The Effect of Punishment on Sales Managers' Outcome Expectancies and Responses to Unethical Sales Force Behavior

James B DeConinck

Abstract:

Of particular interest to marketing researchers is the study of sales ethics and how sales managers control unethical sales force behavior. While researchers have investigated factors that influence the use of punishment to discipline a salesperson for unethical sales behavior, an important area of research that has not been investigated in a sales context is how the severity of discipline for unethical behavior influences the future propensity for that behavior to be repeated. Since prior research has shown that social learning theory can be used to explain employees' behavior in organizations, an opportune time appears to exist for examining the role of social learning theory in controlling unethical conduct within the sales force. This study extends prior research by investigating how the severity of punishment imposed by management for unethical sales force behavior influences respondents' outcome expectancies and justice evaluations.

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INTRODUCTION

According to social learning theory, employees learn to behave through vicarious learning - observing and imitating other employees in the work environment (Bandura 1986). When they observe other employees being rewarded for behaving in a certain manner, they will tend to behave in a similar manner. The reverse situation is true when they view other employees being punished for behaving in a particular way. This situation applies to ethical behavior. Managers serve as role models for subordinates and their behavior influences the behavior of subordinates. For example, subordinates are less likely to behave unethically when management takes an active role in controlling unethical behavior (Akaah and Riordan 1989; Chonko and Hunt 1985). One reason that unethical behavior occurs, however, is because management does not punish employees for behaving unethically (Zey-Ferrell and Ferrell 1982).

Of particular interest to marketing researchers is the study of sales ethics and how sales managers control unethical sales force behavior. The study of sales ethics and how sales managers respond to unethical conduct is important for several reasons. First, many sales personnel have a quota to attain and, therefore, they encounter a strong emphasis on performance, which can lead to unethical behavior. For example, during a sales slump, salespeople may perceive they do not have much to lose by promising unrealistic delivery schedules or offering bribes to buyers. second, salespeople often work without direct supervision. Therefore, their behavior may go unnoticed by management. Third, the nature of selling entails negotiating with a buyer that inherently involves ethical situations. While researchers have investigated factors (e.g.,

positive versus negative consequences, the performance level of the employee) that influence the use of punishment to discipline a salesperson for unethical sales behavior (Bellizzi and Hite 1989; Hunt and Vasquez-Parraga 1993), an important area of research that has not been investigated in a sales context is how the severity of discipline for unethical behavior influences the future propensity for that behavior to be repeated. Some research indicates that social learning theory is an important variable in understanding why employees choose to behave ethically or unethically in organizations (Trevino and Ball 1992; Trevino and Youngblood 1990). With respect to ethics, social learning theory indicates that employees will model their behavior by observing how management reacts to incidences of unethical behavior (Butterfield, Trevino, and Ball 1996).

Hence, employees are more likely to behave unethically if unethical behavior is rewarded or is not punished. Since prior res! earch has shown that social learning theory can be used to explain employees' behavior in organizations, an opportune time appears to exist for examining the role of social learning theory in controlling unethical conduct within the sales force. Thus, this study extends prior research by investigating how the severity of punishment imposed by management for unethical sales force behavior influences respondents' outcome expectancies and justice evaluations.

LITERATURE REVIEW

Social Learning Theory and Behavior

An important component of social learning theory is that behavior is a function of its consequences. Behavior that is reinforced will be repeated while behavior that is punished will decline (Bandura 1986). Much of how employees learn to behave is a function of observing and imitating the behavior of other people in the organization (vicarious learning). For example, if employee A is being rewarded for performing in a certain manner, then employee B also is likely to start behaving in a similar manner in order to be rewarded. Given this situation, employees want management to provide them with information concerning what activities are rewarded. Once this information is received, they will avoid activities that are not rewarded (Kerr 1975). By dispensing punishments and rewards, managers influence their subordinates' behavior (Adams, Taschian, and Shore 2001).

Punishing an employee for misconduct affects both the recipient and other employees (observers). Research indicates that managers believe punishment has an instrumental theme. Butterfield et al. (1996) define the instrumental theme as 'serving as a means to some end' (p. 1486). It promotes personal learning for the recipient and vicarious learning for other employees, which may be more meaningful than the reactions of recipients (Trevino 1992). For example, disciplining an employee for improper behavior can lead to increased motivation and work performance among other employees (O'Reilly and Puffer 1989; Schnake 1986). Managers, however, may be giving conflicting signals if they behave in a manner that is inconsistent with how they tell employees to behave (Dubinsky Jolson, Michaels, Kotobe, and Lim 1992) or apply punishment inconsistently.

