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Three Levels of Ethical Influences on Selling Behavior and Performance: Synergies and Tensions

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Section: Marketing and Consumer Behavior

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Abstract

In general, the business ethics literature has treated the conceptual domains and outcomes of macro-level (industrial), meso-level (organizational), and micro-level (individual) ethical influence separately. However, this singular treatment ignores the synergies and tensions that can arise across these different types of ethical influence. Using sales as a research context, the current study argues that all three ethical frames of references are important in shaping employee behavior and performance and, as such, should be examined simultaneously. The findings show that industrial ethical climate and salesperson moral equity are positively associated with salesperson customer orientation. In addition, industrial and organizational ethical norms have a stronger joint effect on customer orientation than either ethical climate alone. More specifically, a more ethical organizational climate enhances the positive effects of the industrial ethical climate on customer orientation. Furthermore, whereas salesperson moral equity is significantly associated with salesperson customer orientation, strong moral equity beliefs in situations requiring adaptive selling result in weaker sales outcomes. This study concludes with a set of theoretical and actionable implications, as well as a discussion of future research avenues.

Keywords: Industrial ethical climate; organizational ethical climate; moral equity belief; customer orientation; adaptive selling; salespeople

Introduction

In 2011, the British Bankers' Association finally abandoned a legal challenge to the ruling of the courts that it was liable to compensate consumers for the mis-selling of payment protection insurance (PPI)[1] on loans, mortgages, and other financial products. In the ensuing years, banks have paid out billions of British pounds (GBP) to hundreds of thousands of consumers who have filed claims. Consumers' complaints ranged from being sold PPI they were not eligible for, being lied to that it was essential for taking a loan, or never even being informed that they were taking out the policy (Wearden 2011).

The UK PPI scandal is just one of many examples of unethical business behavior in general and unethical selling in particular. While many questionable ethical practices in recent years have come from the financial sector, other industries are by no means immune to scandals of this nature. Such unethical behavior can cost individual companies and industries greatly. As an illustration of scale, the Lloyds Banking Group alone allocated GBP 12 billion for PPI compensation payouts by 2015, which is GBP 8 billion more than the original sum it expected to pay out in compensation to consumers. Overall, the industry allocated a total of GBP 24 billion for these payouts as of 2015 (Hawkes 2015; Solo 2015). In a general sense, society as a whole is harmed by unethical behavior of this nature. Consider, for example, the 2008 global financial crisis. This event, which has often been traced back to the unethical practices of financial companies, has had deep and protracted consequences for many countries, industries, companies, and individuals (e.g., Morgenson and Rosner 2011). Indeed,

[1] PPI, also called loan repayment insurance or credit protection insurance, is a product that insures consumers' loan repayments in the event of death, sickness, disability, loss of job, or other circumstances that might prevent consumers from earning income to service loans.

studies have shown that almost a quarter of financial professionals where aware of unethical or illegal behavior in their own companies (Sucharow 2013).

Because of the profound harmful effects of such unethical behavior, it is of particular interest to consumers, managers, and policy makers alike to develop a working knowledge of the relevant antecedents that influence (un)ethical business behavior. Various lay and scientific theories have tried to explain how ethicality influences employee behavior (e.g., Pruden 1971; Hunt and Vitell 1986; 2006). Leaving aside generally uncontrollable societal factors (e.g., the cultural environment), these theories generally conceptualize the ethical drivers of employee behavior at one of three levels. At the macro level, there is the general *industry* within which a firm operates and which has its own common business practices (e.g., the banking industry, the information technology industry, the health care industry). At the meso level, there is the *organization* the employee works for and its policies and norms. At the most specific, or micro, level, there are the individual employees themselves, including their individual differences, attitudes, and perceptions related to ethicality. Some researchers have theorized about and investigated fit between individual and organizational values (e.g., Sims and Keon 1997; Fritzsche 2000). Others have explored the influence of the industrial ethical climate on salespeople's perceptions of what constitutes (un)ethical conduct (e.g., Hoffman et al. 1991) and the influence of the organizational ethical climate on different forms of selling behavior (e.g., Schwepker 2013).

