A Review of Research on Ethical Decision-Making of Purchasing Professionals

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Abstract: Purchasing professionals play a critical role in supporting the purchasing function. In addition to develop and maintain relationships with suppliers, they often serve as the communicator and negotiator to the external business community. It is essential to understand ethical decision-making of purchasing professionals for those who want to build reciprocal buyer-supplier relationships. This article aims to understand the trends and research opportunities of ethical decision-making of purchasing professionals based on a review of related literature. Some suggestions for future research are discussed.

Keywords: Ethical decision-making, purchasing professionals, literature review

1. Introduction

Purchasing management has been recognized as an important business activity for its impact on product quality and profitability. Purchasing professionals usually span the boundary between the company’s internal functions and its external suppliers by coordinating the flow of goods and services (Carter & Jennings, 2004). They need to maintain a database of available suppliers, select suppliers to provide materials required for the company, negotiate supply contracts with suppliers, and act as the interface between the company and its suppliers. Studies about the nature of buyer-supplier relationships reveal that purchasing professionals in a company play a key role in keeping long-term relationships with suppliers and achieving the company’s strategic objectives (Bell, Oppenheimer & Bastien, 2002). In the running of purchasing practices, ethics have been recognized to be an essential requirement in maintaining a good buyer-supplier relationship. Suppliers usually view the ethics of their buyers as an important foundation to build relationships characterized by trust (Bell et al., 2002; Spekman & Carraway, 2006). Understanding purchasing professionals’ ethical decision-making will be helpful for those who want to build a close buyer-supplier relationship.

Research on ethical issues in purchasing practices has a rich conceptual and empirical history. However, only a few researchers (Ford, LaTour & Henthorne, 2000; Landeros & Plank, 1996; Lin & Ho, 2009; Motwani, Kumar & Mohamed, 1998; Plank, Landeros & Plank, 1994; Razzaque & Hwee, 2002; Robertson & Rymon, 2001; Tadepalli, Moreno & Trevino, 1999; Turner, Taylor & Hartley, 1994, 1995) studied ethical decision-making of purchasing professionals. As how people think is related to what they do, an individual’s ethical decision-making plays an essential role in how his/her ethical values and actions are shaped. Purchasing professionals with different levels of ethical decision-making will be expected to exhibit different business behaviors. Conducting research on purchasing professionals’ ethical decision-making may have an important bearing on the ethical predispositions that the suppliers bring with them to purchasing negotiation occasions (Ford, LaTour, Vitell & French, 1997). Therefore, the main purpose of this article is to make a review of research on ethical decision-making of purchasing professionals. It is expected that the reviewed articles can provide a rich stream of future research for academics.

2. Ethical Issues in Purchasing

As the importance of the purchasing function in businesses increases, there has been a concurrent increase in the importance of purchasing ethics. The purchasing function is critical to effective business operations while high-quality raw materials and supplies available on a timely basis are required for global competitive success. Successful companies understand the importance of ethical behavior in the purchasing function in maintaining dependable supplier relationships and, consequently, satisfied customers (Motwani et al., 1998). Purchasing professionals are expected to serve as a communication link with the external business community and to develop and maintain long-term relationships with the firm’s vendors (Turner et al., 1995). Of necessity, they are entrusted with spending millions of dollars of a
company’s resources. Emergence of purchasing as a strategic function has not only broadened the scope of purchasing, it has also changed the responsibilities of the purchasing managers by empowering them to spend large sums of money in procuring goods and services. All these empowerment, responsibilities and pressure to succeed in today’s highly competitive business environment often leads to situations that require managers to take actions deemed questionable from ethical standpoint (Turner et al., 1995). However, this has also presented them with an array of ethical dilemmas involving questionable purchasing practices. Unethical purchasing practices retard fair business competitions since the kickback from a deal rather than concern for the company's benefits becomes the basis for purchasing.

