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AN EXAMINATION OF ETHICAL STANDARDS AND BEHAVIORS IN TRANSPORTATION BROKERAGE

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ABSTRACT

The manuscript examines individual ethical decision making for common scenarios faced by transportation brokers, including unauthorized double brokering, booking and bouncing, and a failure to disclose all terms to a shipper. The results indicate significant discrepancies between what actions a broker would engage, what brokers perceive that others in the same industry would do, and what industry leaders perceive to be ethical.

INTRODUCTION

One of the challenges for companies in the field of transportation brokerage is to identify bases for differentiating brokerage services. Ethical conduct by transportation brokerage firms can serve as a basis of differentiation for carriers and shippers who place value on building viable relationships, as opposed to focusing on executing individual freight transactions. Schniederjans and Schniederjans (2008) have noted a negative effect on business performance when perceptions of ethical values and trust are low between supply chain members. Transferring these findings to the transportation brokerage industry, it is suggested that when perceptions of ethical values and trust are low, shipper and carrier development/retention would also be low.

A popular framework for understanding ethical decision making in marketing is the Contingency Framework (Ferrell and Gresham, 1985) which posits that the ethics of individual decision making are a function of three primary contingencies: *individual factors* (knowledge, value, attitudes, and intentions), *organizational factors* (peers and members of disparate social groups), and *opportunity* (professional codes, corporate policy, and rewards/ punishment), and is the most cited approach to marketing ethics

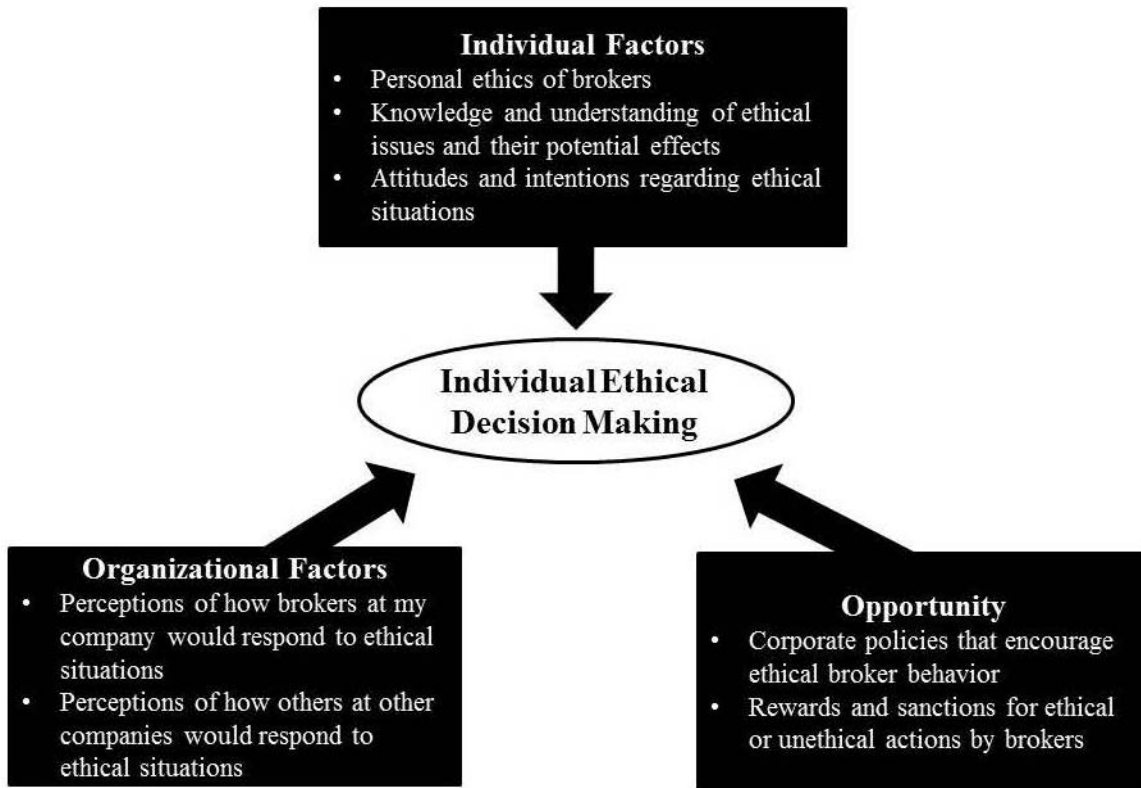
during the past fifty years (Schlegelmilch and Oberseder, 2010). The Ferrell and Gresham contingency framework indicates that the combination of individual factors, organizational factors, and opportunity interact to trigger decision making, with feedback to the decisions reinforcing/altering future decisions.

The adapted contingency framework suggests that it is the interaction of individual, organizational, and opportunity factors that guide ethical decision making for a transportation broker. This is inconsistent, however, with a commonly cited belief within transportation brokerage that says, "if you want ethical behavior, hire ethical employees" (Drea and Drea 2010). Since ethics is a code/pattern of behavior determined by an entity (a society, a company, an individual, etc.) to be ethical, what is judged as ethical is often context-specific, with considerable variation from individual to individual and from company to company. This context-specific view would explain why some brokers view a behavior as ethical, yet others view the same behavior as unethical.

