and the number of individuals employed in their respective departments ranged from 2 to 500, with a mean of 36 (SD = 81.13).

### **Survey procedure**

In all, 19 advisory council members were contacted via e-mail asking permission to survey employees from their respective organization. The e-mail included information regarding the purpose of the study, as well as an example version of the websurvey. Nine individuals agreed to participate and were later sent a formal cover letter (again, via e-mail) addressed to the organizations employees. In the letter, a brief explanation regarding the study, the hyperlink to the survey, and information regarding the opportunity to win 1 of 20 gift cards ranging in value from \$25 to \$100 was given. In addition, the respondents were assured anonymity and were informed that it would take approximately 30 minutes to complete the survey. The individuals

identified within each organization to complete the survey were at the discretion of the contact person (to ensure anonymity). The only criterion asked of the contact person was that the survey be distributed to 1 or 2 departments (to encourage participation) with a goal of reaching a sample size of 20 individuals. The contact person distributed the cover letter and hyperlink to the survey electronically, via e-mail. A follow-up e-mail was sent to the contact individual approximately 1 ½ weeks after I was informed that the survey had been distributed. Data collection concluded roughly three weeks after the initial contact. All data were collected anonymously.

Similar to Study 1, approximately ½ (56%) of the surveys distributed presented the independent variable first, followed by the dependent variable, to reduce the possible effects of percept-percept bias. Likewise, the items within each scale were randomized to minimize order effects. Beyond the gift card incentive, no other incentive was offered. However, in many situations, the contact individual allowed the participants to complete the survey at work. Participation was completely voluntary.

### **Common Method Bias**

All procedural remedies to reduce common method bias described in Study 1 were also utilized in Study 2. These include: separating the independent and dependent variables in the survey, informing the participants that their responses are anonymous and that there are no right or wrong answers to the questions, counterbalancing the independent and dependent variables, avoiding poorly written and ambiguous questions, using verbal labels as midpoints in the scales where appropriate, avoiding the use of negatively worded items in newly developed scales, and adding a social desirability scale (refer to the common method bias section in Study 1 for a detailed discussion of each remedy).

The two statistical remedies employed in Study 1 were also performed in Study 2 – the Harman’s single-factor test and a partial correlation procedure.

*Harman’s single-factor test.* Entering the entire data set in an exploratory factor analysis, the unrotated factor solution produced over 40 factors with Eigen values greater than 1. In addition, the first factor only accounted for approximately 13% of the total variance. In combination, these results tend to suggest that common method bias may not be present.

*Partial correlation procedures.* Once again controlling for social desirability, a partial correlation analysis was conducted with the independent, dependent, and mediating (e.g., vicarious learning, perceived fit with group identity, relative deprivation, and negative feelings) variables. For most variables, the difference between the zero-order correlations and their respective partial correlations is small (see Appendix C). However, compared to the partial correlation analysis for Study 1, the difference between the zero-order and partial correlations for the independent and dependent variables is noticeably larger. In particular, although still statistically non-significant, the direction of the correlation between the dependent variable and negative emotions reversed.

## **MEASURES**

As previously mentioned, most of the measures used in Study 2 are identical to those used in Study 1 and the pilot study. The exceptions, as well as information regarding minor modifications, are presented below. For more detailed information regarding each variable, refer to the pilot study methodology section.

### **Independent Variable**

*Unethical peer behavior.* The independent variable, unethical peer behavior, was measured with a 32-item scale used in Weaver and Treviño’s (1999) study and adapted from

Akaah (1992), Bennett & Robinson (1994), and Treviño, Butterfield, and McCabe (1998). The Cronbach's alpha from previous research is a reported .95. The scale includes a list of 32 unethical behaviors (e.g., lying to customers, giving gifts/favors in exchange for preferential treatment, using company services for personal use, pilfering company materials and supplies, etc.) and asked the respondents to indicate "over the past year, how often have you observed your co-workers engage in the following types of behavior in your organization?" (See Appendix AA). The items were assessed on a Likert-type scale anchored by 1 = never, 2 = rarely, 3 = occasionally, 4 = frequently, 5 = very frequently (alpha = .95).

### **Dependent Variable**

*Observer unethical behavior.* Similar to the procedure conducted in Study 1, the dependent variable – observer unethical behavior – was measured with the same 32-item scale used to measure the independent variable (See Appendix BB). The participants were asked, "Over the past year, how often have you engaged in the following types of behavior in your organization?" The items were assessed using a Likert-type scale anchored by 1 = never, 2 = rarely, 3 = occasionally, 4 = frequently, 5 = very frequently (alpha = .81).

### **Mediating Variables**

The factor analysis results revealed three stable factors, as was found from the pilot study and Study 1 data. Therefore, the same scales were used to assess vicarious learning (alpha = .90, see Appendix H), perceived fit with group identity (alpha = .94, see Appendix I), relative deprivation (alpha = .84, see Appendix J), and negative feelings (alpha = .92, See Appendix K). The only modifications from the surveys used in Study 1 versus Study 2 were changes made to context specific terms used in the survey items. For instance, "peers" were substituted with "co-workers" and "major" was replaced with "workgroup".

## **Moderating Variables**

Similar scales used in the pilot study and Study 1 were utilized to assess the moderating variables in study 2. The only changes made to the survey items were the replacement of terms to reflect the organization context, instead of an academic context (See above in the mediating variables section for examples). The scales included were: perceived rewards and punishments (alpha = .75 for perceived rewards and alpha = .84 for perceived punishments (Note – this is a 3-item scale, not a 4-item scale as used in Study 1. In the translation between the survey used in Study 1 versus the survey used in Study 2, 1-item was eliminated), see Appendix L); strength of identification with group (alpha = .90, see Appendix M); self-esteem (alpha = .85, see Appendix N); direction of group norms (alpha = .65 for workgroup’s norms supporting ethical behaviors and alpha = .82 for workgroup’s norms supporting unethical behaviors, see Appendix O); need for affiliation (4-items removed to improve reliability; alpha = .65, see Appendix P); introversion (alpha = .81, see Appendix Q); proximity (alpha = .73, see Appendix R); negative relationships (alpha = .77, see Appendix S); moral identity (alpha = .84, see Appendix T); self-improvement (alpha = .84, see Appendix U); self-enhancement (alpha = .90, see Appendix V); self-monitoring (alpha = .83, see Appendix W); ethical culture (alpha = .90 (in Study 2, this was a 21-item scale, not a 27-item scale as used in Study 1. This was due to the fact that roughly 40% of the respondents did not complete the 6-items measuring the effectiveness of the code of ethics scale), see Appendix X); and social desirability (alpha = .78, see Appendix Y). Finally, numerous demographic items were included as potential control variables or for future research. These items included: age, gender, level of education completed, the number of years employed in their current organization and department, whether or not the participant was in a supervisory position, the number of people employed in the organization and in the participants department,



and the number of hours of ethics training the participants has received in the past ten years. (See Appendix CC).

## **RESULTS**

Table 15 contains the correlations, standard deviations, and reliabilities for the variables included in Study 2. Similar to Study 1, this section is broken down into two primary subsections – factor analysis results and regression results. Again, Hypotheses 1, 3, and 7 were tested using Baron and Kenny’s (1986) mediation technique, while Hypotheses 2, 4, 5, 6, and 8 through 13, were analyzed via hierarchical regression . Appendix E reports the results of Study 2.

*Factor analysis – mediation variables.* Employing a Varimax rotated factor analysis with a maximum likelihood extraction procedure, 3 stable mediating factors emerged. The 6-item relative deprivation variable, the 5-item vicarious learning variable, and the 4-item perceived fit with group identity variable explained roughly 64% of the total variance. As seen in Table 16, all items loaded on their respective factors. Again, the results from this study, as well as the pilot study and Study 1, suggest that the three constructs are unique factors.

**Table 15**  
**Summary Statistics and Correlations for Study 2**

	Mean	s.d.	1	2	3	4	5	6	7	8	9	10
1. Self-esteem	4.12	0.53	(.85)									
2. Self-monitoring	3.66	0.46	.37**	(.83)								
3. Need for affiliation	3.18	0.65	.10	.05	(.65)							
4. Introversion	2.42	0.52	-.39**	-.37**	-.53**	(.81)						
5. Self-improvement	4.45	0.45	.28**	.33**	.15	-.41**	(.84)					
6. Social desirability	2.65	0.55	-.55**	-.19	-.28**	.36**	-.36**	(.78)				
7. Unethical peer behavior	1.50	0.44	-.11	.12	-.06	.22*	-.12	.35**	(.95)			
8. Positive emotions	1.28	0.64	-.08	-.00	-.03	-.10	.04	-.01	-.11	(.88)		
9. Negative emotions	2.26	0.93	-.15	.14	.04	.12	-.19	.18	.37**	-.17	(.92)	
10. Vicarious learning	2.24	0.97	-.30**	-.15	-.08	.14	-.10	.15	.06	.16	.19	(.90)
11. Evaluative fit - Workgroup	1.65	0.94	-.19	-.10	-.08	.19	.00	.16	.15	.32**	-.02	.32**
12. Relative deprivation	1.58	0.69	.01	.04	-.09	-.02	-.05	.19	.20*	.29**	.25**	.28**
13. Strength of identification - Workgroup	4.08	0.51	.24*	.01	.25*	-.24*	.16	-.23*	-.08	.12	-.09	-.09
14. Workgroup's norms - unethical	1.57	0.60	-.24*	.01	-.01	.19	-.15	.17	.18	-.03	.29**	.02
15. Workgroup's norms - ethical	4.09	0.63	.23*	.21*	.05	-.26**	.16	.05	.05	.14	-.07	-.14
16. Self-enhancement	3.26	0.94	.01	.04	-.14	.04	.06	.35**	.23*	-.16	.25*	-.02
17. Proximity	3.59	0.59	.01	-.04	.00	-.23*	.10	.19	.06	.06	-.01	-.07
18. Negative relationships	1.94	0.58	-.20*	-.07	-.32**	.26**	-.19	.16	.03	-.08	.13	-.03
19. Observer's unethical behavior	1.17	0.16	-.28**	-.13	-.02	.10	-.05	.48**	.53**	-.01	.06	.09
20. Moral identity	3.91	0.54	.16	.35**	.11	-.38**	.47**	-.15	-.02	.11	-.01	-.05
21. Ethical culture	3.80	0.56	.20*	.05	.31**	-.34**	.14	-.23*	-.37**	.05	-.13	-.03
22. Perceived rewards	1.62	0.79	-.22*	-.05	-.34**	.17	-.09	.18	.09	.14	.01	.11
23. Perceived punishments	3.74	0.97	.09	-.05	.18	-.19	.00	-.14	-.40**	.01	-.10	.01
24. Gender	1.63	0.49	-.06	-.01	-.07	.09	.05	.10	.05	-.05	-.06	-.12
25. Age	37.89	12.10	.09	-.08	.07	-.01	-.01	-.26**	-.03	.08	-.05	-.16

Scale reliabilities (Cronbach's alphas) appear on the diagonal, where applicable. Sample size, n = 104.

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

	11	12	13	14	15	16	17	18	19	20	21	22	23	24
	(.94)													
	.37**	(.84)												
	-.21*	-.19	(.90)											
	.05	.23*	-.36**	(.82)										
	.02	-.10	.40**	-.48**	(.65)									
	.03	.15	-.12	-.01	.11	(.90)								
	-.16	-.01	.43**	-.33**	.39**	.15	(.73)							
	.05	.06	-.49**	.32**	-.28**	.14	-.49**	(.77)						
	.10	.14	-.07	.12	.02	.16	.24*	-.03	(.81)					
	.02	-.00	.26**	-.15	.30**	.02	.16	-.19*	-.00	(.84)				
	-.08	-.14	.18	-.40**	.32**	-.02	.23*	-.24*	-.32**	.16	(.90)			
	.10	.34**	-.25**	.39**	-.29**	-.03	-.22*	.26**	.17	-.11	-.69**	(.75)		
	-.08	-.19	.12	-.31**	.19*	-.12	.17	-.15	-.38**	-.01	.81**	-.50**	(.84)	
	-.17	-.13	.15	.04	.08	-.11	.05	.04	.06	.22*	-.12	.08	-.16	
	-.11	-.16	.21*	-.13	-.00	-.31**	-.12	-.10	-.18	.03	.07	-.13	.06	-.00

**Table 16**  
**Rotated Factor Analysis for Study 2 - Varimax Rotation**  
**Mediating Variables**

Questionnaire Items	Factor Loadings		
	1	2	3
<b>1. Vicarious Learning</b>			
- I learned these behaviors from my co-workers.	.76	.22	.06
- My co-workers served as role models for my behavior.	.70	.04	.27
- I learned from the example provided by my co-workers.	.95	.04	.09
- I have learned a great deal about how I should behave from my co-workers.	.71	.10	.18
- I learned these behaviors by observing my co-workers.	.81	.25	-.03
<b>2. Evaluative Fit - Major</b>			
- Do these behaviors fit with your workgroup's identity?	.12	.92	.15
- Are these behaviors typical of your workgroup?	.15	.93	.17
- Are these behaviors considered normal within your workgroup?	.14	.82	.16
- Are these behaviors characteristic of your workgroup's identity?	.20	.78	.27
<b>3. Relative Deprivation</b>			
- Did your co-workers benefit from engaging in these behaviors?	.22	.22	.49
- Did your co-workers receive something (e.g. an opportunity or a good) from engaging in these behaviors?	-.03	.10	.65
- Did your co-workers receive something that you wanted from engaging in these behaviors?	.04	.13	.83
- Did your co-workers receive something that you value from engaging in these behaviors?	.05	.08	.78
- Do you believe that these benefits should be yours, and not your co-workers?	.20	.10	.69
- Do you think that your co-workers received benefits that were entitled to you from engaging in these behaviors?	.18	.20	.54
<b>EIGENVALUES</b>	3.34	3.25	2.99
% of Variance	22.3	21.7	20.0

## **Control Variables**

Three variables were statistically controlled for in all regression analyses. The three variables include: (1) social desirability; (2) age; and, (3) gender. Previous research has demonstrated that these variables influence the ethical decision-making process (e.g., Deshpande, 1997; Ross & Robertson, 2003; Schminke & Ambrose, 1997).

## **Study 2 – Mediated Regression Results**

*Social learning theory.* Hypothesis 1 proposes that vicarious learning mediates the relationship between unethical peer behavior and observer unethical behavior. In step 1, observer unethical behavior was regressed on unethical peer behavior. As shown in Table 17, the relationship was statistically significant (Beta = .42,  $p < .01$ ), indicating the there is an effect that may be mediated. Due to the fact that step 1 is the same in each mediated regression analysis, it will not be discussed in further analyses. In step 2, vicarious learning was regressed on unethical peer behavior. Although the relationship is positive as predicted, the results indicate that this is not a statistically significant relationship (Beta = .02,  $p = .86$ ). According to Baron and Kenny (1986), when one of the first three steps are non-significant, there is no support for a mediation effect. As a result, since step two is non-significant, Hypothesis 1 is not supported. In this analysis and the proceeding mediation analyses, when one of the initial steps is found to be non-significant, a discussion of the remaining steps will be omitted.