Social learning theory can be extended to the study of business ethics. The attitude and behavior of upper management and supervisors influence subordinates' willingness to behave unethically (Akaah and Riordan 1989; Hunt, Chonko, and Wilcox 1984; Wiley 1998). Employees form expectancies concerning punishment by observing how management uses punishment when disciplining other employees (Arvey and Jones 1985). They will refrain from misconduct if they expect that unethical behavior will be punished and the level of punishment outweighs any potential reward (Trevino 1992). For example, when managers reward employees for unethical behavior or fail to punish them for engaging in such behavior, they send a message that unethical conduct is acceptable (Jansen and Von Glinow 1985).

Prior research indicates that rewarding ethical behavior or punishing unethical behavior influences observers' outcome expectancies (Trevino and Youngblood 1990). However, these expectancies are influenced by certain conditions. Observers need to perceive that the punishment given to the recipient was fair. If observers perceive the punishment is fair, rarely do they have negative attitudes concerning the event. In addition, even when the punishment occurrence is perceived as unfair, some positive outcomes can occur (Atwater, Waldman, Carey, and Cartier 2001). Recipients also will perceive the punishment as fairer if a formal organizational rule has been violated. Last, some evidence suggests that only harsh punishment versus mild punishment for unethical behavior is effective in influencing observers to act ethically (Trevino and Ball 1992). Given these findings the following hypothesis will be tested.

H1: Increases in levels of punishment for unethical behavior will lead to higher levels of observers' outcome expectancies that future unethical behavior will be punished.

The Retributive Perspective of Punishment

The retributive perspective of discipline/punishment is concerned with the severity of the discipline being proportional with the severity of the offense (Blumstein and Cohen 1980; Klaas and Dell'omo 1991). In a retributive justice perspective, employees are evaluating if the punishment is appropriate, desirable, and justified (Trevino 1992). They will desire to see violators punished if they perceive the behavior violates organizational norms (Hogan and Emler 1981). When an employee's behavior causes serious consequences to occur, managers have a greater likelihood to punish the employee more harshly than in situations where the consequences are less serious (Mitchell, Green, and Wood 1981).

Research has supported the concept of retributive justice as a form of punishment in changing undesired behavior. For example, research has shown that more severe forms of punishment are viewed as more equitable for violators of a no smoking policy that causes a fire in a plant and violating a substance abuse policy (Klass and DeH'omo 1991; Niehoff, Paul, and Bunch 1998). Essentially employees have a similar expectation as the general public to the use of punishment. They expect rule violators to be punished just as the public expects criminals to be punished (Trevino 1992).

The study of retributive justice may be especially suitable for analyzing how managers respond to unethical behavior. For example, in a study of marketing professionals' ethical judgments, Akaah and Riordan (1989) concluded employees approve of unethical behavior more in organizations that lack top management actions against unethical behavior than in organizations where top management takes a more active role in controlling unethical behavior. In addition, the propensity to engage in ethical behavior is increased when management rewards employees for behaving ethically (Trevino and Youngblood 1990). The threat of punishment, however, can counterbalance the propensity to behave unethically (Hegarty and Sims 1978).

Trevino and Ball (1992) reported that a company's ethics program was influenced by management's commitment to ethics. When executives are committed to an ethics policy, they will take actions to ensure compliance. Punishment will be taken against employees who behave unethically. An important finding of this study is that severe punishment versus mild punishment enacted against someone who behaves unethically is more effective in modeling the behavior of other employees. In summary, managers hold a key responsibility for creating an environment where ethical behavior among subordinates is expected and rewarded and unethical behavior is punished (Weaver, Trevino, and Cochran 1999). The literature review suggests the following hypothesis.

H2: Increases in levels of punishment for unethical behavior will lead to higher levels of observers' justice evaluations as to the appropriateness of the punishment.