Ethical standards across cultures often show considerable variation (Pitta, Fung, and Isberg, 1999). Rules used to judge whether a behavior is ethical vary considerably, ranging from utilitarian approaches that apply a hedonic

Figure 1: Contingency Framework of Transportation Broker Ethics

(Adapted from Ferrell and Gresham 1985)



calculus to assess which activity provides the greatest good, to deontological approaches that empathize adherence to accepted rules independent of consequences, to ethical egoism in which individuals are responsible for their own happiness and not beholden to others.

The field of transportation brokerage provides an ethical environment that is distinct from other aspects of supply chain management. Discussions of supply chain ethics frequently focus on areas such as the environmental effects of SCM decisions, health and safety issues, and consumer rights (Zaman, 2006). These are ethical issues that extend outside of a supply chain to produce tangible effects on stakeholder groups. For example, using child labor to produce clothing in Indonesia, or having a manufacturing process that produces legal but toxic environmental effects over the long term are visible actions to stakeholder groups from outside the organization and may have

potentially severe financial consequences for the organization. Stated differently, there is likely to be little public pressure brought to bear on an organization which drops one truck load in order to move a more profitable truck load, but the public pressure is likely to be greater when risks to public health and safety are apparent.

For many transportation brokerage firms, decisions involving the movement of freight have historically focused on compliance with a myriad of federal, state, and international laws and regulations, rather than on accepted industry standards. Ethical standards often differ between freight brokerage companies, and the industry is replete with stories of carriers who agree to move loads but cancel when a higher paying load becomes available, or 3PLs who cancel an agreement with a carrier when they find a cheaper truck (“booking and bouncing”), unauthorized re-brokering of loads, or brokers who do not inform shippers of the ramifications

of an underinsured load. In response to such ethical issues, increased scrutiny of ethical decision making has occurred within the freight brokerage industry. Industry groups such as the Institute for Supply Management (ISM 2012) and Transportation Intermediaries Association (TIA 2012) maintain ethics codes to which their members must adhere, and both organizations provide online training to support ethics education within the industry.

The practical challenge is: what should a brokerage manager do to improve ethical behavior among employees? The contingency framework suggests that efforts to improve brokerage ethics need to include hiring ethical employees, running effective ethics training programs, and establishing/enforcing a code of ethics; and that success is likely if all three actions are undertaken in a coordinated manner, while efforts that focus only on one area are unlikely to produce optimal results.

METHODOLOGY

Data collection involved a two-step process: a primary survey of transportation brokerage personnel, followed by a “jury of executive opinion” survey of senior transportation brokerage executives.

Survey

An e-mail was sent to 3,892 broker and sales personnel in the transportation brokerage industry. The list was provided by Transportation Intermediaries Association, a trade association serving the 3PL industry. The e-mail contained an invitation to participate and a link to an online survey. Only individuals in operations (dispatch) and sales positions were contacted, and only one submission was accepted from each IP address. A total of 386 responses were obtained for a response rate of 9.92%.

Participants were presented with scenarios covering six ethical issues confronting brokers:

- unauthorized re-brokering,

- unauthorized double brokering,
- loads held hostage,
- booking and bouncing by a broker,
- booking and bouncing by a carrier, and
- failure to disclose all terms in a transaction.

These scenarios were developed by the authors based on several years of experience within the transportation brokerage field and reviewed by a third party logistics trade association representative. Data was also collected regarding the size of the company (based on sales), years of experience in the current position and in the transportation brokerage industry, and gender.

Jury of Executive Opinion

The jury of executive opinion is a marketing research technique used to identify if an idea or concept is germane to a research study. The basic model seeks the opinions of a small group of high level experienced managers within a specific field. It is a qualitative (opinion-based) tool that incorporates judgmental and subjective factors into an assessment (Green and Tull, 1978). Nineteen TIA member Presidents/CEOs were contacted to participate on the jury, and seventeen executives chose to participate (response rate of 89%.) The jury of 3PL executives was selected from members of the Transportation Intermediaries Association. Jury participants were highly experienced executives (average industry experience = 27.4 years) with the job titles of Presidents, CEOs, COOs, EVPs, and VPs covering brokerage operations (see Table 1). Jury respondents evaluated the response categories for each of the six ethical scenarios that had been presented to the main study sample. The task of the jury was to determine whether each response category was (in their judgment) ethical or unethical.

**TABLE 1
JURY OF EXECUTIVE OPINION, POSITIONS HELD**

Position	Number of Jury Participants	%
President/CEO	11	65%
Chief Operating Officer	2	12%
Executive Vice President	3	17%
Vice President	1	6%
Total	17	100%

RESULTS

In the main survey, each broker respondent was asked to read six ethical scenarios (listed below). Brokers were asked to choose an action for each scenario, and to indicate which action he/she believed others in the brokerage industry would choose. In the jury of executive opinion, brokerage executives were asked to evaluate whether each of the alternative actions were ethical.

