Sales Managers' Perceptions of The Appropriate Response to Unethical Sales Force Behavior

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Abstract

This study reports the results of supervisory reactions of a group of sales managers to unethical sales behavior. The subjects evaluated the behavior of the salesperson in two scenarios. The performance of the salesperson and the consequences of the salesperson's actions were significant predictors of supervisory reaction. Harsher discipline was used for poor performers and when the consequences of the unethical behavior were not severe.

Introduction

Business ethics has gained increased attention during the last 20 years. Although all areas of business have been scrutinized by the public, the marketing department has received increased attention because many marketing activities (e.g., advertising, personal selling) are visible to the public.

Numerous articles have examined marketing ethics. For example, Murphy and Laczniai (1981) reported that by 1981 almost 100 articles had been written about business ethics. Obviously many more articles have appeared during the last nine years. These articles have examined conceptual issues (Baumhart 1961); theory based research (Ferrell and Gresham 1985; Hunt and Vitell 1986; Laczniai 1983); and the ethical behavior of salespeople (Chonko and Burnett 1983; Dubinsky, Berkowitz and Rudelius 1980; Dubinsky, Ingram and Rudelius 1985).

Although prior research has provided insights into understanding marketing ethics, generally these articles have not addressed supervisory actions regarding unethical behavior. The purpose of this study is to extend the research of Bellizzi and Hite (1989) and examine supervisory action regarding ethical (unethical) sales practices. Specifically, this study will explore two factors (performance of the salesperson and organizational consequences arising from the behavior of the salesperson) that influence disciplinary action regarding unethical behavior.

Literature Review

Marketing Ethics Research

Ethics has been defined as the "inquiry into theories of what is good and evil and into what is right and wrong, and thus is inquiry into what we ought and ought not to do" (Beauchamp and Bowie 1983 p. 3). Most research analyzing marketing ethics has involved responses from marketing personnel concerning their perception toward ethics. For example, Baumhart (1961) found that 80 percent of business executives were aware of ethical situations in business but disagreed as to what constituted ethical behavior. Fritzshe and Becker (1983) determined that managers' decisions involving ethical behavior are based on consequences of their decisions rather than an assortment of rules. For example, marketing managers act more ethically when the behavior entails greater risk such as withholding information about a product that may cause serious injury or death to consumers. Chonko and Hunt (1985) found that marketing managers encounter ethical issues regarding bribery, fairness, and honesty. Although marketing managers have the opportunity to engage in unethical behavior, they seldom participate in such behavior. Additionally, several studies have concluded that the ethics of top management influences the behavior of subordinates (Ferrell and Weaver 1978; Newstrom and Ruch 1975; Zey-Ferrell and Ferrell 1982). Research results have been inconclusive regarding the use of a corporate code of ethics. For example, some authors believe that and that a corporate code of ethics can deter unethical behavior (Dubinsky, Berkowitz, and Rudelius 1980; Hegarty and Sims 1979; Weaver and Ferrell 1987), while other researchers have concluded that ethical codes are confined in their ability to deter unethical behavior (Brenner and Molander 1977; Murphy and Laczniai 1981).

With respect to ethics involving salespeople, Dubinsky, Berkowitz and Rudelius (1980) found sales personnel
encounter ethical dilemmas and that these ethical dilemmas could lead to increased stress and lower performance. In addition, Dubinsky, Ingram and Rudelius (1985) reported significant differences regarding ethical perceptions between product and service salespeople. According to Chonko and Burnett (1983), in a study of sales personnel, role conflict such as stretching the truth to make a sale is correlated with ethical situations. In another study, Dubinsky and Ingram (1984), however, found no significant relationship between ethical conflict and role conflict and role ambiguity.

A review of the empirical research indicates a void in ethics research. Although prior research has addressed important issues regarding marketing ethics, these studies have not analyzed how managers respond when they encounter unethical behavior by subordinates. The next part of the literature review will address research examining how disciplinary reaction affects employee behavior.

Supervisory Action Affecting Employee Behavior

The use of punishment can affect employee behavior. In addition, disciplinary action on the part of the supervisor can impact employee behavior. For example, managements' use of formal and informal warnings and discharges positively affects employees' behavior (O'Reilly and Weitz 1980). According to Beyer and Trice (1984), discipline is related to performance. These researchers found that an employee's performance increased when managers used constructive disciplinary actions such as providing counseling for the employee as opposed to confrontational techniques such as a written warning included in the employee's personnel file.

An employee's performance can impact disciplinary action. Podsakoff (1982), in a review of the literature, concluded that the performance level of the employee was highly correlated with the use of sanctions. For example, an employee who possesses a skill that is in high demand is in a powerful position in the organization (Freedman and Montanari 1980). These employees often receive greater support and consideration from their supervisor than lower performing employees (Barrow 1976).