With the business environment in general becoming increasingly competitive and tumultuous in recent rears, purchasing professionals continue to face a challenging ethical environment. Hence, their ethical behavior when faced with such dilemmas has become an issue of concern. Purchasing ethics is based on the principles, which people act out of habit in the business world, and may be viewed as an extension of trade practices and rules, which businesspeople in a society regard as important to maintain good relationships. (Joyce, 2006). Unethical behavior in the purchasing process is sometimes considered as even more unethical, possibly, because larger amounts of money and personal enrichment of the individual are often involved. Unethical behavior by purchasers may damage relations within the purchasing department, the relationship with other departments in the company, and with suppliers as well (Badenhorst, 1994). Purchasing professionals are likely to face ethical issues, particularly as multiple suppliers compete for the business and may thus offer gifts or favors in return for securing a sale (Badenhorst, 1994; Browning & Zabriskie, 1983; Trawick, Swan & Rink, 1989; Turner et al., 1995; Wood, 1995). As boundary spanners of a company, purchasing professionals also face ethical issues more subtle than gift giving because tension may occur between the purchasing professional’s responsibility to both the employer and the supplier.

Acting as an agent for the company, the purchasing professional’s responsibility is to achieve the best possible negotiation with the supplier with regard to quality, price, and delivery date. Purchasing professionals could interpret this responsibility to mean that deception and manipulation of the supplier is an accepted means of achieving the desired outcomes. An amount of researchers has proposed several ethical issues encountered by purchasing professionals. Forker and Janson (1990) concluded eight ethical issues in purchasing; (1) exaggerating a buyer's or a supplier’s problem to achieve a desired outcome, (2) giving preferential treatment to purchasers or suppliers that top management prefers, (3) allowing personalities to influence buying/selling transactions, (4) engaging in the practice of reciprocity, (5) offer/acceptance of free gifts, meals, and trips, (6) seeking/giving information on competitors’ quotes, (7) gaining competitive information unfairly, and (8) showing bias against salespeople who circumvent the purchasing department. According to a survey conducted by Cooper, Frank and Kemp (1997) on the members of National Association of Purchasing Management, of the forty-four ethics-related issues in purchasing management, the top three ethical issues ranked by the purchasing professionals were (1) offering partiality toward suppliers preferred by upper management, (2) allowing personalities to improperly influence the buying decision, and (3) failure to provide prompt, honest responses to customer inquiries and requests.

Carter (2000) suggested that ethical issues encountered by purchasing managers consist of two dimensions: deceitful practices and subtle practices. Deceitful practices include activities such as using obscure contract terms to gain advantage of suppliers; subtle practices encompasses somewhat more subtle activities such as showing favoritism when selecting suppliers. In general, gifts and bribes, accepting business meals, preferential treatment suppliers or bidders, reciprocity, lying or exaggeration to suppliers, and allowing personal likes or dislikes to enter into negotiations have been identified as possible ethical issues in purchasing (Razzaque & Hwee, 2002). Up to date, considerable attention has been paid to the ethics of purchasing professionals (e.g., Badenhorst, 1994; Carter & Jennings, 2004; Forker & Janson, 1990; Gonzalez-Padron, Hult & Calantone, 2008; Handfield & Baumer, 2006; Salam, 2009). However, only a few studies was made to study ethical decision-making of purchasing professionals (Ford et al., 2000; Laderos & Plank, 1996; Lin, 2009a, 2009b; Lin & Ho, 2009; Motwani et al., 1998; Plank et al., 1994; Razzaque & Hwee, 2002; Robertson & Rymon, 2001; Tadepalli et al., 1999; Turner et al., 1994, 1995).