*Social identity theory.* Social identity theory predicts that the perceived fit with the workgroup's identity will mediate the relationship between unethical peer behavior and observer unethical behavior (Hypothesis 3). Specifically, it was proposed that unethical peer behavior will be negatively related to perceived fit with the workgroup's identity, which will then be positively related to the observer's unethical behavior. In step 2, perceived fit was regressed

onto unethical peer behavior. As seen in Table 18 and similar to Study 1, the relationship between unethical peer behavior and perceived fit with the workgroup was positive; although it was non-significant (Beta = .12,  $p = .26$ ). Thus, Hypothesis 3 is not supported by this data.

*Social comparison theory.* With respect to social comparison theory, two variables are hypothesized to mediate the relationship between unethical peer behavior and observer unethical behavior. Specifically, unethical behavior is predicted to be positively related to perceived relative deprivation (Hypothesis 7a). In turn, perceived relative deprivation is predicted to be positively related to negative self-feelings (Hypothesis 7b). Finally, negative self-feelings are predicted to be positively related to observers' unethical behavior (Hypothesis 7c). Similar to the procedure conducted in Study 1, an additional step was added to the Baron and Kenny (1986) mediation analysis and is consistent with previous research (e.g., Tepper & Taylor, 2003). Regressing perceived relative deprivation against unethical peer behavior (step 2), a positive but non-significant effect was found (Beta = .17,  $p = .11$ ). Thus, Hypothesis 7a is not supported (See Table 19). The relationship between perceived relative deprivation and negative self-feelings (while controlling for unethical peer behavior – step 3a) was also in the expected direction, but non-significant (Beta = .18,  $p = .07$ ). Therefore, Hypothesis 7b is not supported. Regressing observer unethical behavior on negative self-feelings (controlling for both unethical peer behavior and relative deprivation – step 3b) produced a significant effect (Beta = -.19,  $p < .05$ ). Similar to Study 1, the direction of this relationship is negative, not positive, as predicted. Thus, Hypothesis 7c is not supported by this data. Given that steps 2 and 3a are found to be non-significant, the overall hypothesized mediation model for social comparison theory is not supported.

**Table 17**  
**Mediated Regression Results for Study 2 - Social Learning Theory**

Variables	Step 1 <sup>1</sup>		Step 2 <sup>2</sup>		Step 3 <sup>1</sup>		Step 4 <sup>1</sup>	
	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2
<i>Control</i>								
Social desirability	.47**	.31**	.12	.12	.31**	.31	.47**	.31**
Age	-.06	-.09	-.13	-.13	-.09	-.09	-.06	-.09
Gender	.02	.01	-.13	-.13	.01	.01	.02	.01
<i>Independent</i>								
Unethical peer behavior		.42**		.02	.42**	.42**		.42**
<i>Mediator</i>								
Vicarious learning						.01	.02	.01
<i>F</i>	10.43**	15.95**	1.90	1.42	15.95**	12.64**	7.76**	12.64**
<i>R</i> <sup>2</sup>	.24**	.39**	.05	.05	.39**	.39**	.24**	.39**
$\Delta R^2$	.24**	.15**	.05	.00	.39**	.00	.24**	.15**

<sup>1</sup> Dependent variable in analysis was observer unethical behavior. <sup>2</sup> Dependent variable in regression analysis was vicarious learning.  
N = 104.

Standardized regression coefficients are shown.

\* p < .05

\*\* p < .01

**Table 18**  
**Mediated Regression Results for Study 2 - Social Identity Theory**

Variables	Step 1 <sup>1</sup>		Step 2 <sup>2</sup>		Step 3 <sup>1</sup>		Step 4 <sup>1</sup>	
	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2
<i>Control</i>								
Social desirability	.47**	.31**	.16	.12	.31**	.32**	.46**	.32**
Age	-.06	-.09	-.07	-.08	-.09	-.09	-.06	-.09
Gender	.02	.01	-.19	-.19	.01	.01	.02	.01
<i>Independent</i>								
Unethical peer behavior		.42**		.12	.42**	.42**		.42**
<i>Mediator</i>								
Evaluative fit - Workgroup						-.03	.02	-.03
<i>F</i>	10.43**	15.95**	2.33	2.07	15.95**	12.66**	7.76**	12.66**
<i>R</i> <sup>2</sup>	.24**	.39**	.07	.08	.39**	.39**	.24**	.39**
$\Delta R^2$	.24**	.15**	.07	.01	.39**	.00	.24**	.15**

<sup>1</sup> Dependent variable in analysis was observer unethical behavior. <sup>2</sup> Dependent variable in regression analysis was evaluative fit - workgroup.

N = 104.

Standardized regression coefficients are shown.

\* p < .05

\*\* p < .01



**Table 19**  
**Mediated Regression Results for Study 2 - Social Comparison Theory**

Variables	Step 1 <sup>1</sup>		Step 2 <sup>2</sup>		Step 3a <sup>3</sup>		Step 3b <sup>1</sup>		Step 4 <sup>1</sup>	
	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2
<i>Control</i>										
Social desirability	.47**	.31**	.17	.11	.06	.04	.31**	.32**	.47**	.32**
Age	-.06	-.09	-.12	-.13	-.02	.00	-.09	-.09	-.05	-.09
Gender	.02	.01	-.15	-.15	-.08	-.05	.01	.00	.02	.00
<i>Independent</i>										
Unethical peer behavior		.42**		.17	.35**	.32**	.42**	.48**		.48**
<i>Mediator</i>										
Relative deprivation						.18	-.01	.02	.06	.02
Negative self-feelings								-.19*	-.05	-.19*
<i>F</i>	10.43**	15.95**	2.49	2.56*	4.12**	4.03**	12.64**	11.77**	6.29**	11.77**
<i>R</i> <sup>2</sup>	.24**	.39**	.07	.09	.14**	.17**	.39**	.42**	.24**	.42**
$\Delta R^2$	.24**	.15**	.07	.02	.14**	.03	.39**	.03*	.24**	.18**

<sup>1</sup> Dependent variable in analysis was observer unethical behavior. <sup>2</sup> Dependent variable in regression analysis was relative deprivation.

<sup>3</sup> Dependent variable in regression analysis was negative emotions.

N = 104.

Standardized regression coefficients are shown.

\* p < .05

\*\* p < .01

## Study 2 – Hierarchical Regression Results

Similar to Study 1, the moderating Hypotheses 2, 4, 5, 6, and 8 through 13 were tested using a hierarchical regression analysis. All predictor variables were mean centered (Cohen et al., 2003) and the variance inflation factor (VIF) scores were below the standard 10.0 cutoff value (Cohen et al., 2003), suggesting that multicollinearity was not a biasing issue. Given that only one interaction was found to be statistically significant (self-monitoring x unethical peer behavior), a single interaction plot was conducted in order to interpret the interaction (Figure 17). In the interaction plot, values representing plus or minus 1 standard deviation from the mean were used.

*Social learning theory moderating variables.* Hypothesis 2 predicted that perceived rewards and punishments would influence the relationship between vicarious learning and observer unethical behavior. It was proposed that the interaction between vicarious learning and perceived rewards will result in a positive association with observer unethical behavior, while the interaction between vicarious learning and perceived punishments will be negatively associated with observer unethical behavior. After controlling for the variables discussed previously (e.g., social desirability, age, and gender) in step 1 and entering the independent variables in step 2, the interaction terms were entered in step 3 (this process was repeated for each hierarchical regression analysis, therefore it will not be discussed in the proceeding analyses). As seen in Table 20, the overall model (Model 3) was significant ( $R^2 = .35$ ,  $\Delta R^2 = .00$ ,  $F(8, 95) = 6.43$ ,  $p < .01$ ). However, both of the interaction terms were statistically non-significant (Beta =  $-.06$ ,  $p = .53$  for the vicarious learning x perceived rewards interaction term and Beta =  $.00$ ,  $p = .99$  for the vicarious learning x perceived punishments interaction term). Thus, Hypothesis 2 was not supported with this data.

**Table 20**  
**Hierarchical Regression Results for Study 2 - Social Learning Theory<sup>a</sup>**

Variables	Model 1	Model 2	Model 3
<i>Control</i>			
Social desirability	.47**	.44**	.43**
Age	-.06	-.06	-.06
Gender	.02	-.03	-.03
<i>Independent</i>			
Vicarious learning		.03	.03
Perceived rewards		-.11	-.10
Perceived punishments		-.38**	-.36**
<i>Interactions</i>			
Vicarious learning x Perceived rewards			-.06
Vicarious learning x Perceived punishments			.00
<i>F</i>	10.43**	8.62**	6.43**
<i>R</i> <sup>2</sup>	.24**	.35**	.35**
$\Delta R^2$	.24**	.11**	.00

<sup>a</sup> The dependent variable is observer unethical behavior.

N = 104.

Standardized regression coefficients are shown.

\* p < .05

\*\* p < .01

*Social identity theory – test of major’s norms moderating variable.* Hypothesis 4 predicts that the direction of the workgroup’s norms will influence the relationship between unethical peer behavior and perceived evaluative fit with the workgroup’s identity. Specifically, when the workgroup’s norms support unethical behavior, the relationship between unethical peer behavior and perceived fit with the workgroup’s identity will be positive (Hypothesis 4a). In contrast, when the workgroup’s norms support ethical behavior, the relationship will be negative between unethical peer behavior and perceived fit with the workgroup’s identity (Hypothesis 4b). Similar to Study 1, two separate hierarchical regression analyses were conducted given the variables relatively high correlation ( $r = -.48, p < .01$ ). Table 21 reports the results of the hierarchical regression analysis for the workgroup’s norms supporting unethical behavior x unethical peer behavior interaction. The overall model was not statistically significant ( $R^2 = .09, \Delta R^2 = .01, F(6, 97) = 1.56, p = .17$ ). Further, the workgroup’s norms supporting unethical behavior by unethical peer behavior interaction was also non-significant (Beta = .11,  $p = .29$ ). Therefore, Hypothesis 4a is not supported by this data.

Table 22, shows the regression results of the workgroup’s norms supporting ethical behavior x unethical peer behavior interaction. The findings suggest a non-significant interaction (Beta =  $-.08, p = .42$ ) and overall model ( $R^2 = .08, \Delta R^2 = .01, F(6, 97) = 1.49, p = .19$ ). Thus, Hypothesis 4b is also not supported.

**Table 21**  
**Hierarchical Regression Results for Study 2 - Social Identity Theory - Norms of  
the Workgroup Support Unethical Behavior<sup>a</sup>**

Variables	Model 1	Model 2	Model 3
<i>Control</i>			
Social desirability	.16	.12	.12
Age	-.07	-.08	-.06
Gender	-.19	-.19	-.18
<i>Independent</i>			
Unethical peer behavior		.12	.09
Workgroup's norms support unethical behavior		.01	.00
<i>Interactions</i>			
Unethical peer behavior x Workgroup's norms support unethical behavior			.11
<i>F</i>	2.33	1.64	1.56
<i>R</i> <sup>2</sup>	.07	.08	.09
$\Delta R^2$	.07	.01	.01

<sup>a</sup> The dependent variable is perceived fit with workgroup's identity.

N = 104.

Standardized regression coefficients are shown.

\* p < .05

\*\* p < .01

**Table 22**  
**Hierarchical Regression Results for Study 2 - Social Identity Theory - Norms of  
the Workgroup Support Ethical Behavior<sup>a</sup>**

Variables	Model 1	Model 2	Model 3
<i>Control</i>			
Social desirability	.16	.12	.11
Age	-.07	-.08	-.07
Gender	-.19	-.19	-.19
<i>Independent</i>			
Unethical peer behavior		.12	.11
Workgroup's norms support ethical behavior		.03	.02
<i>Interactions</i>			
Unethical peer behavior x Workgroup's norms support ethical behavior			-.08
<i>F</i>	2.33	1.66	1.49
<i>R</i> <sup>2</sup>	.07	.08	.08
$\Delta R^2$	.07	.01	.01

<sup>a</sup> The dependent variable is perceived fit with workgroup's identity.

N = 104.

Standardized regression coefficients are shown.

\* p < .05

\*\* p < .01

*Social identity theory moderating variables.* Hypothesis 5 predicts that the relationship between perceived fit with the workgroup's identity and observer unethical behavior will be stronger when the observer strongly identifies with his or her workgroup. Table 23 shows that the overall interaction model was significant ( $R^2 = .28$ ,  $\Delta R^2 = .03$ ,  $F(8, 95) = 4.50$ ,  $p < .01$ ). However, in further examination of Model 3 in Table 23, the strength of identification x perceived evaluative fit interaction was found to be non-significant (Beta = .15,  $p = .13$ ). Therefore, Hypothesis 5 is not supported. Similar to Hypothesis 5, Hypothesis 6 predicts that the lower an observer's self-esteem, the stronger the relationship between perceived fit with the workgroup's identity and observer's unethical behavior. Again, examining Model 3 in Table 23, the interaction term is non-significant (Beta = .10,  $p = .29$ ). Therefore, Hypothesis 6 is not supported by this data.

*Social comparison theory moderating variables.* According to the Hypotheses derived from social comparison theory, self-improvement and self-enhancement will influence the relationship between negative self-feelings and observer's unethical behavior. More specifically, it is proposed that when an individual seeks self-improvement (Hypothesis 8a) or self-enhancement (Hypothesis 8b), the positive relationship between negative self-feelings and observer unethical behavior will be weaker. As shown in Table 24, the overall interaction model was statistically significant ( $R^2 = .27$ ,  $\Delta R^2 = .02$ ,  $F(8, 95) = 4.49$ ,  $p < .01$ ). However, the negative self-feelings x self-improvement interaction was non-significant (Beta = .09,  $p = .31$ ), as was the negative self-feelings x self-enhancement interaction (Beta = -.11,  $p = .24$ ). Therefore, Hypotheses 8a and 8b are not supported by the data.

**Table 23**  
**Hierarchical Regression Results for Study 2 - Social Identity Theory<sup>a</sup>**

Variables	Model 1	Model 2	Model 3
<i>Control</i>			
Social desirability	.47**	.46**	.46**
Age	-.06	-.07	-.07
Gender	.02	.01	.03
<i>Independent</i>			
Evaluative fit - Workgroup		.03	.05
Strength of identification - Workgroup		.07	.02
Self-esteem		-.02	-.06
<i>Interactions</i>			
Evaluative fit - Workgroup x Strength of identification - Workgroup			.15
Evaluative fit - Workgroup x Self-esteem			.10
<i>F</i>	10.43**	5.18**	4.50**
<i>R</i> <sup>2</sup>	.24**	.24**	.28**
$\Delta R^2$	.24**	.00	.03

<sup>a</sup> The dependent variable is observer unethical behavior.

N = 104.

Standardized regression coefficients are shown.

\* p < .05



**Table 24**  
**Hierarchical Regression Results for Study 2 - Social Comparison Theory<sup>a</sup>**

Variables	Model 1	Model 2	Model 3
<i>Control</i>			
Social desirability	.47**	.55**	.55**
Age	-.06	-.06	-.03
Gender	.02	-.01	.01
<i>Independent</i>			
Negative emotions		-.00	.00
Self-improvement		.15	.15
Self-enhancement		-.06	-.06
<i>Interactions</i>			
Negative emotions x Self-improvement			.09
Negative emotions x Self-enhancement			-.11
<i>F</i>	10.43**	5.61**	4.49**
<i>R</i> <sup>2</sup>	.24**	.26**	.27**
$\Delta R^2$	.24**	.02	.02

<sup>a</sup> The dependent variable is observer unethical behavior.