This situation can occur in a sales environment. For example, harsher disciplinary action may be used against poorer performers than against the best performers (Bellizzi and Hite 1989). The sales manager may feel dependent on the top salesperson in order to achieve the district's quota and may be more lenient in disciplinary action regarding improper behavior on the part of this employee.

In addition, organizational consequences may affect supervisory action. For example, absenteeism may lead to a warning while theft or insubordination may cause termination. Bellizzi and Hite (1989) found that harsher discipline was applied when negative consequences resulted from the actions of the employee. According to Beyer and Trice (1984), "managers are constrained by the specific situation, by policy, and by the general organizational context in using discipline" (p. 757).

Based on the literature review, the following two hypotheses are offered to be tested:

H0: The supervisory action will be more severe for poorer performers than for top performers.

H1: The supervisory action will be more severe when a negative consequence arises from the actions of the salesperson than when the consequence to the organization is of a less severe nature.

Methodology

Sample

The questionnaire was mailed to a random sample of 800 sales managers in the United States. The names were obtained from a national mailing list of sales managers. Usable questionnaires totaled 212 (26.5 percent). Although the response rate was low, the respondents to be a representative sample of sales managers. For example, the sales managers were employed in a wide assortment of industries including financial services, waste management, electronics, construction equipment, consumer goods, and computer hardware and software products. Additionally, the number of sales managers was well-represented in the other demographic categories. The characteristics of the sample are presented in Table 1.

<table>
<thead>
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<th>Table 1</th>
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<tbody>
<tr>
<td><strong>DEMOGRAPHIC CHARACTERISTICS OF THE SAMPLE</strong></td>
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<tr>
<td><strong>Number</strong></td>
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<tr>
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<td>35-44</td>
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<td>45-54</td>
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<td>Over 55</td>
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<td><strong>Type of Compensation Plan</strong></td>
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<td>Straight Commission</td>
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<td>Combination</td>
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<td>No Response</td>
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<tr>
<td><strong>Number of Employees</strong></td>
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<tr>
<td>Over 10,000</td>
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<tr>
<td>No Response</td>
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<tr>
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<td>Male</td>
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<tr>
<td>Female</td>
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<tr>
<td>No Response</td>
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</table>
Questionnaire

The questionnaire involved two scenarios related to unethical selling behavior (see appendix). The study of business ethics often involves using scenarios (DeConinck and Good 1989; Hawkins and Cocanougher 1972; Hegarty and Sims 1979; Jones and Gautschi 1988), because the researcher can manipulate certain variables to ascertain causation. The scenarios were developed after an extensive literature review and interviews with sales managers to ensure the validity of the scenarios.

Two factors were manipulated in both scenarios: the performance level of the salesperson (the best performer or a poor performer) and the consequences of the action to the sales organization (loss of an important customer which will have a significant influence on sales or loss of a customer who buys only a small amount of merchandise which will not have a significant influence on sales). Thus, a 2 X 2 factorial design was used in this survey. The subjects were asked to read the scenarios and assume the role of the sales manager and evaluate the behavior of one of their sales representatives based on four disciplinary reactions. The subjects indicated how appropriate each of the four disciplinary reactions were to addressing the ethical situation. The four choices, modified from Bellizzi and Hite (1989), were firing the salesperson, taking no action, sending a letter to the salesperson expressing concern about his behavior, and verbally expressing concern about the salesperson's actions. The choices were measured on a 5-point scale ranging from (1) very inappropriate to (5) very appropriate and served as the dependent variables in this study. In addition, the respondents were asked to indicate if they perceived an ethical dilemma was present in each scenario. The manipulations in the scenario served as the predictor variables. The results were analyzed using MANOVA.

Respondents received scenarios with identical manipulations. For example, if the salesperson in the first scenario was the best performer, then the salesperson in the second scenario was the best performer. The same procedure was followed for the second manipulation. Chi-square tests and t-tests were used to determine if statistical differences were present concerning the respondents' age, company size, and compensation plan in the four cells. The tests revealed no significant differences.

Manipulation Check

Although the independent variables were manipulated directly and should not have been misinterpreted, a manipulation check was conducted to test if the subjects perceived a difference in the manipulations. The results of a t-test using a group of 36 MBA students showed that the subjects perceived a difference between the performance level of the salesperson (p < .001) and the consequences for the organization of the action (p < .001).