Importantly, however, the majority of research has examined the effects of these three levels of ethical influence on employee behavior independently. Unfortunately, it is unlikely that these three levels operate in isolation, and interventions based on the knowledge of only a single level of influence may be ineffective at best and counterproductive at worst. For

example, despite major changes in individual-level incentives for financial salespeople, banks in the United Kingdom continue to face problems with the PPI issue. Indeed, the Lloyds Banking Group was fined GBP 117 million in 2015 by the British regulator for mishandling compensation claims from customers who were mis-sold PPI in the first place (Solo 2015). It stands to reason that perhaps industrial or organizational influences also play a significant role in this context, along with individual incentives (which, by definition, are more specific), and may even work against each other in some cases. A more holistic understanding of these influences on employee behavior would help policy makers (and managers) design more effective interventions and possibly even prevent unethical behavior in the first place.

In this study, we examine the interplay of these three ethical frames of references and assess their influence on employee behavior and, ultimately, performance. The three ethical frames of reference are based on institutional theory (DiMaggio and Powell 1983) and the differential association framework (Sutherland and Cressey 1970). We apply these theories to the selling context, informed by the contingency model of adaptive selling (Weitz 1981; Weitz et al. 1986). We argue that behavior operates at macro, meso, and micro levels, with macro-level structures functioning at the industrial level, meso-level factors operating at the organizational level, and micro-level structures working at the individual level (Turner 2002). In particular, we explore the relationships among industrial ethical standards (e.g., Ferrell et al. 2007; McClaren 2013), the organizational ethical climate (e.g., O'Fallon and Butterfield 2005; Vitell and Hidalgo 2006), and individual ethical attitudes and behavior (e.g., Appelbaum et al. 2005; Schwepker et al. 1997). We focus on three key questions:

1. Do overall industry ethical standards directly influence individual employee behavior within the industry?
2. Does the organizational ethical climate moderate how industry ethical standards shape employee behavior?

3. What is the role of individual ethical beliefs in translating mandated organizational behavior into performance?

In exploring these issues, we find that even when drivers at all three levels seem to support a particular form of behavior, their contrasting foci may cause conflict between individual ethical principles and the required behavioral standards (Brinkmann 2009), leading to a decrement in performance. Furthermore, our analysis suggests that the organizational ethical climate acts as a facilitator (i.e., moderator) of the effect of the industrial ethical climate on employee behavior.

This study makes a significant contribution to business ethics theory by demonstrating the importance of accounting for multiple levels of ethical influence, and their interactions, on employee behavior. In turn, the findings can help managers and policy makers develop preventive measures and reactive interventions that are more likely to yield successful behavioral outcomes. We begin with a review of the relevant literature and develop a holistic theoretical model of the ethical influences on employee behavior. We also develop a set of hypotheses that predict how industrial, organizational, and individual ethical influences affect organizationally mandated behavior (in our context, customer orientation). We test our model on a sample of salespeople and show how the moral views of individual salespeople can conflict with a particular form of mandated customer-oriented behavior (i.e., via adaptive selling) and diminish the potential positive effect on performance.

Following this, we develop a set of key theoretical and practical implications.

Literature Review

Institutional theory posits that organizational behavior is influenced by a set of beliefs, rules, and norms of the wider community in which the organization operates (DiMaggio and Powell

1983). Institutional rules and norms are sources of external pressure on organizations and individuals to act in a way that secures their integration and legitimacy (Grewal and Dharwadkar 2002). Institutional theory has been used to explain the role of institutions in moral decision making. For example, Shadnam and Lawrence (2011) propose a nested system of morality in organizations that includes individuals, organizations, and broader moral communities. Here, we draw a parallel between the concept of moral communities and industry. We argue that within a given industry (e.g., the pharmaceutical industry, the financial sector), as in a moral community, actors have a common system of meaning and tend to share a common understanding of norms and patterns of behavior (Scott 2001). Thus, the industry-specific common system of meaning inevitably exerts an influence on the individual. This is particularly true for salespeople. Because salespeople are boundary spanners, they tend to interact with the external environment (including other members of their industry) more often than any other organizational members (Fine 2007).