METHODOLOGY

Sample

The questionnaire was mailed to a sample of 1,000 sales managers whose names were obtained from a firm specializing in direct mailing lists. Usable questionnaires total 217 (21.7 percent). The response rate is comparable to the response rates obtained in similar studies (Mayo and Marks 1990; Singhapakdi, Vitell, and Franke 1999). The respondents appear to be a representative sample of sales mangers. The sales managers were employed in a wide variety of industries and worked for large (over $1 billion in sales) and small companies (under $5 million in sales). The

demographic profile of the sample was as follows: the average age of the respondents was 43.4 years; 86 percent of the respondents were males; and the average number of years employed as a sales manager was approximately eight. To check for the presence of nonresponse bias, a time-trend extrapolation test was used (Armstrong and Overton, 1977). No significant differences between early and late respondents emerged.! Therefore, nonresponse bias does not appear to be a significant problem.

Questionnaire

The study employs one treatment variable with three levels of punishment (no punishment, written reprimand, and termination) with increasing levels of severity. Each sales manager received a scenario describing an ethical situation of a salesperson misrepresenting a product's features and the benefit (i.e., costs savings) received from using the product. The company has a formal policy against such behavior. In the scenario, the salesperson John has been accused by a customer of misrepresenting how the product sold to him would perform (a formal rule violation). The customer is threatening to sue the company for actual and punitive damages. An investigation provided convincing evidence that John did misrepresent the product's capabilities and the cost savings the customer would realize from purchasing the product. Your company's attorney has recommended settling the case out of court. No evidence exists that this situation has occurred before with respect to John. John ha! s achieved his quota each of the three years he has worked for the company.

The sales managers received one of three punishment conditions (the scenarios appear in the appendix). For example, in one scenario the sales managers are told that management decided to take no action regarding John's behavior. In another scenario, management gave a written reprimand to John, and in the last manipulation John was terminated. The sales managers were asked to read the scenario and assume the role of the sales manager and state their level of agreement to a series of statements.

Measures

Two measures were used in the study: outcome expectancies and justice evaluations. The measures for outcome expectancies and justice evaluations were adapted from Trevino and Ball (1992). The outcome expectancy measure consisted of five items ([alpha] = .85). The respondents were asked, based on how management disciplined John in the scenario, to rate how sales-people would be treated in the future if they engaged in certain behaviors. The scale ranged from (1) no action to (7) severe disciplinary action. An example of an item was "A salesperson misleads a customer about a product's capabilities."

Regarding justice evaluations, the respondents were asked to rate management's response to John's behavior using six items measured on a 7-point bipolar scale. The six items were appropriate/inappropriate, proper/improper, legitimate/illegitimate, just/unjust, equitable/inequitable, and fair/unfair. The coefficient alpha for the scale was .95.

Manipulation Check

To ensure the validity of the punishment manipulation in the scenario, sales managers were asked their perceptions as to the degree of the severity of the punishment administered to the salesperson. Respondents provided their opinion to the following statement using a 5-point bipolar scale (mild/severe), "Please rate the severity of management's response to the salesperson's behavior." The result of a t test ($p < .001$) indicated that the respondents perceived a difference in the scenarios.

RESULTS

The results are presented in Tables 1 and 2. First, a MANOVA was used to test the effect of the two dependent variables (outcome expectancies and justice evaluations) on the independent variable (vicarious punishment). The MANOVA result was statistically significant (Wilk's lambda = .534, F = 38.9, p < .001). The result of the Box test to determine the equality of the observed covariance matrices of the dependent variables across groups was statistically insignificant (F = 1.50, p = .173), indicating relative equality of error variances. Next, an ANOVA was used to test hypothesis one. According to hypothesis one, increases in levels of punishment for unethical behavior will lead to higher levels of observers' outcome expectancies that future unethical behavior will be punished. Support was found for this hypothesis (F = 25.38, p < .001). A significant difference existed among the three punishment conditions. Respondents in the harsh punishment condition (firing the ! salesperson) expressed a greater propensity to anticipate management would punish employees harshly in the future for unethical behavior (mean = 29.3) than in the no punishment condition where no action was taken (mean = 23.1).