SCENARIO #1: UNAUTHORIZED RE-BROKERING					
ABC Brokerage is looking to move loads for a shipper between Chicago and Atlanta. ABC Brokerage tenders the loads to XYZ Trucking because of its outstanding safety record. XYZ Trucking accepts the loads, but they do not have the capacity to move the loads, so they re-broker the load to Tovey Logistics, who finds another trucking company with a lower price and a weaker safety record to handle the loads. If the contract between XYZ Trucking and ABC Brokerage does not specifically prohibit re-brokering, is XYZ Trucking's action to re-broker the load unethical?					
Alternatives	What would YOU do?		What do you think OTHERS in the transportation brokerage industry would do?		Is the action ethical or unethical? (% of experts who believe the action is ethical or unethical)
	n	%	n	%	
Re-broker the load to Tovey Logistics and say nothing.	6	1.7%	236	63.1%	Unethical (82%)
Re-broker the load to Tovey Logistics and inform ABC Brokerage after.	1	0.3%	19	5.1%	Ethical (82%)
Contact ABC Brokerage and ask for permission to re-broker the load.	185	47.9	39	10.4%	Ethical (94%)
Contact ABC Brokerage and cancel the load due to lack of capacity.	156	40.4	80	21.4	Ethical (100%)

There was agreement between transportation brokers and the jury of brokerage executives that unauthorized re-brokering without informing the shipper is unethical. Nearly all brokers indicated that if a trucking company does not have the ability to move an accepted load, the trucking company should inform the original broker.

SCENARIO #2: UNAUTHORIZED DOUBLE BROKERING					
Taylorville Manufacturing Inc. has ten loads per month to move between Minneapolis and St. Louis. TMI tenders the loads to Tim Wise with Tovey Logistics, based on Tovey's past record of excellent service and carrier capacity in other lanes. However, Tim is unable to find a carrier for TMI's loads in the Minneapolis to St. Louis lane. The reason Tim is unable to find a carrier in this lane is due to his company's tough standards for qualifying carriers (virtually no dropped loads, on-time, excellent safety records.) As a result, Tim wants to double-broker TMI's first few loads in this lane with a friend of his at Transbreakit Logistics, which has much more lenient standards for qualifying carriers and as a result, has carriers with available capacity. Tim hopes this will buy him time to find a carrier Tovey can qualify in this lane to handle TMI's loads. If the contract between TMI and Tovey Logistics does not specifically prohibit double-brokering, is Tim Wise's plan to double-broker the load unethical?					
Alternatives	What would YOU do?		What do you think OTHERS in the transportation brokerage industry would do?		Is action ethical or unethical? (% of experts who believe the action is ethical or unethical)
	n	%	n	%	
Double-broker the load to Transbreakit Logistics and say nothing.	14	4.7%	216	67.7%	Ethical (65%)
Double-broker the load to Transbreakit Logistics and inform TMI after.	3	1.0%	19	6.0%	Ethical (88%)
Contact TMI and ask for permission to double-broker the load.	150	50.3%	48	15.0%	Ethical (100%)
Contact TMI and cancel the loads due to lack of capacity.	131	44.0%	36	11.3%	Ethical (100%)

Brokers utilized a higher ethical standard than industry experts in regards to unauthorized double brokering. There was a strong consensus among *brokers* that unauthorized double brokering is unethical; however, nearly 2/3 of *industry experts* disagreed (65%), indicating they would consider double-brokering without permission to be ethical. This finding may be explained by the pressure to deliver bottom line results. Carrier capacity and margin compression likely affected the responses of main study respondents.

SCENARIO #3: LOAD HELD HOSTAGE

Dan Tiffin at Pawnee Logistics has contracted with Marginal Trucking to move a load of plasma TV sets for a new shipper, and Dan hopes to make this new shipper a regular customer. Dan tendered the load to Marginal Trucking for \$1800, but while in route with the load, the driver stops, calls Dan, and says “\$1800 isn’t enough for this load. Pay me \$2100 or I’m just going to sit here with the load until you do.” Pawnee Logistics policy is not to pay for loads held hostage and to call law enforcement to get the load moving; however, Dan knows that he’ll likely lose this new shipper as a customer if he does and he’ll have to explain to his supervisor why he wasn’t more careful before selecting Marginal Trucking to move such an important load. He also knows this isn’t a major priority for law enforcement, so it may be days before anything occurs (if at all). He thinks he could pay the \$300 out of his own pocket without anyone knowing about it, and that would get the load to its destination and he would never use Marginal Trucking again. What should Dan do?

Alternatives	What would YOU do?		What do you think OTHERS in the transportation brokerage industry would do?		Is action ethical or unethical? (% of experts who believe the action is ethical or unethical)
	n	%	n	%	
Do nothing at all and hope the driver is bluffing.	2	0.7%	33	11.2%	Ethical (100%)
Pay the \$300 from your own pocket directly to the driver and say nothing.	34	12.2%	85	28.9%	Unethical (94%)
Follow company policy: Contact law enforcement, and then call the shipper to explain the load is being held hostage by the trucking company you selected.	143	51.3%	85	28.9%	Ethical (100%)
Ask my supervisor for guidance in the situation.	100	35.8%	91	31.0%	Ethical (100%)

Industry experts were clear that it is unethical for a broker to pay out of his/her own pocket to get a load held hostage moving. Additionally, nearly every executive noted he/she would be shocked if an employee ever engaged in this behavior. Most brokers (81.9%) were likely to defer to a supervisor on this issue, and this action was viewed as ethical by industry experts.