Similarly, the differential association framework posits that an individual's interaction with other people can inform his or her interpretation of what is considered an (un)acceptable behavior (Zey-Ferrell, Weaver, and Ferrell 1979; Sutherland and Cressey 1970). For example, if an individual observes his or her peers engaging in (un)ethical behavior on a regular basis, this might signal the acceptability of such a behavior and increase the likelihood of that individual adopting the behavior (Cloward and Ohlin 1960). Applied to the selling context, the industry and organization within which salespeople operate can signal the appropriate standards of behavior for salespeople and inform them of certain mandated job-related behaviors. Thus, based on institutional theory and the differential association model, we argue that industrial and organizational ethical climates jointly affect individual behavior (Reichers and Schneider 1990).

Fig. 1 about here

Figure 1 presents our conceptual model, which takes into consideration the macro, meso, and micro levels of ethicality that influence salesperson behavior (i.e., customer orientation) and performance outcomes (e.g., Turner 2002). At the macro level, we conceptualize the notion of the industrial ethical climate. At the meso level, we position organizational ethical climate as a facilitator of the relationship between industrial ethical climate and customer orientation. Finally, at the micro level, we argue that a salesperson's moral equity influences the performance of mandated organizational behavior. This three-level conceptualization of ethical influence is consistent with the work of Pruden (1971) and Hunt and Vitell (1986; 2006). In an early attempt to explain an individual's ethical decision making, Pruden (1971) argued that an individual's behavior is likely to be guided by ideology—that is, the dynamic synthesis of macro, meso, and micro ethical levels. Since Pruden's early work, researchers (e.g., Hunt and Vitell 1986; 2006; Brinkmann 2002) have further developed propositions regarding different levels of ethical influence.

Table 1 about here

Table 1 summarizes the current state of the literature that has examined macro-level ethics and their influence on behavior. As Table 1 shows, even though the relevant studies are exploratory in nature, they do acknowledge the importance of macro-level ethics for understanding individual behavior (e.g., Zabid and Alsagoff 1993; Ekin and Tezolmez 1999; Chonko, Wotruba and Loe 2002). In addition, the majority of empirical studies are industry specific (e.g., tourism in Kim and Miller [2008]; real estate in Brinkmann [2009]; automotive

in Honeycutt et al. [2001]; defense in Kurland [1993]) and therefore limit cross-industry ethical influence by capturing variations in professional rather than industry ethics. Based on our exhaustive literature review, we conclude that no studies have yet empirically examined the influence of all three ethical effects simultaneously, even though the importance of all three frames of references has been addressed (Ekin and Tezolmez 1999; Brinkmann 2009). Our study builds on this prior work by proposing a three-level framework in which industrial (macro), organizational (meso), and individual (micro) levels of ethicality jointly influence salesperson behavior and performance. We further argue that the complexities inherent across these three ethical frames of references may produce tensions in driving individual behavior in selling situations. In the following review, we provide a general conceptualization of each of the three levels of ethicality, discuss key sources of potential tension among the three, and then narrow our discussion to the specific context of selling.

Macro Level: The Industrial Ethical Climate

Complex sets of norms and values, either informally communicated or formalized as ethical codes, are present not only within organizations but also within the broader industry context within which an organization operates (Hunt and Vitell 2006). These norms, whether legal and code-based or informal, exist alongside those found within the organization and help socialize individuals into their respective industries (Victor and Cullen 1988). For example, Hoffman et al. (1991) show a positive correlation between salespeople's (un)ethical behavior (i.e., down-selling) and their perceptions of the occurrence of similar behaviors in the industry at large (e.g., insurance). Accordingly, it could be argued that the broader industrial context promotes codes and/or norms that are shared by employees in participating organizations and subsequently become imprinted on their perceptions of common behaviors

within the industry. Both Baumhart (1961) and Zabid and Alsagoff (1993) provide anecdotal evidence that perception of the industry-related ethical climate is a major factor that drives managerial behavior.