3. Ethical Decision-Making

Ethics is a set of societal-based principles that specify the right and wrong ways to conduct oneself in
intentional situations and that have the potential to affect others in positive or negative ways. Ward, Ward, and Deck (1993) define ethics as a process used to determine what is right for a given situation balancing of both inner and outer considerations tempered by each individual’s unique combination of experiences and learning. Ethics shapes the principles that provide prevailing justifying reasons for pursuing any course of action (Duska & Duska, 2003). It refers to the field of inquiry that concerns the actions of people, in situations where these actions have effects on the welfare of both oneself and others. An individual will make an ethical decision when he/she faces an ethical dilemma that there is uncertainty about how to balance competing benefits and values.

Ethical decision-making is a complicated and sophisticated psychological process. Several ethical decision-making models have been proposed in the literature (e.g., Buchan, 2005; Hunt & Vitell, 1986; Jones, 1991; Petric & Quinn, 2000; Rest, 1986; Svensson & Wood, 2008; Trevino, 1986). However, when discussing theories related to an individual’s ethical decision-making, it is hardly to neglect James Rest’s (1986) four-component model of ethical action. This model describes the process of ethical decision making, and is perhaps the most widely accepted model about ethical decision-making in psychology (Jones, Massey & Thorne, 2002; Loe, Ferrell & Mansfield, 2000; Trevino, Weaver & Reynolds, 2006). While making ethical decision, an individual must be able to interpret a situation and understand the possible actions, who would be affected, and how affected parties might perceive the effects on their welfare; to engage in ethical judgment when a course of action is formulated; to decide which values are most important in a situation containing a moral dilemma; and to execute and implement a plan of action (Rest, 1986). The four components in Rest’s (1986) model include ethical sensitivity (awareness), ethical judgment, ethical intention (motivation), and ethical behavior (character).

Ethical sensitivity is the ability of the decision maker to recognize an existing ethical problem, interpret the situation, and take various roles to understand how that proposed action would affect others. It refers to the identification of the ethical issue, and includes interpreting the situation, role taking about how various actions might affect the parties concerned, imagining the cause-effect chain of events, and being aware that there is a moral problem when one exists. Ethical judgment involves considering which actions are ethically correct as well as which particular action would be most justified, and it is directly associated with cognitive moral development (Jones et al., 2002; Kohlberg, 1969). It refers to the ethical judgment of the ideal solution to a particular dilemma, and includes judging which action and moral philosophy would be most justifiable in a moral sense. Ethical intention means the degree of commitment with which one will conduct ethical actions and behaviors, the extent to which one will put more emphasis on moral values than other values, or the extent to which taking charge to bring about ethical results. It refers to the ethical intention of whether to comply or not to comply with the ethical judgment, and includes the degree of commitment to taking the moral course of action, valuing moral values over other values, and taking personal responsibility for moral outcomes. Ethical behavior addresses the essential characteristics to attain needed ethical actions or behavior such as the ability of conquering weakness and temptation, having strength and courage, and persisted with a moral sense of duty. It refers to the action of carrying out the ethical intention, and includes persisting in a moral task, having courage, overcoming fatigue and temptation, and implementing subroutines that serve a moral goal (Rest, 1986).

According to Rest’s (1986) model, the ethical decision-making process is initiated by ethical sensitivity, that is, the recognition that a particular situation will affect the welfare of others. Ethical sensitivity is the first step toward making an ethical decision. Specifically, it is a general ability to recognize the moral issues inherent in a situation and to interpret a situation as involving moral components (Rest, 1986). Jones (1991) states that ethical sensitivity involves the ability to recognize that one’s action will affect others and that those actions are voluntarily chosen and not committed under duress. Furthermore, although professional codes of conduct can provide people guidelines in business activities, the incompleteness and vagueness of these rules sometimes require employees to make professional judgment for situations without unequivocal technical solutions. Professional judgment frequently involves the resolution of ethical dilemmas. Ethical dilemmas may be decisions for which there is no single, ethically correct answer. Ethical judgment is a necessary component of ethical decision-making because many difficult dilemmas are ethically ambiguous, meaning that they can be viewed from a strategic perspective (non-ethical perspective), an ethical perspective, or a perspective that involves a combination of both (Butterfield, Trevino, & Weaver, 2000). In addition to ethical sensitivity and ethical judgment, ethical intention is the third component of Rest’s (1986) model of ethical action. It refers to making a decision to act based on ethical judgment. Intention is the indication of how hard an individual is willing to try, and of how much of an effort he or she is willing to exert in order to perform a behavior.
According to the theory of planned behavior (Ajzen, 1985), intention is the immediate antecedent of behavior, though there may be a number of factors that can influence the relationship between intention and behavior. Therefore, a person's ethical intention will be a direct predictor of his or her ethical behavior.