SCENARIO #4: BOOKING AND BOUNCING BY A BROKER

Donna Smith is a broker with Tovey Logistics. A shipper tenders her a load from Chicago to Pittsburgh for \$1400, and she books the load with XYZ Trucking for \$1200, thereby generating a margin of \$200. After she books the load with XYZ Trucking, Donna continues to check rates with other carriers and eventually finds another carrier, ABC Trucking, that agrees to haul the same load for \$1000. Donna is debating whether to call back XYZ Trucking and tell them her shipper has cancelled the load, then book the load with ABC Trucking and then call the shipper back and say “XYZ Trucking cancelled the truck , but don’t worry – I’ve already arranged for ABC Trucking to handle the load, and your price will remain \$1400.”

Alternatives	What would YOU do?		What do you think OTHERS in the transportation brokerage industry would do?		Is action ethical or unethical? (% of experts who believe the action is ethical or unethical)
	n	%	n	%	
Re-book the load with another carrier and make \$400 total.	18	6.0%	211	70.6%	Unethical (94%)
Do not re-book the load – stay with the original carrier and make \$200 total.	263	87.1%	72	24.1%	Ethical (94%)
Contact the shipper and ask permission to switch the load to a different carrier (but don’t tell the shipper that the new carrier is cheaper)	8	2.6%	11	3.7%	Unethical (94%)
Contact the shipper and ask permission to switch the load to a different carrier and tell the shipper why (the new carrier is cheaper)	5	1.7%	1	0.3%	Unethical (94%)
Ask my supervisor for guidance in the situation.	8	2.6%	4	1.3%	Ethical (100%)

Transportation brokers and industry experts were consistent that “booking and bouncing by brokers” is unethical. 87.1% of brokers indicated they would not re-book a load to make a larger profit, and this course of action was judged by nearly all industry experts as being ethical.

SCENARIO #5: BOOKING AND BOUNCING BY A CARRIER

Joe Torricelli is a broker for Tovey Logistics. Joe has booked a load with XYZ Trucking for \$1800. After agreeing to the price and filling up its capacity, XYZ Trucking is contacted by a broker from Pawnee Logistics who needs to move a load in the same lane and is willing to pay \$2200 - \$400 more than what Joe Torricelli and Tovey Logistics would pay. XYZ Trucking is debating about whether to cancel the load from Tovey Logistics and tell Joe “sorry, the truck broke down” or “the driver didn’t get unloaded on time” and then accept the load from Pawnee Logistics. XYZ is pretty sure Joe Torricelli will never know about the load it accepted from Pawnee that bumped his load.

Alternatives	What would YOU do?		What do you think OTHERS in the transportation brokerage industry would do?		Is action ethical or unethical? (% of experts who believe the action is ethical or unethical)
	n	%	n	%	
Cancel the load from Tovey Logistics, book the load from Pawnee Logistics and make \$400 total.	32	10.8%	213	72.0%	Unethical (100%)
Do not cancel the load– stay with the load from Tovey Logistics and make \$200 total.	253	85.5%	75	25.3%	Ethical (100%)
Ask my supervisor for guidance in the situation	11	3.7%	8	2.7%	Ethical (100%)

Both brokers and industry experts were in agreement that “booking and bouncing by carriers” is unethical. All industry experts perceive booking and bouncing by carriers is unethical and only 10.8% of brokers indicated they would “book and bounce.” Brokers believe such practice is commonplace, however, as 72% believe carriers would book and bounce in order to earn a higher return on a load.

SCENARIO #6: FAILURE TO DISCLOSE ALL TERMS

Carlos Ruiz is a broker for Tovey Logistics. Carlos has been contacted by Far East Electronics (FEE), a manufacturer of discount electronic items. FEE needs to ship several loads with a value of \$180,000 per load from Long Beach, CA to Dallas during the next 30 days. Carlos knows that items being shipped are expensive and any freight can be damaged in transit, so proper insurance and safety ratings for a carrier are important. He knows he has capacity with Transbreakit Freight, a carrier with low prices and an average safety rating, but Transbreakit will only provide \$100,000 coverage for items damaged in transit. FEE is willing to pay Tovey Logistics \$2500 for each load shipped during the 30 day period. Transbreakit Freight will move each load for \$1800, while an alternative carrier with \$250,000 of coverage would cost \$2300. Carlos is wondering whether to use the lower costing Transbreakit Freight and not tell FEE about the \$100,000 coverage limit (unless they ask).