Drawing on the work of Victor and Cullen (1988), we formally define the industrial ethical climate as the prevailing perceptions of industry-specific norms and values, with which all industry participants are expected to comply. The inclusion of industry-level ethical influence is based on the institutional theory of the firm, which suggests that the institutional environment pressures organizations to implement existing institutional norms and values (DiMaggio and Powell 1983). This institutional argument is echoed by the differential association framework, which posits that a given behavior is likely to be a direct outcome of the values and norms of the broader industrial environment (Sutherland and Cressey 1970). Although it stands to reason that the prevailing industrial ethical climate can affect employees' behavior, little scholarly attention has been directed at understanding this relationship. In particular, it is still not clear whether the industrial ethical climate influences individual employee behavior directly or, instead, operates in concert (either in a supportive or deleterious manner) with the ethical climate of a given organization. Thus, our research explores the influence of the industrial ethical climate (macro level) while accounting for the organizational ethical climate (meso level).

Meso Level: The Organizational Ethical Climate

The organizational ethics literature defines organizational ethical climate as "the prevailing perceptions of typical organizational practices and procedures that have ethical content" (Victor and Cullen 1988, p. 101). This definition refers to employees' perceptions of an organization's ethical rules, policies, procedures, values, and standards that shape acceptable

workplace behavior (e.g., Shapira-Lishchinsky and Rosenblatt 2009). The organizational ethical climate acts as a key source of information regarding what is considered acceptable behavior within the organization (e.g., VanSandt et al. 2006). A highly ethical climate implies that the standards of ethical behavior are clear, leading to a decrease in deviant workplace behavior (e.g., Appelbaum et al. 2005; Shapira-Lishchinsky and Rosenblatt 2009).

Micro Level: The Individual Moral Equity Belief

Individuals draw on different sources and beliefs to guide their behavioral decisions (Schwepker et al. 1997). Prior work has asserted that moral equity is one of the strongest rationales that individuals use to differentiate ethical from unethical actions (e.g., Robin et al, 1996; Resick et al. 2013). In this study, we conceptualize moral equity as the belief system an individual uses to evaluate the fairness of a business situation (Reidenbach and Robin, 1990). The concept of moral equity has its roots in the theory of justice (e.g., Nozick 1974), an Aristotelian principle that argues that "equals" should be treated equally and that "unequals" should receive unequal treatment (Reidenbach et al. 1991). It is assumed that a person's moral equity beliefs develop from childhood through societal and familial influences and as a result of the ethical training one may have received through life experiences and role models (Reidenbach and Robin 1990). Scholarly work has subsequently suggested that the notion of equity may play a major role in conditioning the consequences of human behavior (Bouguerra et al. 2011).

Potential Tensions Among the Three Ethical Frames of Reference

While the main body of literature seems to assume that industrial, organizational, and individual ethical frames of references operate in a complementary manner to shape employee behaviors (Hunt and Vitell 1986; 2006; Ekin and Tezolmez 1999), several scholars

(e.g., Pruden 1971; Brinkmann 2002; Hansen and Riggle 2009) acknowledge the possibility that tensions may occur. Pruden (1971) asserts that macro and meso levels can act as countervailing forces if they overwhelm one's sense of ethics at the individual level. This could be explained by the fact that the three ethical frames of reference have different degrees of specificity. At the industrial level, ethics are likely to be more general and malleable, leaving more room for adaptation at the organizational and individual levels. In turn, the organizational ethical climate may provide a more granular set of expectations, but it may not specifically define every possible behavioral situation an employee will face. However, an individual's moral equity beliefs, instilled at and developed from an early age, are likely to be less adaptable. Thus, employees rely on their individual moral equity beliefs to make evaluations about whether an industry's or an organization's expected behavioral standards conflict with their own personal sense of ethicality. For example, an issue could conform to the general ethical principles of an industry and an organization while contradicting an individual's moral equity principles.