N = 104.

Standardized regression coefficients are shown.

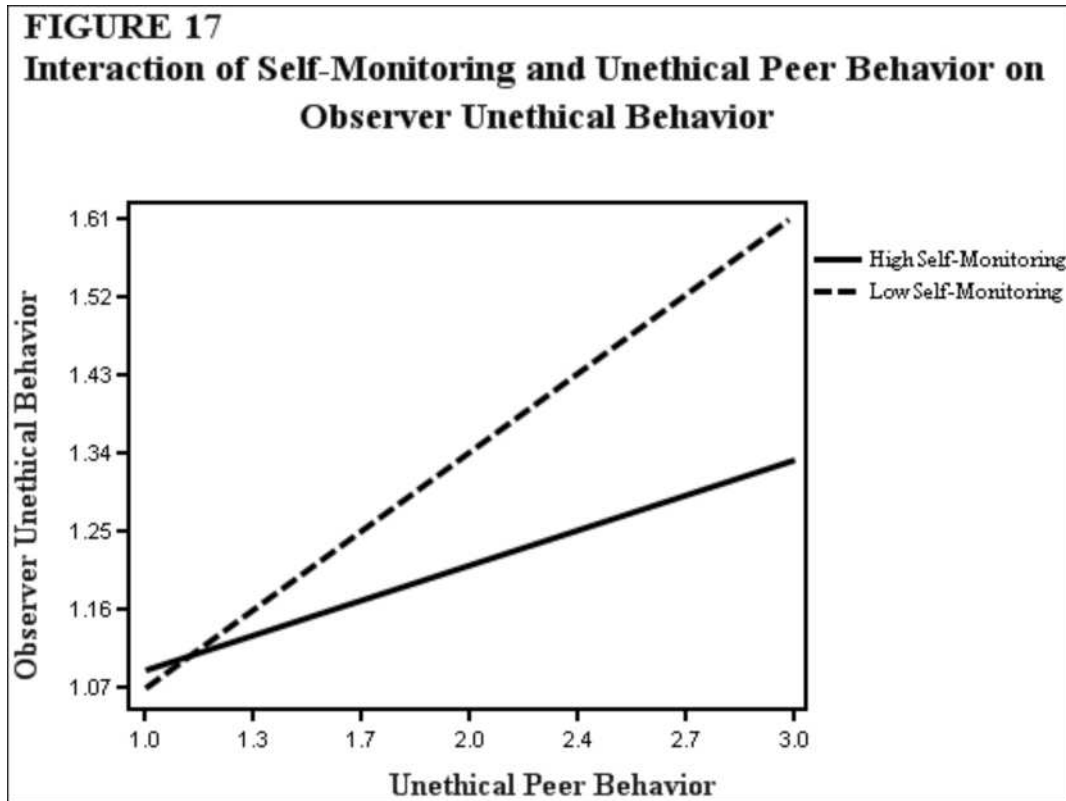
\* p < .05

\*\* p < .01

*Moral differentiation moderating variables.* Hypothesis 9 predicts that moral differentiation will influence the relationship between unethical peer behavior and observer unethical behavior. In particular, the relationship will be weaker when the observer reports high levels of introversion (Hypothesis 9a), low levels of need for affiliation (Hypothesis 9b), low proximity (Hypothesis 9c), high levels of negative relationships (Hypothesis 9d), and high levels of moral identity (Hypothesis 9e). The results are reported in Table 25. Although the overall interaction model was statistically significant ( $R^2 = .49$ ,  $\Delta R^2 = .06$ ,  $F(14, 89) = 6.07$ ,  $p < .01$ ), none of the interaction terms were significant. Specifically, the introversion x unethical peer behavior interaction was statistically non-significant in the full model (Beta =  $-.16$ ,  $p = .12$ ), as was the need for affiliation x unethical peer behavior interaction (Beta =  $.13$ ,  $p = .18$ ), the proximity x unethical peer behavior interaction (Beta =  $.15$ ,  $p = .16$ ), the negative relationship x unethical peer behavior interaction (Beta =  $.14$ ,  $p = .14$ ), and the moral identity x unethical peer behavior interaction (Beta =  $-.11$ ,  $p = .22$ ). Therefore, Hypotheses 9a through 9e are not supported by this data.

*Other individual and contextual moderating variables.* Hypotheses 10 and 11 predict that the relationship between unethical peer behavior and observer unethical behavior will be weaker when the observer reports lower levels of self-monitoring (Hypothesis 10) and when an ethical culture is present (Hypothesis 11). As seen in Table 26, the inclusion of the interaction terms yielded a significant overall model ( $R^2 = .45$ ,  $\Delta R^2 = .03$ ,  $F(8, 95) = 9.55$ ,  $p < .01$ ). Further, the unethical peer behavior x self-monitoring interaction was significant (Beta =  $-.17$ ,  $p < .05$ ). However, the unethical peer behavior x ethical culture interaction was not significant (Beta =  $.04$ ,  $p = .64$ ); thus not supporting Hypothesis 11. Similar to Study 1, Figure 17 reveals that the relationship between unethical peer behavior and observer unethical behavior was

weaker when self-monitoring was high, rather than low, contrary to prediction. Therefore, Hypothesis 10 is found to be statistically significant, but opposite of prediction.



**Table 25**  
**Hierarchical Regression Results for Study 2 - Moral Differentiation<sup>a</sup>**

Variables	Model 1	Model 2	Model 3
<i>Control</i>			
Social desirability	.47**	.33**	.32**
Age	-.06	-.07	-.08
Gender	.02	.01	.06
<i>Independent</i>			
Unethical peer behavior		.42**	.42**
Need for affiliation		.09	.06
Introversion		-.03	-.01
Proximity		.14	.14
Negative relationships		.00	-.02
Moral identity		.01	-.03
<i>Interactions</i>			
Unethical peer behavior x Need for affiliation			.13
Unethical peer behavior x Introversion			-.16
Unethical peer behavior x Proximity			.15
Unethical peer behavior x Negative relationships			.14
Unethical peer behavior x Moral identity			-.11
<i>F</i>	10.43**	7.69**	6.07**
<i>R</i> <sup>2</sup>	.24**	.42**	.49**
$\Delta R^2$	.24**	.19**	.06

<sup>a</sup> The dependent variable is observer unethical behavior.

N = 104.

Standardized regression coefficients are shown.

\* p < .05

\*\* p < .01

**Table 26**  
**Hierarchical Regression Results for Study 2 - Other Individual and Contextual Variables<sup>a</sup>**

Variables	Model 1	Model 2	Model 3
<i>Control</i>			
Social desirability	.47**	.26**	.23*
Age	-.06	-.11	-.08
Gender	.02	.01	.01
<i>Independent</i>			
Unethical peer behavior		.42**	.44**
Self-monitoring		-.14	-.11
Ethical Culture		-.09	-.13
<i>Interactions</i>			
Unethical peer behavior x Self-monitoring			-.17*
Unethical peer behavior x Ethical culture			.04
<i>F</i>	10.43**	11.56**	9.55**
<i>R</i> <sup>2</sup>	.24**	.42**	.45**
$\Delta R^2$	.24**	.18**	.03

<sup>a</sup> The dependent variable is observer unethical behavior.

N = 104.

Standardized regression coefficients are shown.

\* p < .05

\*\* p < .01

## CHAPTER SIX

### DISCUSSION

The purpose of this study is three-fold. First, the relationship between unethical peer behavior and observer unethical behavior was examined using three distinct social cognitive frameworks; social learning, social identity, and social comparison. Second, given that the mechanisms linking unethical peer behavior to observer unethical behavior differ greatly from one theoretical framework to the next, the second purpose was to determine the degree to which each framework is supported by empirical evidence. Finally, an attempt was made to extend beyond the conventional “Monkey See, Monkey Do” explanation often associated with peer influences in the ethical decision-making literature. This was realized by examining variables that might strengthen, weaken, or reverse the presumed positive relationship between peer unethical behavior and observer unethical behavior.

Although the study conducted in an academic institution context (Study 1) provided support for many of the proposed hypotheses, the hospitality industry data (Study 2) failed to provide support for a single hypothesis. An examination of the correlation matrix (Table 15) for Study 2 may shed some light on the non-significant findings. As shown, the correlations between the direct relationships hypothesized in the social learning, social identity, and social comparison models reveal values ranging from .06 (relationship between unethical peer behavior and vicarious learning) to .25 (between relative deprivation and negative self-feelings), with the majority falling below a value of .15. Applying these correlations to Cohen and colleagues (2003) power of significance test, the statistical power for Study 2’s sample size of 104 would range in value of approximately .17 to .69. In other words, there is a .17 to .69 chance of rejecting the null hypothesis at  $p \leq .05$  (two-tailed), suggesting that the sample size may have

been too small to detect a true effect. Further evidence to suggest that the non-significant findings may be attributed to the relatively small sample size can be found in Fritz and MacKinnon's (2007) simulation study. In particular, these authors examined the sample sizes needed to reach a statistical power value of .80 for the most common and most recommended tests of mediation. Applying their findings to Study 2 (using the Baron and Kenny (1986) mediation approach), in order to detect a partial mediation effect at a power value of .80 with small path coefficients (as found in Tables 17 – 19), a minimum sample size of over 400 participants would be required. The term minimum was used as the Fritz and MacKinnon's variables were tested without measurement error. Recognizing that a few variables in the social sciences (the ones included in this study are of no exception) are measured without error, larger sample sizes will be required to maintain a statistical power of .80 (Hoyle & Kenny, 1999). As the above information suggests, the reason for the non-significant findings found in Study 2 may be attributed to an insufficient amount of participants. However, further examination of the Beta coefficients of the mediation tests between Study 1 and Study 2 shows that each coefficient (with the exception of one) is in the same direction. Therefore, it may be possible that the results from Study 2 would coincide with the results found in Study 1, given a larger sample size. However, in order to take the more conservative approach, the majority of this discussion section will be focused on the results obtained from Study 1. As described below, the results of Study 1 provide support for many of the predictions, as well as provide some contradictory findings.

### **Scale Development**

According to social learning theory (SLT) (e.g., Bandura 1968, 1977), the relationship between a peer's behavior and an individual's behavior is strengthened the more the individual engages in vicarious learning. Social identity theory (SIT) (e.g., Tajfel 1972a,b; Tajfel & Turner,

1986) would suggest that the relationship between peer behavior and an observer's behavior is positive when the behavior matches the identity of the group in which the individual belongs. Finally, social comparison theory (SCT) (e.g., Festinger, 1954) would argue that an individual would engage in similar types of behaviors displayed by a peer when the individual experiences negative self-feelings derived from relative deprivation. Therefore, the potential mechanisms linking unethical peer behavior to observer unethical behavior is vicarious learning (SLT), perceived fit with group identity (SIT), and relative deprivation (SCT). Although empirical scholars have applied each of these three theories across a variety of domains, these mechanisms have often been assumed to occur, without providing a complete test of their effects. One contribution of this study was that these mediation effects were tested through three newly developed measures. Three factor analyses were conducted using the data collected for the pilot study, Study 1, and Study 2. The analyses consistently revealed three separate and distinct constructs (See Tables 2, 4, and 16). The results of the factor analysis showed that vicarious learning, perceived fit with group identity, and relative deprivation were comprised of 5-items, 4-items, and 6-items, respectively. Further, internal consistency analyses revealed that the three factors produced robust reliability coefficients across the pilot study (vicarious learning  $\alpha = .88$ , perceived fit with group identity  $\alpha = .91$ , and relative deprivation  $\alpha = .85$ ), Study 1 (vicarious learning  $\alpha = .91$ , perceived fit with group identity  $\alpha = .92$ , and relative deprivation  $\alpha = .88$ ), and Study 2 (vicarious learning  $\alpha = .90$ , perceived fit with group identity  $\alpha = .94$ , and relative deprivation  $\alpha = .84$ ).

### **Social Learning Theory**

Hypothesis 1 predicted that unethical peer behavior will be positively related to vicarious learning, which would then be positively related to observer unethical behavior. The results



from the data gathered for Study 1 show partial support for this hypothesis. Specifically, the more individuals observe a peer engage in cheating behaviors, the more likely the individuals will learn these specific behaviors from their peers. Further, it was found that the more individuals learn these cheating behaviors, the more likely they are to engage in similar types of cheating behaviors. This is consistent with the basic tenets of social learning theory which state that individuals may internalize the behavior that is learned, and rely on these past observations to guide future action (Bandura, 1976). Thus, through a successful learning process, an individual is able to quickly reproduce the behaviors exhibited by a peer (Bandura, 1977; Davis & Luthans, 1980).

Although the results support the notion that vicarious learning is a mechanism linking peer behavior to observer unethical behavior, it appears to be only part of the phenomenon. Hypothesis 1 was partially supported due to the fact that the overall analysis revealed support for a partial mediation, rather than a full mediation model. As described by Baron and Kenny (1986), this is a common finding in psychological and social psychological research, as researchers typically attempt to address questions that have multiple causes. The results, however, are encouraging. Examination of Table 5 reveals that the process of vicarious learning explains approximately 29 percent of the variance attributed to observer unethical behavior. Therefore, although it may not be the only mechanism explaining peer influences, at least in Study 1, it is a viable explanation and provides further support for previous empirical findings (e.g., McCabe et al., 2006).

### **Social Identity Theory**

Hypothesis 3 predicted that perceived fit with group identity will mediate the relationship between unethical peer behavior and observer unethical behavior. Specifically, it was

hypothesized that unethical peer behavior and perceived fit with group identity would be negatively related, while perceived fit with group identity and observer unethical behavior would be positively related. The results indicate that the overall social identity model is partially supported as perceived fit with group identity partially mediates the relationship and explains roughly 30% of the variance accounted for in observer unethical behavior (See Table 6). However, contrary to prediction, the relationship between unethical peer behavior and perceived fit with group identity is positive, not negative as originally predicted. Initially, I had postulated that an organization or university has a vested interest in promoting ethical, rather than unethical, behaviors as unethical behaviors could potentially lead to negative consequences for all those involved (e.g., Robinson & O'Leary-Kelly, 1998). In turn, this ethical environment would disseminate through the organization or university and become part of a group's identity. As a result, as individuals observe a peer engage in an unethical act, they would evaluate this behavior against the group's identity. Given that the unethical peer behavior does not fit with the group's ethical identity, the observers will not act similarly to their peers. However, as the results of Study 1 show (and indicated by the positive Beta coefficient in Study 2), cheating behaviors are prototypical of the respondents' major. This finding is interesting and may provide evidence to what McCabe and colleagues (McCabe & Treviño, 1993; McCabe et al., 2002) have labeled "the cheating culture". Is it possible that cheating is so widespread and accepted across college campuses that these behaviors become part of a major's identity? At least with respect to the two universities sampled in Study 1, this question may be answered in the affirmative.