Alternatives	What would YOU do?		What do you think OTHERS in the transportation brokerage industry would do?		Is action ethical or unethical? (% of experts who believe the action is ethical or unethical)
	n	%	n	%	
Book the load with Transbreakit Freight, earn \$700 margin per load. If something happens and a damage claim is filed, tell FEE they should have requested a minimum of \$180,000 coverage.	4	1.5%	131	45.8%	Unethical (100%)
Book the load with the alternate carrier that has \$250,000 coverage and earn a \$200 per load.	222	81.3%	114	39.9%	Ethical (100%)
Contact FEE, tell them they need at least \$180,000 coverage on the load, and that they should be prepared to pay more than \$2500 (knowing this may cost you their business).	36	13.2%	31	10.8%	Unethical (100%)
Contact FEE and tell them you'll book the load with a carrier that provides only \$100,000 coverage (knowing this may cost you the loads)	11	4.0%	10	3.5%	Unethical (100%)

Industry experts were unanimous on the need to disclose all contract terms to a shipper. To industry experts, the only ethical course of action is to make sure that each load has proper insurance coverage, even if that results in a lower return for the broker. For industry executives, ethical behavior is tied directly to risk management and to developing/maintaining strong customer relationships. This also explains why all industry executives categorized an action that would potentially result in the loss of a customer (telling a customer who has agreed on a price that they should pay more for proper coverage) as unethical. The judgments of industry executives suggest they were simply avoiding risk. Failing to disclose all terms can result in lawsuits and claims.

How Ethical are Brokerage Employees?

Table 2 compares the percentages of broker decisions that were judged by the jury of executive opinion as ethical. The results indicate that the majority of decisions made by brokers would be considered to be ethical by industry executives, with over 81% of brokers choosing an alternative for each scenario that was judged to be ethical by industry.

It is worth noting that some scenarios (load held hostage, booking and bouncing, and failure to disclose all terms) had rates of unethical behavior that could be problematic for brokerage companies, especially in the scenario regarding the failure to inform shippers of all terms. Nearly one out of every five brokers (18.7%) selected chose a response for this scenario that industry executives defined as unethical. Given

that this response would also create significant potential liabilities, these results should concern brokerage companies.

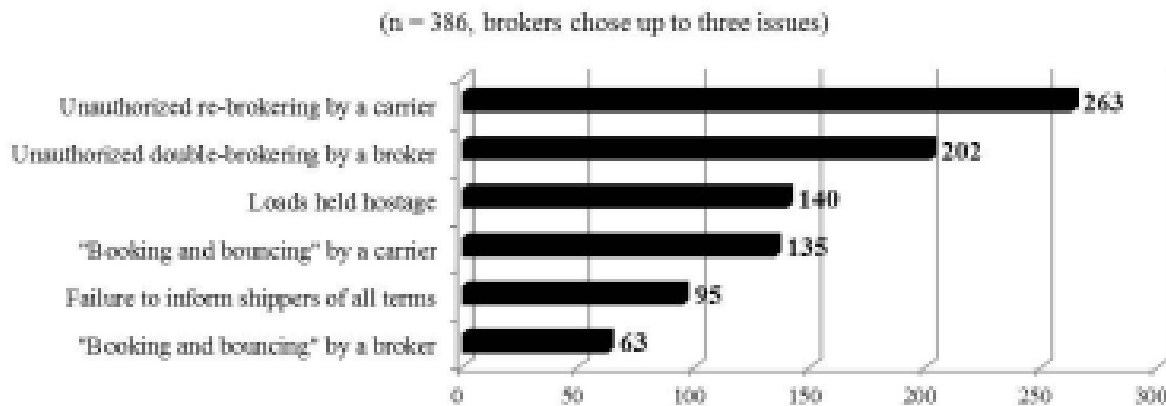
Importance of Each Ethical Issue.

Overall, the most significant ethical issue as identified by transportation brokers is the potential deception of a shipper and/or broker regarding who is actually in control of the load. The two most important ethical issues facing the transportation brokerage industry were unauthorized re-brokering by a carrier and unauthorized double-brokering (Figure 2). At least one of these two variables was cited by 78.5% respondents as a “most important ethical issue” in the field of transportation brokerage. Unauthorized re-brokering by a carrier was the single most important ethical issue cited by respondents, with over two-thirds (68.1%) of

TABLE 2
ETHICAL JUDGMENTS OF BROKER ACTIONS

Scenario	% of responses judged as ETHICAL by industry executives
#1: Unauthorized re-brokering	98.3% of broker actions were judged as “ethical”
#2: Unauthorized double-brokering ¹	100% of broker actions were judged as “ethical”
#3: Load held hostage	87.8% of broker actions were judged as “ethical”
#4: Booking and bouncing by a BROKER	89.7% of broker actions were judged as “ethical”
#5: Booking and bouncing by a CARRIER	89.2% of broker actions were judged as “ethical”
#6: Failure to inform shippers of all terms	81.3% of broker actions were judged as “ethical”

¹ - All categories for unauthorized double-brokering were judged as “ethical” by transportation brokerage executives.



respondents listing unauthorized re-brokering of loads by carriers as a top issue. Unauthorized double-brokering was also identified as a critical ethical issue by over half of survey respondents (52.3%). One finding that hurts 3PL's credibility is the fact that booking and bouncing by a carrier was more than twice as likely to be cited as an ethical issue than booking and bouncing by a broker. No significant differences were noted for these variables based on the size of the company, number of years as a transportation broker, or by number of years in the industry (χ^2 signif. > .05). Overall, these findings show the

importance of each ethical scenario to the firms in the industry.

Brokers were asked to distinguish between what is an important ethical issue and what is a common ethical issue. While unauthorized re-brokering and unauthorized double brokering were identified as the most important ethical issues, booking and bouncing by carriers is the most common ethical issue facing the brokerage industry. Given how tight the truck market was during the time of data collection, this is an expected finding.