The Sales Context and Selling Behavior

While our model of ethical influences is intended to capture employee behavior in various roles and across functional areas of an organization, we apply our present investigation to the selling context, which is commonly used to investigate business ethics issues (e.g., Lee et al. 2009; Honeycutt et al. 2001). Salespeople span the boundary between the organization and the customer and directly influence customers' decisions (Fine 2007). As such, they are commonly faced with work-related situations and pressures that force them to activate their individual ethical beliefs (micro ethics) to evaluate a particular course of action. For example, pressures coming from an organization to achieve short-term profit targets, combined with commission-based rewards systems, might override the benefits of

ethical behavior, as perceived by a salesperson (Laczniak 1983; Valentine and Barnett 2002). At the same time, salespeople often operate outside the borders of the physical organization, and as a result, they dedicate comparatively less time to company socialization processes (Dubinsky et al. 1986). As such, one might expect salespeople to be more influenced by industry-wide ethical norms (macro ethics) than by their own organizational ethical climate (meso ethics).

We also argue that the notion of ethicality in the context of salesperson practice should not be treated as a standalone topic, exclusive of actual selling behavior and performance (Hansen and Riggle 2009). Thus, in our holistic model (Figure 1), we propose that the three levels of ethical influence directly and/or indirectly affect the behavior of salespeople, leading to a given set of outcomes. In the sales context, performance is a common outcome variable because it is central to organizational success (Levy and Weitz 2011). Following Anderson and Oliver (1987), we characterize sales outcomes as consisting of both actual behavior, such as adaptive selling and customer orientation, and the quantitative outcomes of that behavior.

Customer orientation refers to the "degree to which salespersons practice the marketing concept at the level of an individual by trying to help their customers make purchase decisions that will satisfy customer needs" (Saxe and Weitz 1982, p. 343). Adaptive selling behavior is defined as the "altering of sales behavior during a customer interaction, or across customer interactions, based on perceived information about the nature of the selling situation" (Weitz et al. 1986, p.135). The sales literature positions adaptive selling as the mediational behavior most commonly used to translate customer orientation into salesperson's performance (e.g., Guenzi et al. 2014; Jaramillo et al. 2007; Goad and Jaramillo 2014), and this function is reflected in our model. Customer orientation and adaptive selling

behaviors lead to salesperson outcome performance, which represents the quantitative results attributable directly to the individual salesperson (Piercy, Cravens and Morgan 1998).

Conceptual Model and Hypotheses

Having specified and defined the three ethical frames of reference and explained their application to the selling context, in this section, we develop a series of hypotheses that link these concepts to specific salesperson behavior and performance outcomes. However, because our model is grounded in institutional theory and the differential association framework, it is our contention that these general ideas are transferrable across nonselling organizational roles.

The Influence of Macro-, Meso-, and Micro-Level Ethicality on Customer Orientation

According to the theory of differential associations, an individual's (un)ethical behavior is influenced by significant others with whom that individual interacts (Sutherland, Cressey and Luckenbill 1995). In the present context, this might be, for example, other sales staff in an industry. Moreover, the ethical climate of an industry drives managerial decision makers to engage in ethical or unethical behaviors (Baumhart 1961). It follows, then, that the ethical beliefs, values, and norms inherent to an industry may shape the work-related behavior of salespeople. Industry codes and norms of acceptable conduct within the macro environment tend to be institutionalized, often implying the power to punish (reward) industry participants for violating (complying with) standards (Pruden 1971). Thus, we argue that the institutionalization of expected ethical behavior in an industry may help secure an employee's commitment to ethical business conduct (Hoffman et al. 1991). Ekin and Tezolmez (1999) assert that industry ethics serve as a reference point for managerial behavior. That said, Ford and Richardson (1994) argue that industry ethical standards are *not* directly

related to decision-making behavior. However, many of the studies cited in Ford and Richardson's (1994) review tapped industry ethical standards using ratings of the "importance of the existence of" industry ethical standards rather than measuring industry ethical standards themselves. It is not surprising that different variable operationalizations yield inconsistent results across studies.