In hindsight, this result makes a great deal of sense. The more individuals witness their peers engage in cheating behaviors, the more likely they will believe that cheating is the norm (i.e., prototypical) and is commonly accepted within their major. As individuals identify with the

major, they may begin to believe that cheating is the rule, rather than the exception. Through the process of depersonalization (e.g., an individual begins to act and think in accordance with the group prototype), individuals will begin to assign these cheating norms to themselves and others and act in accordance to the prototypical behaviors of the major. Therefore, the more individuals observe cheating behaviors among their peers, the more they believe that these behaviors fit with their major's identity. Given that individuals become emotionally attached to the groups in which they identify (Mael & Ashforth, 1995), they are motivated to maintain behavioral conformity in order to not be seen as an in-group deviant. Consequently, and what was found in Study 1, this results in an increase in cheating behaviors on the part of the observer.

*Direction of the group's norms.* In order to fully comprehend the above finding, it is imperative to examine the direction of the group's norms and its relationship with unethical peer behavior and the perceived fit with the group's identity. As a result, Hypothesis 4a posits that the relationship between unethical peer behavior and perceived fit with the major's identity will be positive when the major's norms support unethical behaviors. The results from study 1 support this hypothesis. In particular, the positive relationship found between unethical peer behavior and perceived fit the major's identity strengthened when the norms of the major supporting unethical behavior was high than low. Thus, individuals who observe more unethical peer behavior were more likely to indicate that the behavior fit their major's identity when the norms of the major supported unethical behaviors. In contrast, individuals who believed that the norms of the major did not support unethical behaviors were less likely to indicate that the behavior was prototypical of their major. Hypothesis 4b, on the other hand, predicted that the relationship between unethical peer behavior and perceived fit with the major's identity will be negatively related when the norms of the major support ethical, rather than unethical, behaviors.

The results showed that the relationship was weaker when the norms supporting ethical behavior was high than low, but not negative as predicted. Interestingly, the relationship remained positive. A potential explanation for this finding is found in the definition of a group's prototype. According to Hogg and Terry (2000), the group's prototype consists of a fuzzy set of characteristics that embody the attributes of the group and are typically described as the group's attitudes, values, beliefs, norms, feelings, and behaviors. By definition, the major's norms are only one determinant of the major's identity. Given the fact that the majority of the respondents in Study 1 were third year juniors, they may still be getting themselves acquainted with the norms of the major. This statement is qualified by the fact that at both of the universities included in Study 1, students typically begin to take most of the required classes for their major at the beginning of their junior year. As such, it is possible that the students are more apt to describe their major's identity by their peers' behavior, rather than the norms of the major. If this statement is in fact true, then the results make perfect sense. Examining Figure 6, the situation in which individuals are less likely to report that the unethical behavior of a peer does not fit with the individuals major's identity is lowest when the individuals believe that their major supports ethical behaviors. However, the more individuals observe unethical peer behavior, the more they believe that the cheating behaviors are part of their major's identity, even when the individuals describe the norms of the major as ethical. This result may provide support for the notion that, at least with the current sample, the major's identity is also described by peer behavior, and not solely by the norms of the major.

*Strength of identification with group.* According to social identity theory, the extent to which individuals identify with their major is a matter of degree (e.g., Ashforth & Mael, 1989) and can be an important determinant of behavioral conformity (e.g., Barreto & Ellemers, 2000).

Hypothesis 6 predicts that the stronger individuals identify with their major, the stronger the relationship between perceived fit with the major's identity and individual unethical behavior. The results indicate that the relationship between perceived fit with major's identity and observer cheating behavior is slightly stronger the more individuals identify with their major. However, contrary to expectations, the relationship is much stronger the less the individuals identify with their major (See Figure 7). This is an interesting, yet unexpected, finding.

Social identity theory predicts that the stronger the individuals identify with the group, the more likely they are to behave in accordance with the group's prototypical behaviors and has been supported in the SIT literature (e.g., Barreto & Ellemers, 2000; Noel et al., 1995). In contrast, it has been found in previous studies that behavioral conformity is less likely to occur for low identifying individuals (e.g., Doosje et al., 1998; Ethier & Deux, 1994), not more likely to occur as was found in this study. There are three possible explanations for this finding. First, when individuals do not identify with a group, they have two possible options; leave the group or change their behavior so that it conforms to the group's prototypical behavior. With respect to the sample in Study 1, over 90% of the participants reported a class standing of a junior or higher. Therefore, leaving one's major is probably not a viable option as it would result in added costs (i.e., more years of schooling and additional tuition expenses or an increase in coursework due to additional classes). The more likely alternative would be for the individuals to consider conforming to the group's prototypical behavior. Further, low identifying individuals may feel more pressure to conform to the group's prototypical norms than high identifying individuals because of the relationships they have built with their peers. According to Ashforth and Mael (1989) strength of identification with a group is comprised of many factors, one of which is related to the interpersonal relationships one has developed with the group. The more an

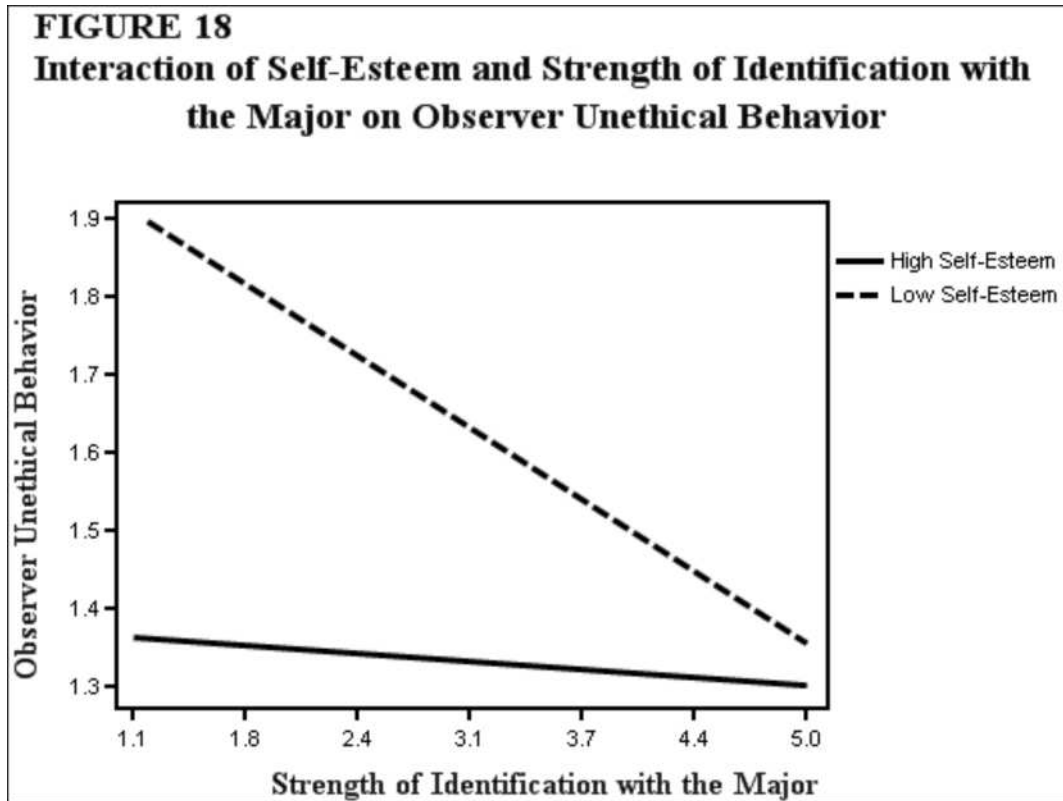
individual interacts with the group, likes the group's members, and is similar to the members of the group, the more likely the individual is to identify with the group. If low identifying individuals lack these characteristics, they may be viewed as nonconformists. Since nonconforming individuals are often derogated by members of the group (e.g., Marques et al., 1988a, 1988b, 1998, 2001), low identifying individuals may behave in accordance to the group's norms in order to show loyalty to the group.

A second explanation to the finding relates to an individual's level of self-esteem. According to SIT, one motivation for identifying with a group is that it may lead to higher levels of individual self-esteem, especially if the group is viewed more favorably over another group (Turner, 1982). Therefore, strong identifiers are more likely to behave in accordance to the group's norms in order to retain a positive self-esteem. However, it may be argued that low identifying individuals who are unable to leave a group may have more interest in complying with the group's norms, particularly if their level of self-esteem is low. By complying with the group's norms, individuals' level of self-esteem may increase as they are able to attribute the success of the group to their own behavior. Further, low identifying individuals may act in accordance to the group's prototypical behavior in order to receive social approval from the other members of the group, ultimately increasing their self-esteem. In order to provide some support for this assertion, a post hoc analysis was conducted by examining the relationship between observers' level of self-esteem and strength of identification with their major on observers' behavior. As shown in Figure 18 and in agreement with the above information, individuals who are low in self-esteem and do not strongly identify with their major, are more likely to engage in cheating behaviors than individuals with high levels of self-esteem. Furthermore, the difference between the levels of cheating behaviors among high and low self-esteem individuals becomes

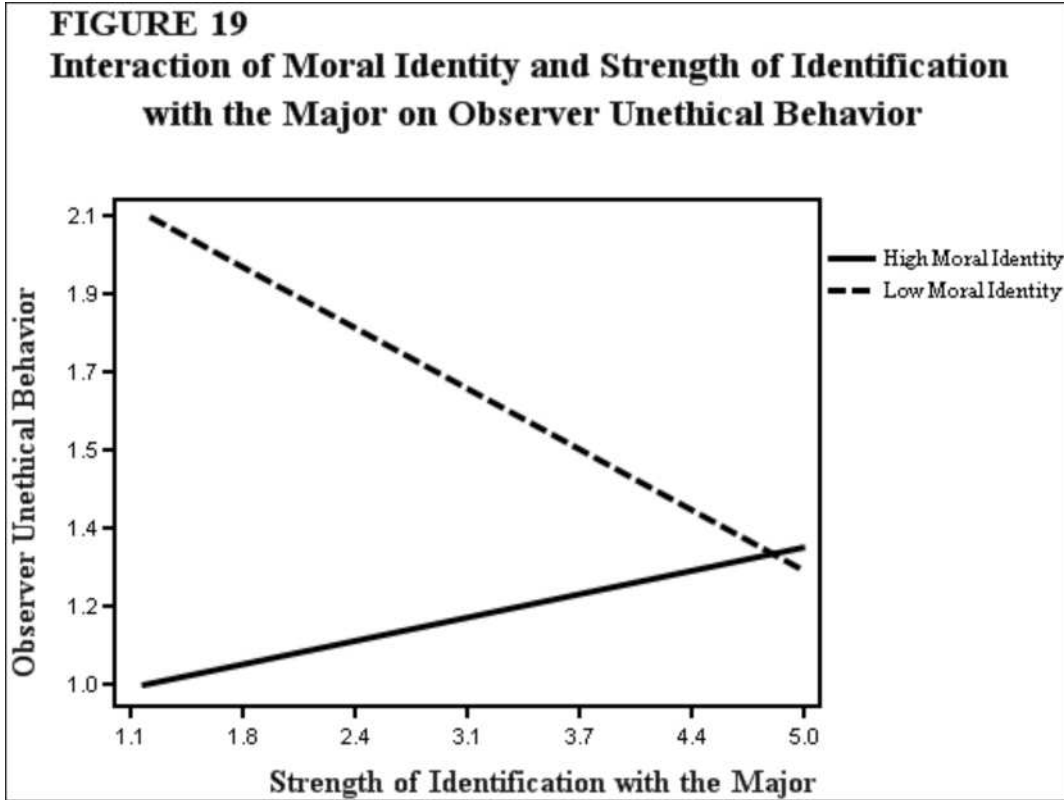
minimal as the individual strongly identifies with the major. This would suggest that the more individuals identify with their major, self-esteem becomes less of a motivating factor behind behavioral conformity.

A final explanation may pertain to the notion of an individual having multiple identities. According to SIT, individuals have multiple identities and the identity that is triggered is the one that becomes salient in a specific situation or that fits with the individual's own priorities (e.g., Turner, 1985; Deaux & Major, 1987). With respect to the sample in Study 1, respondents may see themselves as students of the major, a friend, part of their social fraternity or social sorority, or an athlete, to name just a few. As the number of groups in which the students belong to increases, the less likely they are to identify with their major (e.g., Bhattacharya et al., 1995). The less individuals identify with their major, the more likely they will act according to their own self-interests. Further, under such a situation, the individuals are more likely to make decisions based on their own personal identity, which encompasses the beliefs they possess regarding their own characteristics (Turner, 1982). As a result, when students are low in identifying with their major, they may not rely on others of the major for assistance in making a decision. Instead, they may look inwardly for a more personal identity that will serve as the basis for decision making. One particular identity may be the individual's moral identity. In a post hoc analysis examining the relationship between individuals' moral identity and strength of identification with their major on the individuals' behavior, the results tend to support this notion. In examining Figure 19, low moral identifiers who are low in identification with their major cheat more often than individuals with a high moral identity. This would suggest that low identifying individuals look elsewhere for identification. These individuals may make decisions based on their own personal identity, which may not be moral in nature. Furthermore, as

individuals begin to identify with their major, the amount of cheating among low and high moral identifiers becomes relatively equal. Therefore, as individuals begin to identify with their major, they are more interested in pursuing the best interests of the group, not their self-interests. This is displayed through behavioral conformity and is consistent with SIT.







*Self-esteem.* Hypothesis 6 predicted that the relationship between perceived fit with the major's identity and observer unethical behavior will be stronger when observers are low in self-esteem. As predicted, the relationship was stronger when observers' self-esteem was low than high (See Figure 8). Further, the level of observers' unethical behavior was relatively the same when the students believed that unethical peer behavior did not fit with the major's identity. However, as unethical peer behavior became prototypical of the major, low self-esteem individuals engaged in more cheating behaviors. This finding supports Bandura's (1971, 1977) assertion; low self-esteem individuals are less confident in their own actions and are more likely to imitate the behavior of others.

## **Social Comparison Theory**

Hypothesis 7 predicted that relative deprivation and negative self-feelings derived from relative deprivation would mediate the relationship between unethical peer behavior and observer unethical behavior. The overall model was partially supported, as the data support a partial mediation effect, rather than full mediation. Further, the model accounted for approximately 29% of the variance in observer unethical behavior. As expected, there was a significant and positive relationship between unethical peer behavior and relative deprivation, supporting Hypothesis 7a. The more individuals observe their peers engage in cheating behaviors, the greater the likelihood that the observers believe that their peers benefited from these cheating behaviors (i.e., a higher grade on an exam or assignment). Further, the observers were more likely to indicate that the beneficial outcome their peers received from engaging in these cheating behaviors is something that they value, and felt entitled to. In support of Hypothesis 7b, these beliefs led to negative self-feelings. This finding suggests that observers experience greater negative emotions after witnessing their peers benefit from cheating, particularly if the observers felt as if they deserved the benefit, not their peers. This relationship is likely to be strengthened if the observers did not receive the same beneficial outcome as the cheating peer, but spent a great deal of effort on the assignment or spent many hours studying for the exam. In order to restore equity, relative deprivation theory would suggest that the observers would then cheat on the next exam or assignment, possibly to level the playing field. However, as the results indicate (See Table 7), the more the observers experience negative self-feelings, the less likely they are to engage in cheating behaviors. Unexpectedly, Hypothesis 7c is significant, but in the opposite direction.