TABLE 3
IMPORTANCE AND FREQUENCY* OF EACH ETHICAL ISSUE
 (* How common is the ethical issue)

					95% Confidence Interval for Mean	
Rank	How Important? (7=very important, 1=unimportant)	Mean	SD	N	Lower Bound	Upper Bound
1	Is unauthorized re-brokering an important issue?	6.47	1.111	312	6.34	6.59
2	Is unauthorized double-brokering an important issue?	6.27	1.300	312	6.13	6.42
3	Is failure to disclose an important issue?	5.97	1.459	309	5.80	6.13
4	Is "load held hostage" an important issue?	5.87	1.660	309	5.68	6.06
5	Is "booking and bouncing" by a <i>carrier</i> an important issue?	5.61	1.491	306	5.44	5.78
6	Is "booking and bouncing" by a <i>broker</i> an important issue?	5.18	1.751	310	4.98	5.37
					95% Confidence Interval for Mean	
Rank	How common? (7=very common, 1=not common)	Mean	SD	N	Lower Bound	Upper Bound
1	Is "booking and bouncing" by a <i>carrier</i> common?	5.08	1.575	309	4.90	5.25
2	Is unauthorized double-brokering common?	4.26	1.776	312	4.06	4.45
3	Is "booking and bouncing" by a <i>broker</i> common?	4.17	1.784	308	3.97	4.37
4	Is unauthorized re-brokering common?	4.15	1.619	312	3.96	4.34
5	Is failure to disclose common?	3.90	1.693	307	3.71	4.09
6	Is "load held hostage" common?	2.76	1.409	311	2.60	2.91

Findings Regarding Ethical Behavior and Experience:

Booking and Bouncing - The results indicate that increased experience is associated with ethical decisions in regards to “booking and bouncing” (Table 4.) Brokers with more experience were significantly *more* likely to choose ethical behaviors when dealing with a scenario of both “booking and bouncing by a broker,” and “booking and bouncing by a carrier” scenarios. When responding to a “booking and bouncing by a broker” scenario, ethical brokers had an average of 20.5 years in the industry, compared to 16.2 years in the industry for brokers who chose unethical behaviors ($t = 2.067, p = .04$). When responding to a “booking and bouncing by a carrier” scenario, brokers who chose ethical behaviors had an average of twenty years in the industry, compared to 15.7 years of experience for brokers who chose unethical behaviors ($t = 2.081, p = .038$). No significant differences were noted for the number of years in the current position, only for the number of years in the industry.

These findings highlight the importance of trust in creating and maintaining relationships between brokers, shippers, and carriers. “Booking and bouncing” is at the core of the relationship, and more senior brokers appear to

understand that “booking and bouncing” undermines the ability to build trust with shippers and carriers. Obtaining repeat business from carriers is critical to building a good operations foundation for a brokerage firm. If either side continually “bounces” the other side, the chance to build a strong carrier base for a lane is reduced. Additionally, developing a good carrier base reduces the number of truck orders not used, which reduces overhead costs.

Brokers with more experience were significantly **MORE** likely to perceive that others in the industry would behave ethically in both booking and bouncing scenarios in comparison to less experienced brokers, regardless of whether “experience” is measured by years in the industry or years in the position (Table 5). In short, longevity drives ethical behavior. Brokers who perceive that others in the industry would behave ethically when confronting a “booking and bouncing by a broker” scenario had an average of 24.2 years of experience in the industry, compared to 18.2 for brokers who perceive that others in the industry would behave unethically ($t = 4.176, p = .000$). Brokers who perceive that others in the industry would behave ethically when confronting a “booking and bouncing by a carrier” scenario had an average of 22.8 years of experience in the industry, compared to 18.3 for brokers who perceive that

**TABLE 4
ETHICAL BEHAVIOR AND EXPERIENCE**

Scenario	Test Variable	Broker Chose <i>ETHICAL</i> Action?		Broker Chose <i>UNETHICAL</i> Action?		t	Signif.
		n	Years	n	Years		
Booking and bouncing by a BROKER	# of years in current position	253	20.528 yrs.	30	16.183 yrs.	2.067	.040
Booking and bouncing by a CARRIER	# of years in the industry	249	20.024 yrs.	31	15.742	2.081	.038
Load held hostage	# of years in current position	222	9.399	31	14.613	3.667	.000
Failure to disclose all terms to a shipper	# of years in the industry	208	20.183	50	17.100	1.821	.070

TABLE 5
PERCEPTIONS OF BEHAVIOR BY OTHERS AND EXPERIENCE

Scenario	Test Variable	Broker Perceives Others Would Chose <i>ETHICAL</i> Action?		Broker Perceives Others Would Chose <i>UNETHICAL</i> Action?		t	Signif.
		n	Years	n	Years		
Booking and bouncing by a BROKER	# of years in current position	73	11.788	208	9.046	2.782	.006
Booking and bouncing by a BROKER	# of years in the industry	73	24.240	207	18.174	4.176	.000
Booking and bouncing by a CARRIER	# of years in current position	80	11.713	199	8.829	3.053	.002
Booking and bouncing by a CARRIER	# of years in the industry	79	22.766	199	18.299	3.108	.002

others in the industry would behave unethically ($t = 3.108, p = .002$).