It seems likely that industrial ethical standards can directly affect employee behavior (Appelbaum et al. 2005), given that industry-wide norms are often intended to encourage the acceptance and mainstream adoption of specific behaviors within a particular industry. Within the context of the selling process, salespeople's perception of their industry's ethical climate may steer and affect their practice of mandated selling behavior (e.g., McDonald 1999; Hoffman et al. 1991). In the sales context, customer orientation is considered a mainstream mandated behavior (Bateman and Valentine 2015; Terho et al. 2015). Customer orientation is consistent with ethical behavior (Howe et al. 1994) to the extent that customer-orientated salespeople engage in building long-term relationships with their customers and place customers' needs ahead of self-serving short-term gains (Saxe and Weitz 1982). Under the influence of legally binding and code-based industry-wide norms, salespeople are expected to adapt their own behavior to the ethically and socially accepted codes of conduct within the industry (Howe et al. 1994; Tanner et al. 2015). Consistent with this line of reasoning, if individual salespeople perceive a particular ethical code within their industry (e.g., health care, construction), this industrial ethical code should *directly* affect their behavior in some way. Formally, we offer the following hypothesis:

H1 The industrial ethical climate is positively associated with the salesperson's customer orientation.

In line with the theory of differential associations, a given behavior is likely to be a direct outcome of the values and norms learned from the broader industrial environment (Sutherland and Cressey 1970). At the same time, according to the institutional theory, the institutional environment puts pressure on organizations to implement and enforce existing institutional norms and values to obtain institutional legitimacy and to access resources (DiMaggio and Powell 1983). This process ultimately results in the adoption of industrial policies, procedures, and practices within the organization (Reichers and Schneider 1990). Thus, employees are influenced by both industrial and organizational values and norms. In this case, organizational norms function as a supporting element that ensures the institutional legitimacy of industry-wide norms and strengthens the association of industry-wide norms with mandated behaviors. It follows that specific values and norms that promote customer orientation as an organizationally mandated behavior subsequently strengthen the salesperson's customer-orientated behavior.

Moreover, a salesperson's customer-orientated behavior is likely to be a direct consequence of the totality of the customer orientation values and norms at both the industry and the organization levels (Howe et al. 1994; Tanner et al. 2015). The positive effects of the industrial ethical climate on customer orientation will be strengthened by organizational norms that promote customer orientation as an acceptable and preferable ethical behavior within the organization (Bateman and Valentine 2015; Chonko and Hunt 1985). Thus, we argue that an interaction between customer orientation norms in the industrial and organizational ethical climates leads to higher levels of customer-oriented behavior among salespeople. Formally, we hypothesize the following:

H2 The effect of the industrial ethical climate on customer orientation is more positive when there are also strong organizational ethical norms.

Alternatively, organizational climate can be understood as a context for the internalization of industrial codes and norms of behavior. From this perspective, one could argue that the industrial ethical climate has a spillover effect on organizational members' behavior through the organizational ethical climate. As such, organizational climate would be the direct consequence of acceptable values and norms in the broader environment within which an organization operates (Chatman and Jehn 1994). Thus, the question becomes whether the organizational ethical climate acts as a facilitator or as a transmitter of the effects of the industrial ethical climate on customer orientation. The former effect, as articulated in H2, positions the organizational ethical climate as a moderator. The latter effect assumes that organizational ethical climate acts as a mediator between the industrial ethical climate and salesperson behavior. Although we hypothesize the moderating effect specifically in H2, to explore both possibilities, we also test for the mediating effect in a post hoc analysis.