There are three primary explanations for this finding. The first explanation is statistical in nature. Again, examining the correlation matrix for Study 1, a positive relationship between negative self-feelings and observer unethical behavior is found. When this variable was entered into the regression equation, the direction of the sign reversed, possibly caused by the phenomenon of suppression. Although there are many definitions for suppression, the description most relevant to our discussion is offered by Darlington (1968) who states that a suppressor variable is a variable that when entered into a regression equation with positively correlated predictors on the criterion, it receives a negative Beta weight. Given that this appears to be the case with negative self-feelings, and that the correlation is not only positive but quite small in magnitude ( $r = .04$ ), one should interpret this finding with caution.

A second explanation can be best explained by the work of Crosby (1976). Crosby (1976) recognizes that not all individuals will engage in socially unacceptable behaviors as a result of experiencing negative self-feelings derived from relative deprivation. In situations where the individuals have high personal control and have open opportunities, the individuals may engage in acceptable behaviors, such as self-improvement. Further, Stack contends that some individuals may turn these negative self-feelings “inwardly against themselves as opposed to outwardly directed ... against society” (1984: 235). Therefore, this information suggests that students who feel as if they can better themselves through more conventional means (such as studying harder on the next exam) or taking personal responsibility for the outcome they received on an exam or assignment, they may not engage in cheating behaviors in the future.

A final possible explanation may be attributed to reverse causation. Instead of negative self-feelings guiding behavior, it may be that cheating results in negative self-feelings. For instance, in order to restore equity, individuals may cheat on the next exam in order to not fall

behind their peers. However, after cheating on the exam, these individuals may feel a sense of discomfort or become angry with themselves because they have realized that they are no longer morally better than their peers. Within this situation, the individuals may believe that they have jeopardized their own moral character. In essence, they have “stooped” to the level of a cheater. However, if the individuals are less concerned with their moral image, and more concerned about restoring equity, they may experience positive emotions. Examining the correlation matrix for Study 1 (Table 3), some light may be shed on this issue. As shown, there is a significant and positive correlation between observer unethical behavior and the positive emotions after observing a peer engage in cheating behaviors ( $r = .27, p < .01$ ). This may indicate that the observers feel good about themselves after engaging in similar cheating behaviors because they have justified their own action as being the fair and the right thing to do under the circumstances. Further, this positive correlation might indicate that positive emotions occur after witnessing their peers engage in cheating behaviors because they are not the only person engaging in these behaviors. In this situation, the individuals may rationalize their behavior (i.e., I had to cheat in order to not fall behind), resulting in feeling good about themselves.

*Self-improvement.* As predicted, self-improvement influenced the relationship between negative self-feelings and observer unethical behavior (Hypothesis 8a). As previously stated, not all individuals who experience negative self-feelings derived from relative deprivation will engage in unethical activities to restore justice. As seen in Figure 9, this assertion is strongly supported by the data in Study 1. Interestingly, the relationship between negative self-feelings and observer unethical behavior is not only weaker, but negative. In particular, the results indicate that when individuals’ experience low levels of negative self-feelings regardless of their need for self-improvement, they report similar levels of cheating behaviors. However, as the

level of negative self-feelings increase, individuals who have the desire to improve themselves as an individual reports far less levels of cheating than individuals who reported relatively low levels of self-improvement. Therefore, the more individuals desire to grow as a person and is inspired to be better than their peers, they are more reluctant to engage in cheating behaviors even when they experience negative emotions. This may indicate that high self-improvement individuals may find it more gratifying to not cheat on an exam or assignment, even if they did not receive a favorable outcome. This is possible because these individuals did not resort to unacceptable behaviors that would not add to their sense of self-improvement. Further, these individuals may realize that they completed the exam or assignment without unauthorized assistance, which may make them better in their eyes than a peer who cheated.

### **Moral Differentiation**

As previously mentioned elsewhere, moral differentiation is a multidimensional construct focused on factors that would raise oneself “morally” above others. As described below, there was some support for this construct.

*Introversion.* Hypothesis 9a predicted that the relationship between unethical peer behavior and observers’ unethical behavior would be lower when individuals are high in introversion rather than low. This was postulated under the assumption that the less individuals engage in interpersonal relations with their peers due to their own disposition, the less likely the individuals will witness the cheating behaviors of their peers, resulting in lower levels of mimicking behaviors. However, as seen in Figure 10, the opposite of prediction was found. As high introverted individuals witness more unethical peer behavior, they are more likely than low introverted individuals to engage in cheating behaviors. In hindsight, this makes sense and there are at least two possible explanations for this finding. First, due to the fact that introverts tend to

be socially withdrawn (Goldberg, 1993), they are less likely than their counterparts to openly discuss social issues with their peers. As a result, high introverted individuals are less likely to express their dissent to those individuals who are potentially getting ahead by cheating. In such a situation, these individuals may cheat in order to “show their peers” (e.g., Jelinek & Ahearne, 2006) that they do not need to belong to a social group in order to reap the benefits from cheating. Second, by avoiding their peers, introverts are more likely to look internally, rather than externally, for a solution to a problem. Therefore, introverted individuals are more likely to base a moral decision on other factors than the observed behavior. One possible factor is by referring to the individual’s own self-regulative mechanisms that guides moral behavior; specifically, one’s moral identity. In examining the correlation between moral identity and introversion, Table 3 shows that there is a significant and negative correlation between these two constructs ( $r = -.43, p < .01$ ). This evidence suggests that when individuals do not rely on the behavior of others to guide their own behavior, they may look internally and act on their own moral compass. When these individuals lack a more principled or moral disposition, they are more likely to engage in cheating behaviors.

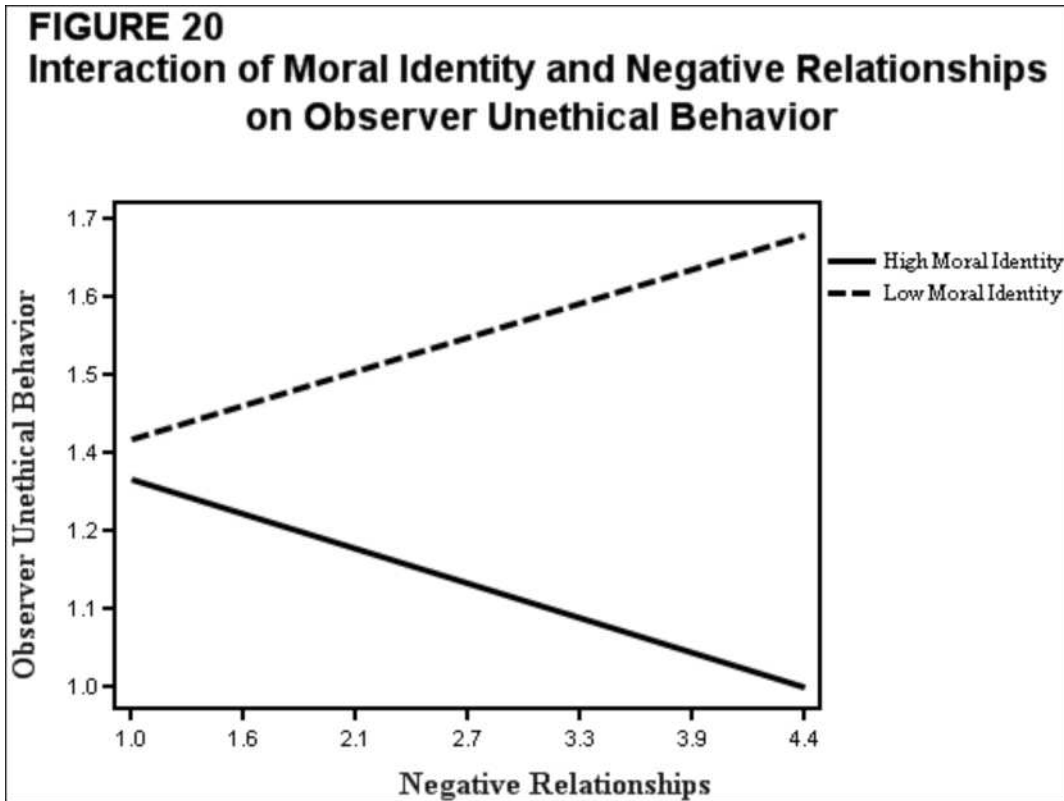
*Need for affiliation.* Hypothesis 9b suggests that the relationship between unethical peer behavior and observer unethical behavior will be weaker when individuals are low in need for affiliation. As predicted and displayed in Figure 11, low need for affiliation individuals are less likely to cheat than high need for affiliation individuals when unethical peer behavior is more prevalent. Given that individuals with a low need for affiliation tend to emphasize their own ability and skills above collaborative effort (Yamaguchi, 2003) and may be less interested in being liked by others, they are more likely to behave in ways that primarily serve their own self-interests. As a result, these individuals will be less likely to engage in similar cheating behaviors

because they may not place a high value on the relationship between their peers. Individuals with a high need for affiliation, however, prefer harmonious relationships (Murray, 1983). As indicated by the findings, they may engage in similar cheating behaviors as their peers in order to maintain a positive social network.

*Proximity.* Hypothesis 9c proposes that the relationship between unethical peer behavior and observer unethical behavior will be weaker when individuals are low in proximity to their peers. The results indicate (See Figure 12), that the relationship is stronger, not weaker as predicted, the more individuals are proximately distant from their peers. An explanation to this finding may be found in the work of Jones (1991). According to Jones, proximity is defined as the “feeling of nearness (social, cultural, psychological, or physical) that the moral agent has for victims (beneficiaries) of the evil (beneficial) act in question” (1991: 376). In this study, it is quite possible that the students pondered the outcomes that their peers may receive if they cheated on an exam or written assignment. In this situation, the students may realize that by engaging in cheating behaviors, they may be negatively impacting those peers who may be considered their friends. By cheating, particularly if the class is based on a curve, their friend may become a victim of their own behavior. As a result, individuals who are proximately closer to their peers may cheat less frequently in order to not put their peers at a disadvantage. On the other hand, individuals low in proximity may not be too concerned with how their peers are affected by their cheating tendencies. Therefore, they are more likely to engage in cheating behaviors as long as the behavior results in a positive outcome for themselves. However, given the nearly parallel lines shown in Figure 12, multicollinearity may be a biasing issue with this finding. Thus, these results should be interpreted with caution.

*Negative relationships.* The higher the individuals negative relationships with their peers were expected to weaken the relationship between unethical peer behavior and observer unethical behavior. As displayed in Figure 13, the opposite of what was predicted was found. Specifically, the more negative relationships individuals have with their peers and the more often they witness their peers engage in cheating behaviors, the more likely the individuals are to cheat. A possible explanation for this result is similar to the one offered for the introversion finding. Similar to introverted individuals, individuals who are in a social network comprised of negative relationships have less social support. In ambiguous situations, individuals who are in a social network comprised of positive relationships have the ability to ask for assistance when making a difficult situation. Individuals who are in a social network comprised of a series of negative relationships do not have this opportunity. As a result, they may make decisions based on their own moral guidance (i.e., moral identity), instead of exposing themselves to a negative interaction with their peers, which may cause added stress (e.g., Ruchman & Wolchik, 1988). Therefore, it would be expected that individuals who have many negative relationships with their peers and have a low moral identity would engage in more cheating behaviors than individuals high in moral identity. In a post hoc analysis, this assertion was tested and supported. As seen in Figure 20, the more negative relationships individuals have with their peers, the more likely the individuals will engage in cheating behaviors when they are low on moral identity, than high ( $t = -3.97, p < .01$ ).





*Moral identity.* Hypothesis 9e predicted that the relationship between unethical peer behavior and observer unethical behavior will be weaker when the observer reports high levels of moral identity. As predicted, high moral identifiers, versus low moral identifiers, were less likely to mimic the behavioral patterns of their peers (See Figure 14). Interestingly, however, the relationship remains positive for those high in moral identity. This would suggest that although moral identity is an important component of the individual's self-conception, it is not the only component. It may be that in an environment full of cheating peers, individuals may have to weigh the right thing to do against what might give them an advantage. If an important component of the individuals' self-concept is that they are a good student, when faced with a challenging course, the good student conception may trump the moral conception. However, the result supports the notion that individuals may stand by their morals (at least in most cases), even when faced with a situation where their peers are engaging in cheating behaviors. Another

potential explanation for the positive relationship may be attributed to the directions that precede the questions in the moral identity scale. Respondents were asked to think of a person (which could be him or her, but does not have to be) who might be described by a variety of positive characteristics (e.g., caring, compassionate, fair, etc.). Respondents were then asked to report the degree to which they would like to have these characteristics (e.g., “I strongly desire to have these characteristics”), but do not necessarily indicate that they are a person of these moral characteristics. As a result, individuals may aspire to be a person of moral character, but falls short of attaining these moral characteristics, explaining the positive relationship between unethical peer behavior and observer unethical behavior.

### **Other Individual and Contextual Factors**

*Self-monitoring.* Hypothesis 10 proposes that the relationship between unethical peer behavior and observer unethical behavior is weaker when individuals report lower degree's of self-monitoring. Contrary to predictions, the relationship was weaker for high, rather than low, self-monitors (See Figure 15). This result suggests that low self-monitors are more influenced by peer cheating behaviors than high self-monitors. The more low self-monitors observe their peers cheat the more likely they are to cheat. At first glance, this result would appear to go against conventional wisdom. Research suggests that high self-monitors are more influenced by the behavior of their peers (e.g., Snyder, 1987) and low self-monitors are less likely than high self-monitors to comprise their morals and to behave unethically (Bedian & Day, 2004). However, the literature also suggests that high self-monitors, compared to low self-monitors, are more concerned with their public appearance. Further, high self-monitors are more interested in constructing a positive social image and is particularly sensitive to shifts in situations that require behavioral adjustment (Gangestad & Snyder, 2000). These individuals are socially intelligent

and have a greater ability to adapt to social situations and behave accordingly, but only when the behavior will ultimately improve their public image. With respect to the current study, the results suggest that (at least at certain times) high self-monitors are prone to the influences of their peers, given the positive relationship between unethical peer behavior and observer unethical behavior. However, as stated by Covey and colleagues, “cheating carries with it negative social connotations, particularly for one’s image” (Covey, Saladin, & Killen, 1989:674). Perhaps it is possible that these high self-monitors were better able to read the social environment and contemplate other contextual factors that may play a more central role in determining the appropriate behavior that is best for the individual’s image. For instance, previous research has found that high self-monitors in a strong ethical climate were less likely to engage in unethical behaviors (Ross & Robertson, 2000). This would suggest, and is consistent with the theory, that high self-monitors are able to adjust their behavior to fit the situation. Within this study, it is quite possible that high self-monitors viewed the possible negative consequences for cheating as detrimental to their self-image (i.e., they are labeled as a “cheater”) and were thus, less likely to cheat. Low self-monitors, on the other hand, show behavioral consistency across social situations (Gangestad & Snyder, 2000), which reflects their own inner attitudes, emotions, and dispositions. Therefore, if low self-monitors are more prone to cheat, this cheating behavior will continue across different social environments.