4. Research on Ethical Decision-Making of Purchasing Professionals

A review of the literature indicates that only a limited number of articles focused on ethical decision-making or purchasing professionals. Plank et al. (1994) designed five vignettes to assess U.S. purchasing professionals' ethical perceptions of questionable purchasing situations, and found that the respondents' ethical decision-making were primarily based on values of professional responsibility, beneficence, justice, and truth. Turner et al. (1994) explored U.S. purchasing professionals' intention to accept gratuities, and concluded that formal written policies and upper level management have significant impacts on reducing the acceptance of gratuities. Turner et al. (1995) investigated U.S. business students' perceptions of gratuity acceptance, and concluded that formal written ethics policies would decrease respondents' intention to accept gratuities. Landeros and Plank (1996) used the Multidimensional Ethics Scale (MES) to assess U.S. purchasing professionals' ethical intention to conduct five questionable purchasing situations, and validated the applicability of the MES. Motwani et al. (1998) explored Indian purchasing managers' awareness of some questionable purchasing practices, and found that the respondents reacted less ethically to questionable situations than the U.S. managers. Tadepalli et al. (1999) compared the difference in ethical perceptions regarding some questionable purchasing situations between the U.S. and Mexican purchasing professionals, and concluded that culture would affect purchasing professionals' ethical perceptions.

Ford et al. (2000) used the Defining Issues Test (DIT) to assess ethical judgment development of Japanese purchasing professionals, and found that the respondents would focus more on the conventional level than on the post-conventional level of ethical judgment while making ethical decisions. As the conventional level is characterized by the adherence to norms which have been established by external groups such as society and peer groups (Kohlberg, 1969), these conventional-level purchasing managers may be concerned with mutually satisfying outcomes and group harmonization while making ethical decisions. Robertson and Rymon (2001) studied the deceptive behavior of purchasing professionals, and found that purchasing professionals' intention to conduct deceptive behavior was influenced by the perceived pressure to perform and ethical ambiguity of ethics codes. Razzaque and Hwee (2002) used the MES to assess Singaporean purchasing professionals' ethical perceptions for some questionable purchasing practices, and argued that their ethical awareness would be associated with some individual and organizational factors. Lin (2009a) used the DIT to assess moral judgment development of Taiwanese purchasing professionals, and found that Taiwanese purchasing professionals focus more on the conventional level than on the post-conventional level of moral judgment development. The study also indicated that purchasing professionals at a higher management level exhibited higher DIT scores than those at a lower management level. Lin (2009b) found that moral development of purchasing professionals was significantly positively related to their multicultural experiences.

Lin and Ho (2009) used the DIT to compare the development of ethical judgment of purchasing professionals in Taiwan and China, and found that purchasing professionals in these two areas focused more on the conventional level than on the post-conventional level of ethical judgment. Chinese purchasing professionals focused more on the conventional level and less on the post-conventional level than Taiwanese respondents did. In summary, previous studies on purchasing professionals' ethical decision-making analyzed only one part of the ethical decision-making process. Some focused on ethical sensitivity and awareness (Motwani et al., 1998; Razzaque & Hwee, 2002; Tadepalli et al., 1999); some on ethical judgment (Ford et al., 2000; Lin, 2009a, 2009b; Lin & Ho, 2009; Plank et al., 1994); and some on ethical intention (Landeros & Plank, 1996; Robertson & Rymon, 2001; Turner et al., 1994, 1995). None of them analyzed two or more parts of ethical decision-making process simultaneously. According to Rest's (1986) ethical decision-making model, a widely accepted model about ethical action, the process of ethical decision making consists of ethical sensitivity, ethical judgment, ethical intention, and ethical behavior. Therefore, to fill the research gap, it is necessary to analyze simultaneously ethical sensitivity, ethical judgment and ethical intention of purchasing professionals.
5. Conclusion