With regard to intra individual influences, prior work suggests that individual characteristics (e.g., individual moral equity beliefs) have a significant impact on job-related outcomes (Tanner et al. 2015). In this study, we argue that moral equity—the egalitarian doctrine that maintains that all humans are equal and should be treated justly and equally (e.g., Reidenbach and Robin 1990)—is an antecedent to customer-oriented behavior. Individuals with strong moral equity principles are likely to exhibit fairness, honesty, and full disclosure when dealing with customers (Robertson and Anderson 1993). Salespeople with strong moral equity will intuitively engage in behaviors that are consistent with their beliefs. Guided by the

belief that all equals should be treated equally, these salespeople will not be comfortable differentiating among customers. They will instinctually want to provide all their customers with the necessary and accurate information, treat them all fairly, and work in their best interests by helping them make satisfying purchase decisions. In other words, these salespeople will be very customer oriented. Saxe and Weitz (1982, p. 344) explain that customer-oriented salespeople try "to help their customers make purchase decisions that will satisfy customer needs." In addition, customer-oriented salespeople will not use manipulative or high-pressure selling tactics and will not try to deceive their customers (Schwepker and Good 2011). Given this line of reasoning, we offer the following hypothesis:

H3 A salesperson's moral equity belief is positively associated with his or her customer orientation.

The Role of Micro-Level Ethical Beliefs in Salesperson Behavior

Although our proposed conceptual framework is related to business ethics, we place it within the context of personal selling. Therefore, to ensure completeness in our model, when relevant, we also include specific mediational control to reflect relationships that have been tested and established in previous sales research and meta-analytic studies (e.g., Jaramillo et al. 2007; Goad and Jaramillo 2014). In particular, we acknowledge Guenzi et al.'s (2014) argument that the effect of customer orientation on salesperson performance. Accordingly, we replicate the following:

R1 Adaptive selling mediates the effect of customer orientation on salesperson performance.

There is no single best way to sell. A high-performing salesperson will be able to implement diverse sales approaches based on customers' needs and problems (Román and Iacobucci 2010) and, in doing so, will perform adaptive selling. Consequently, salespeople with a strong ability to understand differences in customers' needs and problems, with the capability to adjust their selling approaches based on the needs of different selling situations, and with the interpersonal skills necessary to effectively interact with customers are likely to achieve better outcome performance. The extant literature has provided ample empirical evidence to support a positive relationship between adaptive selling behavior and outcome performance (e.g., Franke and Park 2006; Weitz et al. 1986). Accordingly, we argue the following:

H4 Adaptive selling is positively associated with salesperson performance.

The contingency model framework of adaptive selling (Weitz 1981; Weitz et al. 1986) argues that a salesperson's characteristics are a key contingency that influence the effectiveness of adaptive selling. Building on this theoretical reasoning, we argue that individual-level moral equity moderates the relationship between adaptive selling and salesperson outcome performance. More specifically, a salesperson's moral equity may act as a boundary condition. As such, the influence of adaptive selling on salesperson performance is contingent on a salesperson's tendency to rely on their sense of moral equity in the selling process (Weitz 1981; Weitz et al. 1986). Treating customers equitably can be problematic when viewed from the perspective of adaptive selling, the *raison d'être* of which is essentially the idea of treating certain customers differently from others (Chakrabarty et al. 2014). Indeed, the adaptive selling process specifically requires that salespeople assess and choose what should or should not be communicated to customers, and salespeople are often required to alter their selling behavior to clinch the deal. Salespeople who strongly rely on principles of moral equity during interactions with customers, will likely struggle with the

tenets of adaptive selling because of their belief that all customers should be treated equally. Thus, in a situation that calls for adaptive selling, outcome performance will be diminished if a salesperson holds too strongly to a moral equity principle. For example, providing larger buyers with more favorable selling terms might be perceived by a salesperson with high moral equity as unfair and morally wrong, particularly when set against the less favorable treatment of smaller buyers. Therefore, we forward the argument that adaptive selling behavior enhances outcome performance when the salesperson does not rely too strongly on moral equity principles. In accordance with this line of thinking, high sales performance would be a function of high levels of adaptive selling and medium to low levels of moral equity activation. Accordingly, we hypothesize the following:

H5 The positive effect of adaptive selling on salesperson performance will be attenuated when levels of salesperson moral equity belief increase in magnitude.