Results

The first scenario involved a salesperson offering a gift to the purchasing agent in order to influence the sale. A gift to a customer may or may not present an ethical dilemma, because it may be difficult to distinguish between a gift and a bribe. For example, a $10 gift may be an expression of appreciation for a buyer's business. However, is a $1,000 gift given to a $1 million client a gift or a bribe?

In the first scenario, the purchasing agent has been offered an "excessive gift" if he places an order with the salesperson. The gift is considerably beyond the normal expenses allowed for entertainment. Depending upon the scenario, this company represents either the salesperson's most important account or a customer that buys only a small quantity of merchandise.

It was hypothesized that the supervisory action would be more severe for poorer performers than for top performers. Also, it was hypothesized that the disciplinary action would be more severe when the action of the salesperson led to serious consequences as opposed to minor consequences. The results for the first scenario appear in Table 2.

For the first scenario involving a salesperson giving "excessive gifts" in order to make a sale, the performance level of the salesperson was a significant predictor for three of the four supervisory actions, firing the salesperson (p < .0001), taking no action (p < .0036), and verbally reprimanding the salesperson (p < .0083). Although three differences were found from a statistical standpoint, an analysis of the mean responses for taking no action and verbally reprimanding the salesperson between the two groups of sales managers indicates that the differences in opinion were not large. For example, the mean response for verbally reprimanding the salesperson when the salesperson was a poor performer was 4.25 while the mean response for verbally reprimanding the salesperson when the salesperson was a top performer was 4.64. Although the difference in opinion was statistically different, from a practical perspective, the difference was not great. This fact should be remembered when analyzing the results.

The consequence of the action was a significant predictor for only one of the four supervisory actions, firing the salesperson (p < .0005). As hypothesized, a poor performer was disciplined more severely than the best performer. These results indicate that the sales managers were more likely to take disciplinary action against a poor performer than the best performer and when a negative consequence arises from the action of the salesperson.

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In the second scenario a salesperson has lied to a client about the status of his order. The salesperson has to weigh the positive and negative consequences of lying to a client. For example, the salesperson may believe that telling the client the truth that he forgot to send the order to the production department may jeopardize future sales. The customer may assume that only a "poor" salesperson would behave in such a manner. However, lying to the customer about the status of his order may backfire if the customer discovers the truth (which happened in this scenario).

The results for the second scenario appear in Table 3. In this scenario, the performance level of the salesperson was a significant predictor for two of the four supervisory actions, firing the salesperson ($p < .0001$) and taking no action ($p < .0028$). The consequence of the action was a significant predictor for three of the supervisory actions, firing the salesperson ($p < .0001$), taking no action ($p < .0175$), and giving a written warning ($p < .0001$). Similar to results attained in the first scenario, the most meaningful difference in opinions from both a practical and statistical viewpoint was for firing the salesperson.

The results of the two scenarios were slightly different. The sales managers reacted more strongly to the behavior of the salesperson in the second scenario than in the first scenario. Sex of the salesperson was different in the two scenarios, and could have been a cause of the differences in responses between scenarios. Salesperson gender, however, has been found to be a significant factor in this type of research (Bellizzi and Hite 1989). A more plausible explanation is that the subjects perceived a difference in the seriousness of the behavior in the two scenarios. When asked to indicate if they perceived an ethical dilemma was present in the scenarios, the sales managers stated that the behavior in the second scenario was more unethical than the behavior in the first scenario. Therefore, it is logical to expect that the sales managers would recommend stronger disciplinary action in the second scenario.

**Discussion**

The results of this study were similar to those obtained by Bellizzi and Hite (1989), and suggest that the respondents believed that disciplinary action needs to be used against salespeople who engage in unethical behavior. In both scenarios, the sales executives said that it was inappropriate to take no action against the salesperson. Additionally, the results in this study are consistent with those in organizational behavior in that the kind of disciplinary action taken varies depending upon the performance of the salesperson and the situation. When the salesperson was a poor performer, firing the salesper-

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### Table 2

<table>
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<tr>
<th>Performance of the Salesperson</th>
<th>Consequence of the Action</th>
<th>( p^b )</th>
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<tbody>
<tr>
<td>Fire the Salesperson</td>
<td>Top Performer</td>
<td>1.98</td>
</tr>
<tr>
<td>Take no Action</td>
<td>Top Performer</td>
<td>1.71</td>
</tr>
<tr>
<td>Written Reprimand</td>
<td>Top Performer</td>
<td>3.55</td>
</tr>
<tr>
<td>Verbal Reprimand</td>
<td>Top Performer</td>
<td>4.52</td>
</tr>
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Wilk's lambda = .72913

\( F = 19.23; \) 4 and 206 d.f.