*Ethical culture.* According to Hypothesis 11, an existence of a strong ethical culture would weaken the relationship between unethical peer behavior and observer unethical behavior. As seen in Figure 16, the results support this prediction. Particularly, individuals are less likely to behave unethically when their peers are behaving unethically if the ethical environment acts as a deterrent. Interestingly, however, the relationship remains positive in the high ethical culture

environment. There are two potential explanations for this result. First, the informal component of ethical culture (i.e., peer behavior and ethical norms) may act as a stronger mechanism than the formal component (i.e., university policies, leadership, etc.). The evidence in this study seems to support this notion. Particularly, the norms tend to support cheating, rather than non-cheating, behaviors (recall the social identity mediation finding). Second, the reward structure across college campuses may be weak. In the academic dishonesty literature, it is commonly reported that many cases of academic dishonesty, even if discovered by a professor, are never reported (e.g., Robinson-Zanartu, Pen, Cook-Morales, Pena, Afshani, & Nguyen, 2005). Likewise, students may believe that faculty of a university do not treat cases of academic dishonesty very harshly. For instance, McCabe (1993) found that 39% of the faculty would only assign a failing grade on a test or assignment when the professors' witnessed cheating behaviors. Further, 9% of the faculty would offer a simple warning, 7% stated that they would penalize the student in a less severe manner than offering a failing grade on the test or assignment, and 1% would do nothing about the student's behavior. In a related study, Robinson-Zanartu and colleagues (2005) stated that approximately 1/3 of all faculty respondents would do nothing to a student who was caught plagiarizing on an assignment. Of those who would take action, 2/3 of the faculty reported that they would discuss the issue with the student, or have the student resubmit a new assignment. The evidence suggests that the penalties for engaging in cheating behaviors may not be adequate enough to deter cheating behaviors, even if the student receives a failing grade on the exam, assignment, or for the course. As stated by Pavela and McCabe, "the standard penalty for academic dishonesty at many colleges [of] a failing grade on an assignment or in a course... trivializes academic dishonesty and is a weak deterrent" (1993: 29). Although a university may not intentionally reward cheating behaviors, the lack of punishment for being

caught engaging in cheating behaviors may in fact be promoting cheating. However, as evident by the results of this study, the relationship is somewhat weaker in relatively higher ethical culture environments because of the possibility of being severely punished (i.e., expelled from the university) for cheating.

## CHAPTER SEVEN

### CONCLUSIONS

Overall, this study offers a number of important contributions to the ethics literature. Below are six “key” findings derived from this research and may potentially offer insight into directions for future research. In addition, the limitations and strengths of this research are discussed.

#### **Key Findings**

**(1) Reliable measures of vicarious learning, perceived fit with group identity, and relative deprivation were introduced.**

Previous research has often assumed that the mechanisms of vicarious learning, perceived fit with group identity, and relative deprivation are said to occur without offering formal measures for these mechanisms. The newly developed scales used to tap these constructs proved to be distinct and reliable measures. For instance, in three separate factor analyses, three stable factors emerged; a 5-item vicarious learning scale, a 4-item perceived fit with group identity scale, and a 6-item relative deprivation scale. Further, the results of an internal consistency analysis revealed robust reliability coefficients for these measures across three samples. Future research could explore the usefulness and validity of these measures.

**(2) Peers do influence one’s behavior, but it is more complex than what is described from a social learning perspective.**

Three distinct models were developed to test the influence of a peer’s behavior on observers’ behavior. Previous research in the ethical decision-making theory has often relied on the theoretical underpinnings of social learning theory to explain this relationship. Although this research supports the notion that vicarious learning is a predictive factor of observer unethical

behavior, it is not the only mechanism that can explain this relationship. The results demonstrated that a social identity and social comparison perspective can equally explain the influences of peer behavior on observers' behavior. Specifically, the social learning, social identity, and social comparison models each accounted for 29%, 30%, and 29%, respectively, of the explained variance on observer unethical behavior in Study 1. In addition, a post hoc analysis (full model not reported) regressing the dependent variable (observer unethical behavior) on the three mediating variables (vicarious learning, perceived fit with major's identity, and relative deprivation) indicated that the social identity mediator may be a stronger predictor of observer unethical behavior as indicated by the Beta coefficients (after controlling for social desirability, gender, age, and university). Specifically, the standardized Beta weights for each variable was .11, .22, and .12, respectively. In total, these findings are encouraging and should spark future research. Specifically, these findings provide partial support for the notion that ethical decision-making is more complex than the simple "Monkey see, monkey do" explanation of social learning. It appears that a more appropriate description of peer influences is "Monkey see, monkey may do if..." Future research could add to the predictive validity of the social identity and social comparison model by testing it in other domains.

**(3) A "cheating culture" may exist, at least in certain domains.**

An interesting result found in the social identity model was the positive relationship between unethical peer behavior and perceived fit with the major's identity. This result indicates that cheating is prototypical (i.e., the norm) of one's major, at least according to the respondents of study 1. Interestingly, examining the results of the social identity model in Study 2, the Beta coefficient was also positive, suggesting that this "cheating culture" may extend beyond an academic environment and into business organizations. Future research could examine how this

culture was formed and the implications related to organization or group level performance. Further, it may be interesting to examine how these lower level “major” and “department” norms relate to the overall “university” and “organization” norms. When a conflict between the two entities exists, which “culture” prevails?

**(4) Low identifying individuals were more likely to behave in accordance with the group’s identity than high identifying individuals.**

According to social identity theory, individuals who strongly identify with a group are more likely to behave in accordance to the group’s prototype than low identifying individuals. However, the results of Study 1 indicate that the relationship between perceived fit with the major’s identity and observer unethical behavior was stronger for those who least (relatively speaking) identified with their major. This finding is interesting, as it suggests that the relationship is more complex than originally thought. For instance, in a post hoc analysis, it was found that this relationship may be influenced by a peer’s level of self-esteem. Further, due to the fact that individuals have multiple identities, it is quite possible that some individuals behaved in accordance to an identity other than their major’s. In another post hoc analysis, it was found that one’s moral identity moderated the relationship between strength in identification and observer unethical behavior. Specifically, the less individuals identify with their major and the lower the individuals’ moral identity, the more likely the individuals are to engage in cheating behaviors. Future research could examine the complex phenomenon of multiple identities. In particular, when an individual is placed in a group that promotes unethical activities, is the simple categorization process enough to promote in-group identification as found in previous research? Further, in such an environment, would an individual who has a relatively high level of moral identity follow their own moral compass, or would the normative



influence of the group be strong enough to persuade the individual into engaging in unethical activities?

**(5) Negative self-feelings derived from relative deprivation do not always lead to unethical behavior.**

Contrary to predictions, negative self-feelings derived from relative deprivation were negatively related to observer unethical behavior in Study 1 (and reported a negative Beta coefficient in Study 2). Although other explanations for this finding exist (i.e., suppression or reverse causation), moving beyond the statistical rationalizations offers an alternative explanation that may spark future research. According to Crosby (1976), individuals may not engage in socially unacceptable behaviors (i.e., cheating) when they have the ability to take constructive action, such as self-improvement. In further support of this notion, the results of the moderating effect of self-improvement showed that individuals who reported high levels of self-improvement were less likely to engage in cheating behaviors after reporting high levels of negative self-feelings than individuals who reported low levels of self-improvement. Future research should examine this relationship in contexts other than an academic environment. According to Crosby, individuals would pursue a self-improvement strategy when they have personal control and open opportunities. Naturally, the academic environment may be classified as a context with open opportunities (i.e., other classes to increase g.p.a. or to further one's knowledge on a difficult subject), whereas other contexts may not have such opportunities.

**(6) Moral differentiation may be a construct worth pursuing.**

Although the development of the construct of moral differentiation was a secondary purpose of this study, the results are encouraging. In particular, low need for affiliation and moral identity weakened the positive relationship between unethical peer behavior and observer

unethical behavior as predicted. However, the opposite of prediction for introversion, proximity, and negative relationships was found. Future research could develop this construct further by identifying other factors that may theoretically separate one individual from another on a moral basis. Although the included variables were theoretically viable, there seems to be other factors that may tap this construct more clearly. For instance, I would suggest focusing on constructs that are more principled or moral in nature. As individuals distance themselves from others (purposely or by a variety of individual characteristics), they no longer have a social network to learn appropriate (or inappropriate for that matter) behaviors. Therefore, these individuals may look internally for an answer to a moral dilemma. The more the individuals' principles are moral, the more likely they are to act on these moral principles and engage in ethical, rather than unethical behaviors.

### **Limitations and Strengths**

*Limitations.* The results of this research should be interpreted in lieu of some limitations. To begin, the data collected for this research was cross-sectional in design. Therefore, no inferences of causality can be made. Further, the use of a cross sectional design may have inflated the relationship between the independent variable (unethical peer behavior) and the dependent variable (observer unethical behavior). Future research can provide further support for the findings by conducting an experimental or longitudinal design.

Another limitation is that the included sample was not randomly drawn from a larger population in either Study 1 or Study 2. The classes and organizations selected for participation were based on convenience. Further, due to the fact that the majority of the included participants in Study 1 were College of Business students, the results are not generalizable. Future research could validate these findings by including a more randomized and heterogeneous sample.

A third limitation of this research is that the sample size utilized in Study 2 was too small to detect any significant findings, other than using simple correlation analysis techniques.

Encouragingly, however, the directions of the Beta weights were similar to those found in Study 1. With a second wave of data collection, these results could be verified.

Fourth, the use of single-source data raises questions regarding common method bias. However, as indicated in the methodology section of this research, common method bias may not be a substantive issue in this research based on the results of the Harmon single-factor test and the partial and zero-order correlations while controlling for social desirability. In addition, the procedural remedies outlined by Podsakoff and colleagues (Podsakoff et al., 2003) to reduce common method bias were taken into consideration when the survey was developed.

Finally, although Baron and Kenny's (1986) test for mediation is an appropriate technique for assessing mediation effects, it is limited in its explanatory power as it does not allow all variables (i.e., moderating variables) to be entered in one step. As a result, future research could test the purported relationships with a more powerful mediation technique, such as structural equation modeling.

*Strengths.* Despite the abovementioned limitations, there are also a number of strengths of the present research that are worthy of mentioning. First, this research employed a multiple theoretical perspective to understanding the complex relationship between peer and observer unethical behavior – a process that is notably lacking in the ethics literature. Further, as indicated by the Beta coefficients of the post hoc analysis described above, it appears that social identity and not social learning theory, may offer a stronger theoretical framework in predicting observer unethical behavior, at least in an academic dishonesty context. Second, great care was taken to reduce the effects of social desirability bias. When a researcher asks a respondent to

report his or her behavior regarding a sensitive topic (such as ethics), social desirability may become an issue. Within this research, social desirability was controlled for in all statistical analyses. Further, on a number of occasions, the respondents were assured that their responses were strictly anonymous. The final strength was the relatively high response rates for both Study 1 and Study 2. In particular, Study 1 yielded a response rate of 49.3%, while Study 2 reported a 58.76% response rate. Given the sensitive nature of the topic and the considerable length of the survey, these two response rates are quite exceptional. Particularly if they are compared to the commonly accepted 19% response rate often found in the ethical decision-making literature (Hunt, 1990).

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## APPENDICES

### Appendix A

#### Comparing and Contrasting the Theories: Assumptions, Key motives, and Key mechanisms

<b><u>Social Cognitive Theory</u></b>	<b><u>Assumptions</u></b>	<b><u>Key Motives</u></b>	<b><u>Key Mechanisms</u></b>
Social Learning	Human learning is a function of observed behavior	Learning, obtain rewards, avoid punishments	Role modeling, vicarious learning
Social Identity	People define themselves in relation to their social groups	Maintain a positive social identity	Compare to prototype, depersonalization
Social Comparison	People compare themselves to referent others	Maintain standing relative to peers, eliminate negative feelings, social differentiation or social uniformity	Feelings of relative deprivation

**Appendix B**

**Study 1 – Partial and Zero-Order Correlations - Controlling for Social Desirability**

	Mean	s.d.	1	2	3	4	5	6
1. Social desirability	3.00	0.52						
2. Unethical peer behavior	2.01	0.69	.22**					
3. Negative emotions	2.32	0.90	.05	.18** (.17**)				
4. Vicarious learning	2.61	1.01	.20**	.21** (.17**)	.07 (.06)			
5. Evaluative fit - Major	1.63	0.78	.09*	.31** (.30**)	.09* (.08*)	.24** (.23**)		
6. Relative deprivation	2.39	0.92	.18**	.33** (.30**)	.30** (.30**)	.27** (.24**)	.34** (.33**)	
7. Observer's unethical behavior	1.37	0.45	.18**	.52** (.50**)	.04 (.03)	.22** (.19**)	.30** (.29**)	.25** (.22**)

Partial correlations reported in brackets ( ) next to the zero-order correlations. Sample size, n = 655.

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).



**Appendix C**

**Study 2 – Partial and Zero-Order Correlations - Controlling for Social Desirability**

	Mean	s.d.	1	2	3	4	5	6
1. Social desirability	2.65	0.55						
2. Unethical peer behavior	1.50	0.44	.35**					
3. Negative emotions	2.26	0.93	.18	.37** (.33**)				
4. Vicarious learning	2.24	0.97	.15	.06 (.01)	.19 (.17)			
5. Evaluative fit - Major	1.65	0.94	.16	.15 (.10)	-.02 (-.05)	.32** (.30**)		
6. Relative deprivation	1.58	0.69	.19	.20* (.15)	.25** (.23*)	.28** (.26**)	.37** (.35**)	
7. Observer's unethical behavior	1.17	0.16	.48**	.53** (.44**)	.06 (-.04)	.09 (.03)	.10 (.02)	.14 (.06)

Partial correlations reported in brackets ( ) next to the zero-order correlations. Sample size, n = 104.

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

**Appendix D**  
**Summary of Results for Study 1**

<b>Hypothesis</b>	<b>Findings</b>
<b><u>Social Learning Theory</u></b>	
<b>H1:</b> Vicarious learning will mediate the relationship between unethical peer behavior and observers' unethical behavior such that unethical peer behavior will be positively related to vicarious learning, and vicarious learning will be positively related to observers' unethical behavior.	Partially Supported: Partial Mediation
<b>H2:</b> Perceived rewards and punishments will moderate the relationship between vicarious learning and observer unethical behavior such that perceived rewards will be associated with a positive relationship and perceived punishments will be associated with a negative relationship.	Not Supported
<b><u>Social Identity Theory</u></b>	
<b>H3:</b> Perceived fit with group identity will mediate the relationship between unethical peer behavior and observers' unethical behavior such that unethical peer behavior will be negatively related to perceived fit with group identity and perceived fit with group identity will be positively related to observers' unethical behavior.	Partially Supported: Partial Mediation
<b>H4a:</b> The direction of the group norms will moderate the relationship between unethical peer behavior and perceived fit with group identity such that norms supporting unethical behavior will be associated with a positive relationship.	Supported
<b>H4b:</b> The direction of the group norms will moderate the relationship between unethical peer behavior and perceived fit with group identity such that norms supporting ethical behavior will be associated with a negative relationship.	Partially Supported
<b>H5:</b> The higher the degree of group identification, the stronger the relationship between perceived fit with group identity and observer's unethical behavior.	Significant, but opposite of prediction
<b>H6:</b> The lower the observer's degree of self-esteem, the stronger the relationship between perceived fit with group identity and observer's unethical behavior.	Supported

### **Social Comparison Theory<sup>a</sup>**

- H7a:** Unethical peer behavior will be positively related to perceived relative deprivation. Supported
- H7b:** Perceived relative deprivation will be positively related to negative self-feelings. Supported
- H7c:** Negative self-feelings will be positively related to observers' unethical behavior. Significant, but opposite of prediction
- H8a:** The more the observer seeks self-improvement, the weaker the relationship between negative self-feelings and observer's unethical behavior. Supported
- H8b:** The more the observer seeks self-enhancement, the weaker the relationship between negative self-feelings and observer's unethical behavior. Not Supported

### **Moral Differentiation**

- H9a:** The higher the degree of introversion on the part of the observer, the weaker the relationship between unethical peer behavior and observer's unethical behavior. Significant, but opposite of prediction
- H9b:** The lower the degree of the observer's need for affiliation, the weaker the relationship between unethical peer behavior and observer's unethical behavior. Supported
- H9c:** The lower the degree of the observer's proximity to his or her peers, the weaker the relationship between unethical peer behavior and observer's unethical behavior. Significant, but opposite of prediction
- H9d:** The higher the degree of the observer's negative relationships with his or her peers, the weaker the relationship between unethical peer behavior and observer's unethical behavior. Significant, but opposite of prediction
- H9e:** The higher the degree of the observer's moral identity, the weaker the relationship between unethical peer behavior and observer's unethical behavior. Supported

**Other Individual and Contextual Factors**

**H10:** The lower the degree of the observer's self-monitoring, the weaker the relationship between unethical peer behavior and observer's unethical behavior.