Load Held Hostage. Brokers with more experience in their current position were significantly less likely to behave ethically in a “load held hostage” scenario (Table 6). Brokers who would behave unethically when responding to a “load held hostage” situation had an average of 14.6 years of experience in their current position, compared to 9.4 years of experience for brokers who would behave ethically ($t = 3.667, p = .000$). This suggests that the more industry experience a broker has, the more likely the

broker has actually been the victim of a load held hostage, and that this would cause them to perceive that this practice is ethical.

Failure to Disclose All Terms. No significant differences were found between the level of broker experience and whether a broker would choose an ethical course of action in a “failure to disclose all terms” scenario. While more experienced brokers who have been in their current position longer were slightly more likely to behave ethically in a “failure to disclose all terms” scenario, the difference was not statistically significant (Table 7).

TABLE 6
LOADS HELD HOSTAGE AND EXPERIENCE

Scenario	Test Variable	Broker Chose <i>ETHICAL</i> Action?		Broker Chose <i>UNETHICAL</i> Action?		t	Signif.
		n	Years	n	Years		
Load held hostage	# of years in current position	222	9.399	31	14.613	3.667	.000
Load held hostage	# of years in the industry	221	19.224	31	23.000	2.223	.031

TABLE 7
FAILURE TO DISCLOSE ALL TERMS AND EXPERIENCE

Scenario	Test Variable	Broker Chose <i>ETHICAL</i> Action?		Broker Chose <i>UNETHICAL</i> Action?		t	Signif.
		n	Years	n	Years		
Failure to disclose all terms to a shipper	# of years in current position	209	9.849	50	9.800	.042	.966
Failure to disclose all terms to a shipper	# of years in the industry	208	20.183	50	17.100	1.821	.070

TABLE 8
ETHICAL BEHAVIOR AND ORGANIZATIONAL FACTORS

Scenario	Test Variable	Broker Chose <i>ETHICAL</i> Action?		Broker Chose <i>UNETHICAL</i> Action?		t	Signif.
		n	5 pt. scale	n	5 pt. scale		
Booking and bouncing by a broker	We rarely discuss ethics at my company	264	1.47	31	1.94	2.690	.008
Booking and bouncing by a broker	Having higher ethical standards results in lower financial performance	264	1.99	31	2.35	1.518	.130
Booking and bouncing by a broker	Unethical behavior towards carriers is not tolerated in my company	264	4.59	31	4.32	1.716	.087

Findings Regarding Ethical Behavior and Organizational Factors

Booking and Bouncing by a Broker. Brokers who work for companies that rarely discuss ethics were significantly more likely to choose an unethical behavior in a “booking and bouncing by a broker” scenario. The mean for the item “We rarely discuss ethics at my company” for individuals who chose an unethical response to the booking and bouncing by a broker scenario was 1.94 (5 point scale, where 5 = agree and 1 = disagree), compared to a mean of 1.47 for brokers who chose an ethical response to the booking and bouncing by a broker scenario ($t = 2.69, p = .008$).

No differences were found between brokers who chose ethical vs. unethical behaviors regarding the belief that higher ethical standards in transportation brokerage trigger lower financial performance. Brokers who chose an unethical action had a mean of 2.35 on the five point measure, compared to a mean of 1.99 among brokers who chose an ethical action. Brokers who work in companies where unethical behavior towards a carrier is not tolerated showed no relationship to whether they would choose an ethical/unethical course of action. The scale item “unethical behavior towards carriers is not tolerated at my company” resulted in a mean of 4.59 for brokers who chose an ethical action compared to a mean of 4.32 for

brokers who chose an unethical action (sig. = .087).

The findings indicate that brokers perceive ethical behavior to be unrelated to financial performance. In a bottom-line oriented industry, this suggests that ethical behavior and financial performance are compatible, non-mutually exclusive goals. It is interesting that no relationship was found between a tolerance for unethical behavior towards carriers and the ethical behavior chosen by brokers. This is largely a function of the fact that very few brokers believe their company will tolerate unethical behavior towards a carrier (overall mean = 4.55 on a five point scale, std. deviation = 0.845). Interestingly, the 31 brokers who chose an unethical behavior for the “booking and bouncing by a broker” scenario also indicated that unethical behavior will not be tolerated at their company.

Booking and Bouncing by a Carrier.

Significant differences were noted between brokers who believe others would behave ethically and those who believe others would act unethically in a “booking and bouncing by a carrier” scenario. Specifically, brokers who believe that others would behave unethically in a “booking and bouncing by a carrier” scenario:

- Are *more* likely to believe that high ethical standards would lead to lower financial performance ($t = 2.134, p = .034$).
- Are *more* likely to believe that brokers and sales personnel would benefit from additional ethical training ($t = 2.098, p = .038$).
- Are *less* likely to agree with the statement “unethical behaviors towards carriers are not tolerated in my company” ($t = 2.518, p = .013$).

There were no significant differences reported between organizational factors and whether a broker chose an ethical solution to a “load held hostage” or “failure to disclose all terms” scenarios.