\( p < .0001 \)

### Table 3

<table>
<thead>
<tr>
<th>Performance of the Salesperson</th>
<th>Consequence of the Action</th>
<th>( p^b )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire the Salesperson</td>
<td>Top Performer</td>
<td>2.12</td>
</tr>
<tr>
<td>Take no Action</td>
<td>Top Performer</td>
<td>1.48</td>
</tr>
<tr>
<td>Written Reprimand</td>
<td>Top Performer</td>
<td>3.42</td>
</tr>
<tr>
<td>Verbal Reprimand</td>
<td>Top Performer</td>
<td>4.25</td>
</tr>
</tbody>
</table>

Wilk's lambda = .78031

\( F = 14.64; \) 4 and 208 d.f.

\( p < .0001 \)
son was considered appropriate. However, when the salesperson was the best performer, the sales executives were less likely to recommend firing the employee. Also, the respondents recommended firing the salesperson when the consequences of the salesperson’s behavior was the loss of a large account.

The sales managers probably expressed a reluctance to terminate the top performer because of the negative consequences involved with such a decision. For example, many sales managers are under pressure to achieve quota. The sales manager’s territory may not achieve its quota if the best salesperson is terminated. Although upper management expects the sales manager to take disciplinary action against salespeople who behave unethically, they also expect the sales manager to attain a specified level of sales. When faced with this dilemma, it may be understandable why the sales managers were reluctant to fire the best performer.

Firing a poor performer who is responsible for unethical behavior (regardless of its consequences) may provide the sales manager the chance to eliminate legitimately an "under-achiever." But has the poor performer been discriminated against? If the sales manager is more willing fire a poor performer for the same unethical behavior as practiced by the top performer, has the poor performer been a victim of unethical behavior by the sales manager?

Perhaps the sales managers believed that terminating a poor performer may have no negative repercussions, and may have the positive consequence of telling the other salespeople that unethical behavior will not be tolerated. Firing the top performer, however, may send a "clearer" message to the sales force that under no condition will unethical behavior be condoned.

In addition, the loss of a small customer will have an insignificant impact on the sales district’s performance. Therefore, firing a salesperson for losing a small account may be unjustified. Therefore, the sales manager has to weigh the advantages and disadvantages of each kind of disciplinary action.

Regardless of the performance level of the salesperson and the consequences of the salesperson’s actions, the preferred disciplinary action was a verbal warning. Prior research has shown that mild forms of discipline have the most positive effect on future behavior (Aery and Ivancevich 1980). Perhaps this is the reason the preferred disciplinary action was a verbally reprimand. The sales managers may have believed that a verbal warning would suffice in getting the salesperson to behave differently.

Future Research Opportunities

Future research can examine the correlation among personality characteristics of the sales manager, leadership style of the sales manager, the sales environment, and disciplinary action. Also, future research should investigate the relationship between ethical philosophies and decision-making processes. Research has shown that people make ethical judgments using various moral philosophies such as deontology, utilitarianism, and justice (Robin and Reidenbach 1988). Thus, differences in a manager’s ethical framework may be an important factor in a supervisor’s reaction to an employee’s unethical behavior.

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Appendix

Scenario 1

You are employed as a sales manager. Last year sales declined in your district. The president of marketing has informed you and your salespeople that sales must increase this year. Four months have passed since the president of marketing warned you of the consequences of failure to increase sales. During this period sales have increased dramatically for one of your salespeople, Mary Smith. Mary has been the best performer (one of the poorest salespeople) you supervise during the last several years.

Recently you received a letter from the purchasing agent of Mary’s most important account (a company that buys a small amount of products from Mary) stating that he is "extremely disturbed" about doing business with your company because one of your salespeople has been offering "excessive gifts" in order to make sales. These gifts have been considerably beyond the normal expenses allowed for lunches, dinners, and other entertainment and promotional items. Losing this customer will have (will not have) a significant impact on sales.

The underlined text represents the manipulation in the scenario.

Scenario 2

You are employed as a sales manager. John Franklin is your best (one of your poorer salespeople) salesperson. Recently John accepted an order from his most important client (a company that buys a small amount of products from you). John forgot to turn in the order until a few weeks later. When the customer had not received his order on time, he called John and asked the status of his order. Fearing that he would lose the sale, John informed him that the delay was due to the production department being "bogged down."
After calling John, the customer called the plant manager and asked about his order. The plan manager said that the order was just received and that it would be several weeks before it was processed. Upon hearing this, the customer canceled the order. Since this incident occurred, John has been unable even to get an appointment with this company. Loss of this customer will have (will not have) a significant impact on your district making its quota.

The underlined text represents the manipulation in the scenario.

References