Significant, but  
opposite of  
prediction

**H11:** The stronger the ethical culture, the weaker the relationship between unethical peer behavior and the observer's unethical behavior.

Supported

<sup>a</sup>The overall social comparison mediating model is partially supported.

**Appendix E**  
**Summary of Results for Study 2**

<b>Hypothesis</b>	<b>Findings</b>
<b><u>Social Learning Theory</u></b>	
<b>H1:</b> Vicarious learning will mediate the relationship between unethical peer behavior and observers' unethical behavior such that unethical peer behavior will be positively related to vicarious learning, and vicarious learning will be positively related to observers' unethical behavior.	Not Supported
<b>H2:</b> Perceived rewards and punishments will moderate the relationship between vicarious learning and observer unethical behavior such that perceived rewards will be associated with a positive relationship and perceived punishments will be associated with a negative relationship.	Not Supported
<b><u>Social Identity Theory</u></b>	
<b>H3:</b> Perceived fit with group identity will mediate the relationship between unethical peer behavior and observers' unethical behavior such that unethical peer behavior will be negatively related to perceived fit with group identity and perceived fit with group identity will be positively related to observers' unethical behavior.	Not Supported
<b>H4a:</b> The direction of the group norms will moderate the relationship between unethical peer behavior and perceived fit with group identity such that norms supporting unethical behavior will be associated with a positive relationship.	Not Supported
<b>H4b:</b> The direction of the group norms will moderate the relationship between unethical peer behavior and perceived fit with group identity such that norms supporting ethical behavior will be associated with a negative relationship.	Not Supported
<b>H5:</b> The higher the degree of group identification, the stronger the relationship between perceived fit with group identity and observer's unethical behavior.	Not Supported
<b>H6:</b> The lower the observer's degree of self-esteem, the stronger the relationship between perceived fit with group identity and observer's unethical behavior.	Not Supported

### **Social Comparison Theory<sup>a</sup>**

**H7a:** Unethical peer behavior will be positively related to perceived relative deprivation. Not Supported

**H7b:** Perceived relative deprivation will be positively related to negative self-feelings. Not Supported

**H7c:** Negative self-feelings will be positively related to observers' unethical behavior. Not Supported

**H8a:** The more the observer seeks self-improvement, the weaker the relationship between negative self-feelings and observer's unethical behavior. Not Supported

**H8b:** The more the observer seeks self-enhancement, the weaker the relationship between negative self-feelings and observer's unethical behavior. Not Supported

### **Moral Differentiation**

**H9a:** The higher the degree of introversion on the part of the observer, the weaker the relationship between unethical peer behavior and observer's unethical behavior. Not Supported

**H9b:** The lower the degree of the observer's need for affiliation, the weaker the relationship between unethical peer behavior and observer's unethical behavior. Not Supported

**H9c:** The lower the degree of the observer's proximity to his or her peers, the weaker the relationship between unethical peer behavior and observer's unethical behavior. Not Supported

**H9d:** The higher the degree of the observer's negative relationships with his or her peers, the weaker the relationship between unethical peer behavior and observer's unethical behavior. Not Supported

**H9e:** The higher the degree of the observer's moral identity, the weaker the relationship between unethical peer behavior and observer's unethical behavior. Not Supported

**Other Individual and Contextual Factors**

**H10:** The lower the degree of the observer's self-monitoring, the weaker the relationship between unethical peer behavior and observer's unethical behavior.

Significant, but  
opposite of  
prediction

**H11:** The stronger the ethical culture, the weaker the relationship between unethical peer behavior and the observer's unethical behavior.

Not Supported

<sup>a</sup>The overall social comparison mediating model is not supported.

## Appendix F

### Unethical Peer Behavior Scale – Study 1

Over the past year, how often have you observed other students engage in the following types of behavior in your university? *The items are assessed on a 5-point likert type scale with 1 = never, 2 = rarely, 3 = occasionally, 4 = frequently, and 5 = very frequently.*

1. Fabricating or falsifying a bibliography.
2. Working on an assignment with others when the instructor asked for individual work.
3. Getting questions or answers from someone who has already taken a test.
4. Helping someone else cheat on a test.
5. Copying from another student during a test **with** his or her knowledge.
6. Copying from another student during a test or examination **without** his or her knowledge.
7. Receiving unpermitted help on an assignment.
8. Paraphrasing or copying a few sentences of material from a written source without footnoting or referencing it in a paper.
9. Turning in a paper obtained in large part from a term paper “mill” or website.
10. Paraphrasing or copying a few sentences of material from an electronic source – e.g., the Internet – without footnoting or referencing it in a paper.
11. Using unpermitted crib notes (or cheat sheets) during a test.
12. Using an electronic/digital device as an unauthorized aid during an exam.
13. Copying material, almost word for word, from any written source and turning it in as your own work.
14. Turning in a paper copied, at least in part, from another student’s paper, whether or not the student is currently taking the same course.
15. Using a false or forged excuse to obtain an extension on a due date or delay taking an exam.
16. Turning in work done by someone else.
17. Cheating on a test in any other way.



## Appendix G

### Observer Unethical Behavior Scale – Study 1

In the following section, we would like to ask you about your own behavior over the past year. There are no right or wrong answers so please try to be completely honest with your responses. Recall, your answers are strictly anonymous.

Over the past year, how often have you engaged in the following types of behavior in your university? *The items are assessed on a 5-point likert type scale with 1 = never, 2 = rarely, 3 = occasionally, 4 = frequently, and 5 = very frequently.*

1. Fabricating or falsifying a bibliography.
2. Working on an assignment with others when the instructor asked for individual work.
3. Getting questions or answers from someone who has already taken a test.
4. Helping someone else cheat on a test.
5. Copying from another student during a test **with** his or her knowledge.
6. Copying from another student during a test or examination **without** his or her knowledge.
7. Receiving unpermitted help on an assignment.
8. Paraphrasing or copying a few sentences of material from a written source without footnoting or referencing it in a paper.
9. Turning in a paper obtained in large part from a term paper “mill” or website.
10. Paraphrasing or copying a few sentences of material from an electronic source – e.g., the Internet – without footnoting or referencing it in a paper.
11. Using unpermitted crib notes (or cheat sheets) during a test.
12. Using an electronic/digital device as an unauthorized aid during an exam.
13. Copying material, almost word for word, from any written source and turning it in as your own work.
14. Turning in a paper copied, at least in part, from another student’s paper, whether or not the student is currently taking the same course.
15. Using a false or forged excuse to obtain an extension on a due date or delay taking an exam.
16. Turning in work done by someone else.
17. Cheating on a test in any other way.

## **Appendix H Vicarious Learning Scale**

Please recall your responses regarding the 17 peer behaviors listed above. We would like to ask you the degree to which these peer behaviors have affected you. Please indicate the degree in which you agree or disagree with the following statements. *(All items are assessed on a scale ranging from 1 (strongly disagree) to 5 (strongly agree).* For the survey used in Study 2, the term “peers” was replaced with “co-workers”.

1. I learned these behaviors from my peers.
2. My peers served as role models for my behavior.
3. I learned from the example provided by my peers.
4. I have learned a great deal about how I should behave from my peers.
5. I learned these behaviors by observing my peers.

## **Appendix I Perceived Fit with Group Identity Scale**

Please recall your responses regarding the 17 peer behaviors listed above. Next, we would like to ask you about the degree to which these classmate behaviors are typical of your “major”. To what degree ... *(Items are assessed on a 5-point scale of 1 = not at all, 3 = somewhat, 5 = very much.)* For the survey used in Study 2, the term “major” was replaced with “workgroup”.

1. Do these behaviors fit with your major’s identity?
2. Are these behaviors typical of your major?
3. Are these behaviors considered normal within your major?
4. Are these behaviors characteristic of your major’s identity?

## **Appendix J Relative Deprivation Scale**

We would like to ask you about the outcomes that resulted from your peers engaging in any of the 17 behaviors listed above. To what degree ... *(Items are assessed on a 5-point scale of 1 = not at all, 3 = somewhat, 5 = very much.)* For the survey used in Study 2, the term “peers” was replaced with “co-workers”.

1. Did your peers benefit from engaging in these behaviors?
2. Did your peers receive something (e.g., an opportunity or a good) from engaging in these behaviors?
3. Did your peers receive something that you wanted from engaging in these behaviors?
4. Did your peers receive something that you value from engaging in these behaviors?
5. Do you believe that these benefits should be yours, and not your peers?
6. Do you think that your peers received benefits that were entitled to you from engaging in these behaviors?

## **Appendix K**

### **Negative Self-Feelings Scale**

On a scale from 1 to 5 where 1 = not at all and 5 = very much, to what degree did you feel the following emotions after observing your peer engage in the behavior (presented to the participant from the behavior selected from a drop-down menu). (*Items are assessed on a 5-point scale of 1 = not at all, 3 = somewhat, 5 = very much.*) For the survey used in Study 2, the term “peers” was replaced with “co-workers”.

1. Happy \*
2. Angry
3. Satisfied \*
4. Envy
5. Disgust
6. Compassion \*
7. Guilt
8. Hostility
9. Irritated
10. Anxiety
11. Joy \*
12. Injustice
13. Resentment
14. Frustration
15. Pleasure \*
16. Pride \*
17. Outrage
18. Unfairness

\* Positive self-feeling item.

## **Appendix L**

### **Perceived Rewards and Punishment Scale**

We would like to ask you some questions about the general culture at (The participant's university). Please answer the following in terms of how it really is at (The participant's university), not how you prefer it to be. Please be as candid as possible; remember, all of your responses will remain strictly anonymous. Please indicate the degree to which you believe the following statements to be true or false. *All items are assessed on a 5 point Likert-type scale ranging from 1 = completely false, 2 = somewhat false, 3 = neither true nor false, 4 = somewhat true, and 5 = completely true.* For the survey used in Study 2, the terms "academic dishonesty" and "cheating" were replaced with "unethical behavior" and the term "professors" was replaced with "management".

1. Academic dishonesty (e.g., cheating) is punished in this university.
2. Cheating is rewarded in this university.
3. Professors in this university disciplines cheating when it occurs.
4. Cheating is punished in this university.
5. Penalties for cheating are strictly enforced in this university.
6. In this university, students are rewarded for cheating.

## **Appendix M**

### **Strength of Identification with Group Scale**

In the following section, we would like for you to think about your current major. If you are majoring in more than one program, please think about the major that is most important to you when answering the following questions. Please indicate the degree to which you agree or disagree with the following statements. *(Items are assessed on a scale ranging from 1 (strongly disagree) to 5 (strongly agree)).* For the survey used in Study 2, the term "major" was replaced with "workgroup".

1. You are glad to be a member of the major.
2. You are committed to the major.
3. Your major is important to you.
4. You are similar to others in the major as a whole in terms of general attitudes and opinions.
5. As a whole, you like the other students in the major.
6. You fit in with the major.
7. You identify with the major.
8. You feel as if you belong to the major.

## **Appendix N Self-Esteem Scale**

We would like to ask you some questions about yourself. As this is completely anonymous, it is important that you be as candid and honest as possible. Please indicate the degree to which you agree or disagree with the following statements. *All items are assessed on a scale ranging from 1 (strongly disagree) to 5 (strongly agree).*

1. I feel that I am a person of worth, at least on an equal basis with others.
2. I feel that I have a number of good qualities.
3. All in all, I am inclined to feel that I am a failure. \*
4. I am able to do things as well as most other people.
5. I feel I do not have much to be proud of. \*
6. I take a positive attitude toward myself.
7. On the whole, I am satisfied with myself.
8. I wish I could have more respect for myself. \*
9. I certainly feel useless at times. \*
10. At times, I think I am no good at all. \*

\* Reverse-scored item.

## **Appendix O Direction of Group Norms Scale**

In the following section, we would like for you to think about your current major. If you are majoring in more than one program, please think about the major that is most important to you when answering the following questions. Please indicate the degree to which you agree or disagree with the following statements. *(Items are assessed on a scale ranging from 1 (strongly disagree) to 5 (strongly agree)).* For the survey used in Study 2, the terms “academic dishonesty” and “cheating” were replaced with “unethical behavior” and the term “major” was replaced with “workgroup”.

1. Academic honesty (e.g., non-cheating behaviors) is the norm in the major.
2. In my major, academic dishonesty (e.g., cheating) is common place. \*
3. Cheating is the norm in the major. \*
4. Other students in my major commonly cheat. \*
5. The major’s norms support cheating behaviors? \*
6. The major’s norms support non-cheating behaviors?

\* Items used for the norms supporting unethical behavior.

## **Appendix P**

### **Need for Affiliation Scale**

We would like to ask you some questions about yourself. As this is completely anonymous, it is important that you be as candid and honest as possible. Please indicate the degree to which you agree or disagree with the following statements. *All items are assessed on a scale ranging from 1 (strongly disagree) to 5 (strongly agree).* For the survey used in Study 2, the term “school” was replaced with “work”.

1. I spend a lot of time talking to other people at school.
2. I am a “people” person.
3. When I have a choice, I try to work in a group instead of by myself.
4. I prefer to do my own work and let others do theirs. \*
5. I try my best to work alone on a school assignment. \*
6. I pay a good deal of attention to the feelings of others at school.
7. I express my disagreements with others at school openly. \*
8. I find myself talking to those around me at school about non-school related matters.

\* Reverse-scored item.

## **Appendix Q**

### **Introversion Scale**

We would like to ask you some questions about yourself. As this is completely anonymous, it is important that you be as candid and honest as possible. Please indicate the degree to which you agree or disagree with the following statements. *All items are assessed on a scale ranging from 1 (strongly disagree) to 5 (strongly agree).*

1. I like to have a lot of people around me. \*
2. I laugh easily. \*
3. I don’t consider myself especially “light-hearted”.
4. I really enjoy talking to people. \*
5. I like to be where the action is. \*
6. I usually prefer to do things alone.
7. I often feel as if I’m bursting with energy. \*
8. I am a cheerful, high-spirited person. \*
9. I am not a cheerful optimist.
10. My life is fast-paced. \*
11. I am a very active person. \*
12. I would rather go my own way than be a leader of others.