[IMAGE TABLE] Captioned as: TABLE 1

Captioned as: Sales Managers' Outcome Expectancies

A second ANOVA was conducted to test hypothesis two. Hypothesis two involved sales managers rating management's response to John's behavior. The results of the ANOVA indicated support for H^sub 2^ (F = 78.04, p < .001). The mean responses for each manipulation appear in Table 2. The results indicate that sales managers perceived management's response was most warranted under the harshest condition (i..e, when the salesperson was fired). They viewed management's response was least warranted under the no punishment condition. Firing John was considered the most appropriate response to his behavior while not punishing John for misrepresenting a product's performance was viewed as least appropriate.

CONCLUSION AND IMPLICATIONS

This study examined the influence of punishment severity on observers' outcome expectancies and justice evaluations. The findings support prior research (Trevino and Ball 1992) and have important implications for possibly controlling unethical sales force behavior in organizations. First, sales managers can use a social learning approach to alleviate unethical behavior by salespeople. According to social learning theory, observers will model their behavior by monitoring the behavior of other people. The results indicated that when management took no action regarding unethical behavior, the sales managers were less likely to expect management to discipline employees in the future for such behavior. The reverse situation was true when management terminated the salesperson for his behavior. The significant implication is that the actions of sales managers influence the ethical behavior of salespeople. Sales managers are responsible for establishing expectations concerning et! hical behavior for the sales force. One possible way to deter unethical sales force behavior is by severely punishing salespeople who behave unethically. Failing to do so may send the wrong message to other salespeople that unethical behavior is acceptable. Applying harsh discipline for unethical behavior may dissuade other employees from acting in a similar manner. An important point is that sales managers can send a message to all salespeople that unethical behavior will not be tolerated by punishing severely salespeople who engage in such behavior.

Second, sales managers believed that the harshest form of punishment (termination) was the most appropriate and fair response when the salesperson behaved unethically. In contrast, not punishing the salesperson for behaving unethically was viewed as less just and proper. This finding supports the retributive perspective of punishment wherein people judge if the punishment is appropriate, desirable, and justified. In a sales context, observers expect sales managers to discipline salespeople harshly for unethical behavior that conflicts with norms of behavior. Failure to punish salespeople for unethical behavior may have an adverse influence on the attitudes and

behavior of other employees. Observers may lose trust in upper managers if they are unwilling to take clear and firm action against salespeople who behave unethically. The loss in trust can lead to lower job satisfaction and performance. Alternatively, punishment decisions that are viewed as fair and just may lead t! o increased performance and organizational citizenship behavior. Thus, with respect to this study, imposing the harshest form of punishment for misrepresenting a product's capabilities may lead to positive outcomes for the organization.

The results of this study also provide opportunity for a number of possibilities for future research. First, this study used only scenario of unethical sales force behavior. Additional scenarios should be developed to test different forms of unethical behavior within the sales force to confirm the findings. In addition, this study was limited in its scope by concentrating on the expectancies and responses of a group of sales managers to unethical behavior. The perceptions of salespeople may be different from those of the sales managers. Future research should compare the responses of both groups of sales personnel. Third, researchers should survey sales managers concerning actual incidences where salespeople were punished for unethical behavior to determine what forms of punishment were instituted and observer's reactions to the events.

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Scenarios1

John Bachmann sells heavy industrial equipment for Stilwell Manufacturing Company (SMC). John has been a good performer meeting his quota each of the three years he has worked for SMC. Two weeks ago, the sales manager received a telephone call from one of John's customers complaining that the equipment sold to him did not perform as John said it would (the sale was for $150,000). The customer said that John had greatly misrepresented both how the product would perform and the costs savings that would be realized from purchasing the equipment. He is threatening to sue SMC for damages incurred. Your attorney believes that they have a legitimate case. This customer said that, based on this experience, he would not buy products from SMC again or recommend the company to anyone else. SMC has a policy against misrepresenting a product's capabilities to customers. An investigation provided convincing evidence that John did misrepresent the product's capabilities and the cost sav! ings that the customer would realize from purchasing the product. No evidence exists that this situation has occurred before regarding John. John has achieved his quota each of the three years he has worked for SMC.

Based on the evidence, management decided to take no action regarding John's behavior. Based on the evidence, management decided to reprimand John in writing for his behavior. Based on the evidence, management decided to take fire John.

1The last three italicized sentences represent the three manipulations in the scenario.

Dr. James B. DeConinck is Associate Professor of Marketing and Business Law, Western Carolina University, Cullowhee, NC.

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