Findings Regarding Ethical Behavior and Company Size:

No significant effects were noted between company size and ethical decisions by brokers. This is interesting because some might have thought that smaller firms would be more likely to engage in unethical behavior, while other observers might have perceived that bigger firms would be more unethical. One potential explanation of this lack of significance would involve alternative ways that large and small brokerage companies may address ethical issues. It is possible that the use of mentoring and normative influences at smaller brokerage companies may have the same effect on ethical behavior that more formalized ethics codes and training programs have at larger brokerage companies. There is a need for additional research in this area..

Findings Regarding Ethical Behavior and Gender:

Women were more likely than men to believe that other individuals within the industry would behave unethically when confronted with “booking and bouncing” scenarios. 87.9% of female brokers believe that others in the transportation brokerage industry would behave unethically in a “booking and bouncing by a broker” scenario, compared to 71.4% of men ($\chi^2 = 6.74, p = .009$). 85.0% of female brokers believe that others in the transportation brokerage industry would behave unethically in a “booking and bouncing by a carrier” scenario, compared to 69.3% of men ($\chi^2 = 5.917, p = .015$).

DISCUSSION AND CONCLUSIONS

One of the challenges of assessing and improving ethics within a company is that ethical standards vary from person to person and from company to company. Individuals have different approaches to ethical decision making, with some focusing on the effect of an act and what creates the greatest good for the greatest number, while others adopt a rules-based interpretation to assessing the ethics of an action,

while a small number seem to focus on their own self-interest. One of the roles that a code of ethics can play within a brokerage business is to provide a consistent context for ethical decisions by clearly articulating the ethical standards for decisions within the company. While some may argue whether codes of ethics are effective at shaping employee behavior, it is reasonable to assume that such codes of ethics are preferable to having no code of ethics. The Transportation Intermediaries Association has encouraged ethical behavior among its members by asking all to sign and adhere to a code of ethics and administering a board designed to handle ethics disputes between members.

As shown in Table 3, the majority of brokers responding to the survey indicated they would choose a course of action that was judged as ethical by industry experts. The largest areas for unethical actions (discrepancies between the actions chosen by brokers and the actions chosen by experts as being ethical) were in the areas of the need to disclose all terms, loads held hostage and booking and bouncing. Brokerage companies should review their codes of ethics and ethics training programs in regards to these three issues to make sure employees clearly understand company expectations in these areas.

One of the consistent trends in the current research is the large discrepancy between what actions a broker reported he/she would do in each scenario and what he/she perceived others in the industry would do. While most brokers indicated they would not personally engage in an action judged to be unethical by transportation brokerage executives, these same brokers believe that others in the industry would choose an unethical course of action, especially for three specific scenarios: Booking and bouncing by a broker (respondents believe 74.6% of others would act unethically), booking and bouncing by a carrier (72%), and a failure to disclose all terms (60.1%). If the perceptions of brokers regarding unethical behavior across the industry in these three areas are accurate, there is a need

for industry-wide standards on appropriate ethical conduct within the field of brokerage.

The adapted contingency framework (Figure 1) suggests that *organizational factors* are one of the three broad categories of influences on ethical decision making (along with individual factors and opportunity.) One of the key components of organizational factors is the perception of how others in the same industry would judge a specific action. The present research found that the majority of brokers believe that others in the industry would act unethically in three of the six scenarios, and this raises a “red flag” as a potential influence on organizational ethics. Broker perceptions regarding industry-wide ethical norms are a potential negative influence on transportation broker ethics. Trade associations can occupy a key role in changing these perceptions, and both the Institute for Supply Management (2012) and Transportation Intermediaries Association (2012) have developed codes of ethics for members and ethics training courses. Changing the perceptions of transportation brokers regarding industry ethics is likely a long-term undertaking requiring an emphasis on shared codes of ethics and ethics training.

The third component of the Contingency Framework is *opportunity*. This component is operationalized through the use of company codes of ethics, policies, and rewards/sanctions for ethical actions of employees. The current research found 31 brokers who chose an unethical behavior in a “booking and bouncing by a broker” scenario. Either these brokers do not perceive their behavior as unethical (a potential problem with how a code of ethics is communicated to brokers), or they do not believe they will be caught or sanctioned for their behavior (a problem of implementation of the code of ethics.) Future research is needed to focus on the presence, content, and implementation of codes of ethics in transportation brokerage, the presence of rewards and sanctions for employee actions in

regards to ethics, and the perception by brokerage employees of the likelihood of incurring reward or sanction based on their individual ethical decisions.

Managerial Implications and Recommendations

Recommendations for improving ethical decision making have been previously suggested by Ferrell and Gresham (1985). Adapted to transportation brokerage, these recommendations would include:

- Hiring individuals with a moral philosophy consistent with the code of ethics of the brokerage company.
- Training employees on what is considered to be ethical decision making within the company.
- Increasing interaction between brokers and employees who are considered ethical, especially those in a supervisory capacity (and decrease interaction with peers who have lower ethical standards)
- Establishing a code of ethics, enforcing it, and examining the rewards structure to ensure that unethical behavior is punished and not rewarded.

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