Purchasing professionals play a key role in keeping long-term relationships with suppliers and achieving the company’s strategic objectives. In maintaining a good buyer-supplier relationship, suppliers usually view the ethics of their buyers as an important foundation to build relationships characterized by trust. Understanding purchasing professionals’ ethical decision-making will be helpful for those who want to build a close buyer-supplier relationship. According to reviewing research on ethical decision-making of purchasing professionals, the analysis suggests two broad research areas: an analysis of all components of purchasing professionals’ ethical decision-making, and an analysis of the factors influencing ethical decision-making of purchasing professionals. As the above analysis illustrates, researchers are currently focusing on a limited range of issues about ethical decision-making of purchasing professionals. Having considered the majority of the peer-reviewed articles published on the related topic these years, most research focus is currently much too narrow and that a broader research agenda would make the work more relevant to industry practitioners. None of previous studies analyzed two or more components of ethical decision-making process simultaneously. Researchers should address a broader research agenda. This review highlights the need for researchers to endeavor to raise the quality of research in ethical decision-making of purchasing professionals. It is necessary to make a more thorough analysis of ethical decision-making of purchasing professionals.

In addition, research on predictors of an individual’s ethical decision-making has a rich conceptual and empirical history (Loe et al., 2000; Trevino et al., 2006). Researchers have proposed and tested a variety of factors that influence ethical decision-making process. Hunt and Vitell (1986) proposed four categories of predictors including cultural environment, industry environment, organizational environment and personal experiences. Jones (1991) argued that moral intensity factors would affect ethical decision-making. In general, the major theoretical models explaining an individual’s ethical decision-making tend to focus on individual and organizational factors (Hunt & Vitell, 1986; Loe et al., 2000; Razzaque & Hwee, 2002). These two groups of factors are also important in purchasing ethics. According to a survey conducted by Cooper et al. (1997) on the members of National Association of Purchasing Management, of the sixteen resources that may be helpful to individuals when they encounter ethical dilemmas in the course of their purchasing work, “Your own personal moral values and standards” was ranked as the most helpful factor for dealing with ethical dilemmas, followed by “The fact that your immediate boss does not pressure you into compromising your ethical standards,’ and “Your family and friends who provide support and insight for you in resolving ethical conflicts.” Therefore, in addition to conduct a thorough analysis of ethical decision-making of purchasing professionals,

It is also necessary to analyze the influences of individual and organizational factors on purchasing professionals’ ethical decision-making. Some factors have also been analyzed in the literature related to purchasing professionals’ ethical decision-making. Ford et al. (2000) explored the influences of age and management level on Japanese purchasing professionals’ ethical judgment level. Razzaque and Hwee (2002) analyzed the influences of Machiavellian personality, locus of control, religiosity, demographics, peer group and top management influences, organizational culture, organizational control, and organizational structure on purchasing professionals’ ethical awareness. Several researchers have proposed a variety of individual factors that are associated with ethical decision-making, including age, gender, education level, religiosity, measurement level, working experiences, international experiences, locus of control, and many others. A variety of organizational factors that are associated with ethical decision-making are also proposed in the literature, including company size, industry type, organizational ethical climate, peer group influence, business competitiveness, organizational structure, codes of ethics, and many others. Each factor has different influences on each component of ethical decision-making process. Therefore, future research can put more efforts to verify the influences of individual and organizational factors on each component of purchasing professionals’ ethical decision-making.

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