\* Reverse-scored item.

## **Appendix R Proximity Scale**

Please respond to the following questions about your peers. When reading each question, please consider your peers as a whole. In other words, please respond to each question by considering your experiences with the majority of your peers, not just a single peer. Please indicate the degree in which you agree or disagree with the following statements. *(All items are assessed on a scale ranging from 1 (strongly disagree) to 5 (strongly agree).* For the survey used in Study 2, the term “peers” was replaced with “co-workers”.

1. You consider your peers as friends.
2. You interact with your peers quite a bit during the day.
3. You have a lot in common with your peers.
4. You are similar to your peers.

## **Appendix S Negative Relationships Scale**

Please respond to the following questions about your peers. When reading each question, please consider your peers as a whole. In other words, please respond to each question by considering your experiences with the majority of your peers, not just a single peer. Please indicate the degree in which you agree or disagree with the following statements. *(All items are assessed on a scale ranging from 1 (strongly disagree) to 5 (strongly agree).* For the survey used in Study 2, the term “peers” was replaced with “co-workers” and the term “school” was replaced with “work”.

1. You dislike your peers.
2. You prefer to avoid your peers.
3. You would enjoy engaging in social activities with your peers outside of school such as going out to informal lunch, dinner, or drinks. \*
4. You do not take pleasure in seeing your peers.
5. Your relationship with your peers is negative.

\* Reverse-scored item.

## **Appendix T**

### **Moral Identity Scale**

Listed below are some characteristics that might describe a person:

Caring, Compassionate, Fair, Friendly, Generous, Helpful, Hardworking, Honest, and Kind

The person with these characteristics could be you or it could be someone else. For a moment, visualize in your mind the kind of person who has these characteristics. Imagine how that person would think, feel, and act. When you have a clear image of what this person would be like, answer the following questions. *Items were assessed on a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).*

1. It would make me feel good to be a person who has these characteristics.
2. Being someone who has these characteristics is an important part of who I am.
3. I often wear clothes that identify me as having these characteristics.
4. I would be ashamed to be a person who had these characteristics. \*
5. The types of things I do in my spare time (e.g., hobbies) clearly identify me as having these characteristics.
6. The kinds of books and magazines that I read identify me as having these characteristics.
7. Having these characteristics is not really important to me. \*
8. The fact that I have these characteristics is communicated to others by my membership in certain organizations.
9. I am actively involved in activities that communicate to others that I have these characteristics.
10. I strongly desire to have these characteristics.

\* Reverse-scored item.

## **Appendix U**

### **Self-Improvement Scale**

We would like to ask you some questions about yourself. As this is completely anonymous, it is important that you be as candid and honest as possible. Please indicate the degree to which you agree or disagree with the following statements. *All items are assessed on a scale ranging from 1 (strongly disagree) to 5 (strongly agree).*

1. I am motivated to improve myself as a person.
2. I desire to grow as an individual.
3. I strive to be a better person.



## **Appendix V**

### **Self-Enhancement Scale**

Please respond to the following questions about your peers. When reading each question, please consider your peers as a whole. In other words, please respond to each question by considering your experiences with the majority of your peers, not just a single peer. Please indicate the degree in which you agree or disagree with the following statements. *(All items are assessed on a scale ranging from 1 (strongly disagree) to 5 (strongly agree)).* For the survey used in Study 2, the term “peers” was replaced with “co-workers”.

1. You are motivated to appear at least a little bit better than your peers.
2. You want to be better than your peers.
3. In general, you strive to be better than your peers.

## **Appendix W**

### **Self-Monitoring Scale**

We would like to ask you some questions about yourself. As this is completely anonymous, it is important that you be as candid and honest as possible. Please indicate the degree to which you agree or disagree with the following statements. *All items are assessed on a scale ranging from 1 (strongly disagree) to 5 (strongly agree).*

1. In social situations, I have the ability to alter my behavior if I feel that something else is called for.
2. I have the ability to control the way I come across to people, depending on the impression I wish to give them.
3. When I feel that the image I am portraying isn't working, I can readily change it to something that does.
4. I have trouble changing my behavior to suit different people and different situations. \*
5. I have found that I can adjust my behavior to meet the requirements of any situation I find myself in.
6. Even when it might be to my advantage, I have difficulty putting up a good front. \*
7. Once I know what the situation calls for, it's easy for me to regulate my actions accordingly.
8. I am often able to read people's true emotions correctly through their eyes.
9. In conversations, I am sensitive to even the slightest change in the facial expression of the person I'm conversing with.
10. My powers of intuition are quite good when it comes to understanding others' emotions and motives.
11. I can usually tell when others consider a joke to be in bad taste, even though they may laugh convincingly.
12. I can usually tell when I've said something inappropriate by reading it in the listener's eyes.
13. If someone is lying to me, I usually know it at once from that person's manner of expression.

\* Reverse-scored item.

## **Appendix X**

### **Ethical Culture Scale**

We would like to ask you some questions about the general culture at (The participant's university). Please answer the following in terms of how it really is at (The participant's university), not how you prefer it to be. Please be as candid as possible; remember, all of your responses will remain strictly anonymous. Please indicate the degree to which you believe the following statements to be true or false. *All items are assessed on a 5 point Likert-type scale ranging from 1 = completely false, 2 = somewhat false, 3 = neither true nor false, 4 = somewhat true, and 5 = completely true.* For the survey used in Study 2, the terms "academic dishonesty" and "cheating" were replaced with "unethical behavior", "academic honesty" was replaced with "ethical behavior", "administration" was replaced with "top managers", "university" was replaced with "organization" or "organizational", "student" was replaced with "individual" or "people", and the term "professors" was replaced with "management".

1. The administration (i.e., President, Provost, Deans, Department Chairs, etc.) of this university represent high ethical standards.
2. Academic honesty (e.g., non-cheating behaviors) is the norm in this university.
3. Administration (i.e., President, Provost, Deans, Department Chairs, etc.) of this university regularly show that they really care about ethics.
4. Administration (i.e., President, Provost, Deans, Department Chairs, etc.) of this university are models of ethical behavior.
5. Academic dishonesty (e.g., cheating) is punished in this university.
6. People of integrity are rewarded in this university.
7. Students in this university perceive that people who violate university rules and procedures regarding cheating still get formal rewards. \*
8. University rules and procedures regarding cheating serve only to maintain the university's public image. \*
9. Cheating is rewarded in this university. \*
10. Administration (i.e., President, Provost, Deans, Department Chairs, etc.) of this university guide decision making in an ethical direction.
11. Professors in this university disciplines cheating when it occurs.
12. The average student in this university accepts university rules and procedures regarding cheating.
13. Cheating is punished in this university.
14. In this university, cheating is commonplace. \*
15. Penalties for cheating are strictly enforced in this university.
16. Formal university rules and policies regarding cheating are consistent with informal university norms.
17. The average student in this university reports cheating he or she observes.
18. This university demands obedience to authority figures, without question.
19. In this university, students are rewarded for cheating. \*
20. Students in this university are expected to do as they're told.
21. The professor is always right in this university.
22. Students are required to acknowledge that they have read and understood the university's rules and procedures regarding cheating.

23. Students are regularly required to assert that their actions are in compliance with the university's rules and procedures regarding cheating.
24. The university's rules and procedures regarding cheating are widely distributed throughout the university.
25. The average student in this university fully understands the university's rules and procedures regarding cheating.
26. In general, the university's rules and procedures regarding cheating are effective.
27. In general, students at this university support the university's rules and procedures regarding cheating.

\* Reverse-scored item.

### **Appendix Y** **Social Desirability Scale**

We would like to ask you some questions about yourself. As this is completely anonymous, it is important that you be as candid and honest as possible. Please indicate the degree to which you agree or disagree with the following statements. *All items are assessed on a scale ranging from 1 (strongly disagree) to 5 (strongly agree).*

1. I sometimes feel resentful when I don't get my way.
2. On a few occasions, I have given up doing something because I thought too little of my ability.
3. There have been times when I felt like rebelling against people in authority even though I knew they were right.
4. No matter who I'm talking to, I'm always a good listener. \*
5. I can remember "playing sick" to get out of something.
6. There have been occasions when I took advantage of someone.
7. I'm always willing to admit when I make a mistake. \*
8. I sometimes try to get even, rather than forgive and forget.
9. When I don't know something, I don't at all mind admitting it. \*
10. There have been times when I was quite jealous of the good fortune of others.
11. I have almost never felt the urge to tell someone off. \*
12. I am sometimes irritated by people who ask favors of me.
13. I have never deliberately said something that hurt someone's feelings. \*

\* Reverse-scored item.

## Appendix Z Demographics – Study 1

In this final section, we would like to ask you a few demographic questions. Remember, your answers are strictly anonymous, so please try to answer each question honestly and completely.

1. What is your age? \_\_\_\_\_ Years
2. What is your sex? Male or Female
3. What is your current academic class standing? 1<sup>st</sup> year undergraduate (Freshman) \_\_\_\_\_, 2<sup>nd</sup> year undergraduate (Sophomore) \_\_\_\_\_, 3<sup>rd</sup> year undergraduate (Junior) \_\_\_\_\_, 4<sup>th</sup> year undergraduate (Senior) \_\_\_\_\_, 5<sup>th</sup> year undergraduate (Senior) \_\_\_\_\_.
4. What is your major? \_\_\_\_\_ Major
5. What is your approximate cumulative grade point average? 3.50 – 4.00 \_\_\_\_\_, 3.00 – 3.49 \_\_\_\_\_, 2.50 – 2.99 \_\_\_\_\_, 2.00 – 2.49 \_\_\_\_\_, 1.50 – 1.99 \_\_\_\_\_, 1.00 – 1.49 \_\_\_\_\_, .00 – 0.99 \_\_\_\_\_.
6. What is your approximate “Major” cumulative grade point average? (If you are majoring in more than one program, report the grade point average of the major that is most important to you). 3.50 – 4.00 \_\_\_\_\_, 3.00 – 3.49 \_\_\_\_\_, 2.50 – 2.99 \_\_\_\_\_, 2.00 – 2.49 \_\_\_\_\_, 1.50 – 1.99 \_\_\_\_\_, 1.00 – 1.49 \_\_\_\_\_, .00 – 0.99 \_\_\_\_\_.
7. How many hours of ethics training have you received at (The participant’s university)? (If you don’t know for sure, make your best estimate). \_\_\_\_\_ hours
8. If you actively participate in any of the following, please tell us about how much time you spend on each activity in an average week. (*All items on a scale from 0 = Do not participate, 1 = 1-9 hours, 2 = 10-19 hours, 3 = more than 19 hours*).
  - a. Paid employment
  - b. Caring for a dependent
  - c. Social fraternity/sorority/club
  - d. Business fraternity/club
  - e. Intercollegiate (varsity) athletic team
  - f. Intercollegiate (Club Sport) athletic team

**Appendix AA**  
**Unethical Peer Behavior Scale – Study 2**

Over the past year, how often have you observed your co-workers engage in the following types of behavior in your organization? *The items are assessed on a 5-point likert type scale with 1 = never, 2 = rarely, 3 = occasionally, 4 = frequently, and 5 = very frequently.*

1. Unauthorized personal use of company materials or services.
2. Padding an expense account.
3. Giving gifts/favors in exchange for preferential treatment.
4. Taking longer than necessary to do a job.
5. Divulging confidential information to an unauthorized person.
6. Misuse of on-the-job time.
7. Concealing errors.
8. Passing blame for errors to an innocent co-worker.
9. Claiming credit for someone else's work.
10. Falsifying time/quality/quantity reports.
11. Calling in sick just to take a day off.
12. Authorizing a subordinate to violate company rules.
13. Not reporting violations of company policies/ rules.
14. Accepting gifts/favors in exchange for preferential treatment.
15. Not confronting violations of company policies/ rules.
16. Lying to customers.
17. Giving kickbacks.
18. Tolerating a situation that poses a health/safety risk.
19. Altering results of product/service testing.
20. Receiving kickbacks.
21. Sexual harassment.
22. Violating anti-trust laws.
23. Misusing insider information.
24. Improperly obtaining competitors' proprietary information.
25. Lying to supervisors.
26. Violating environmental laws/regulations.
27. Discrimination on the basis of race or gender.
28. Falsifying financial reports.
29. Stealing from the company.
30. Using an illegal drug or alcohol on the job.
31. Dragging out work in order to get overtime.
32. Improper solicitation of employees' time or money.

## **Appendix BB**

### **Observer Unethical Behavior Scale – Study 2**

In the following section, we would like to ask you about your own behavior over the past year. There are no right or wrong answers so please try to be completely honest with your responses. Recall, your answers are strictly anonymous.

Over the past year, how often have you engaged in the following types of behavior in your organization? *The items are assessed on a 5-point likert type scale with 1 = never, 2 = rarely, 3 = occasionally, 4 = frequently, and 5 = very frequently.*

1. Unauthorized personal use of company materials or services.
2. Padding an expense account.
3. Giving gifts/favors in exchange for preferential treatment.
4. Taking longer than necessary to do a job.
5. Divulging confidential information to an unauthorized person.
6. Misuse of on-the-job time.
7. Concealing errors.
8. Passing blame for errors to an innocent co-worker.
9. Claiming credit for someone else's work.
10. Falsifying time/quality/quantity reports.
11. Calling in sick just to take a day off.
12. Authorizing a subordinate to violate company rules.
13. Not reporting violations of company policies/ rules.
14. Accepting gifts/favors in exchange for preferential treatment.
15. Not confronting violations of company policies/ rules.
16. Lying to customers.
17. Giving kickbacks.
18. Tolerating a situation that poses a health/safety risk.
19. Altering results of product/service testing.
20. Receiving kickbacks.
21. Sexual harassment.
22. Violating anti-trust laws.
23. Misusing insider information.
24. Improperly obtaining competitors' proprietary information.
25. Lying to supervisors.
26. Violating environmental laws/regulations.
27. Discrimination on the basis of race or gender.
28. Falsifying financial reports.
29. Stealing from the company.
30. Using an illegal drug or alcohol on the job.
31. Dragging out work in order to get overtime.
32. Improper solicitation of employees' time or money.

**Appendix CC**  
**Demographics – Study 2**

In this final section, we would like to ask you a few demographic questions. Remember, your answers are strictly anonymous, so please try to answer each question honestly and completely.

1. What is your age? \_\_\_\_\_ Years
2. What is your sex? Male or Female
3. What is your highest level of education completed? Some high school, High school, Some college, College degree, Some graduate school, Masters degree, Doctoral degree
4. How long have you been with your current organization? \_\_\_\_\_ Years \_\_\_\_\_ Months
5. How long have you been in your current department? \_\_\_\_\_ Years \_\_\_\_\_ Months
6. Is your position a supervisory or non-supervisory one? Supervisory Non-supervisory
7. Approximately how many people work in your organization? (If you don't know for sure, make your best estimate)
8. Approximately how many people work in your department?
9. Approximately how many hours of formal ethics training have you received in the past 10 years? (If you don't know for sure, make your best estimate) \_\_\_\_\_ hours