Research Methods

The Sample

We collected the data for this study in a multi-industry online survey of industrial salespeople in a European Union (EU) country. From an original list of 1,000 salespeople registered with the National Association of Sales Professionals, we received 247 useable responses after three reminders, for a 24.7% response rate. Although we relied on single respondents for all variables, which may create common method bias (CMB) (Podsakoff et al. 2003), we took several procedural steps to mitigate potential CMB issues. In the questionnaire design, we (1) advised respondents that there were no correct or incorrect answers and that they should answer truthfully, (2) repeatedly emphasized the anonymity and confidentiality of the data to

respondents, (3) scattered reflective items of each construct around the questionnaire so respondents could not identify items describing the same factor, and (4) used various semantic differential scales and changing Likert scale anchors.

The sales experience of our respondents' ranged from 1 to 21 years. On average, the respondents had 8.79 years of full-time sales experience and had been employed by their present company for an average of 5.6 years (*mode* = 9, *SD* = 6.14). The majority of the respondents were employed in small and medium-sized enterprises. We also ensured that the respondents were from firms representing diverse industries: wholesale and automotive (20.8%), financial and insurance (19.2%), tourism (10.2%), manufacturing (9.8%), information technology (9.8%), pharmaceutical (9.2%), transportation and storage (3.7%), construction (3.3%), and energy (3.3%), among others.

Research Instrument and Operationalization of Study Variables

We originally developed a questionnaire in English and then translated it into the local language, taking care when necessary to adapt items to the local context through additional assessments (Craig and Douglas 2005). First, all items were translated into the local language and then were back-translated into the original version (English). Next, two multilingual marketing academics with experience in the relevant EU country reviewed all the items to (1) eliminate items with limited conceptual equivalence and (2) ensure that translation was decentered from the literal language translation. Finally, to pretest the wording and understanding of each individual question, we pretested a final version of the questionnaire in the local language with ten sales managers. The respondents were asked to critically review the questionnaire and to identify any ambiguous and/or misleading items. On the basis of the

feedback obtained from the pretest, we slightly modified some of the question wording to adjust appropriately to the cultural context.

We measured the organizational ethical climate using Schwepker et al.'s (2001) five-point Likert-type items (1 = "strongly disagree," and 5 = "strongly agree"), which assess salespeople's perceptions of the presence and enforcement of codes of ethics, corporate policies on ethics, and top management actions related to ethics. This measure has been validated in several studies (e.g., Jaramillo et al. 2007; Schwepker 2013). To measure the industrial ethical climate, we adopted Schwepker et al.'s (2001) items and reworded them to capture salespeople's perceptions of the ethical regulations in their industry. These items are assessed on a five-point semantic differential scale, anchored with the characteristics of an unregulated to a regulated ethical climate. In accordance with the literature (Resick et al. 2013; Robin et al. 1996), we adopted Reidenbach and Robin's (1990) semantic differential items to measure moral equity beliefs. All respondents were given the same scenario as a context for moral equity measurement. The scenario was relayed in the third-person using a name common in the cultural context:

> During the last month of the year, Goran is 5,000 Euro below the acceptable quota performance. To make the quota, he contacted an existing customer and exaggerated the seriousness of the problem. He asked that particular customer to place a new order of 5,000 Euro, explaining that the price would rise in the future and he would not be able to sell them the products at the present price. As a result, Goran got a 5,000 Euro order and achieved the acceptable quota performance.

After respondents read this scenario, we asked them to assess the salesperson's (Goran's) actions on a seven-point semantic differential scale, anchored with words representing ethical and unethical behavior (with respect to family values): the extent to which the salespeople believed that Goran's actions were fair versus unfair, just versus unjust, morally right versus not morally right, and acceptable versus unacceptable.

We used the ADAPTS-SV scale (Robinson et al. 2002) to measure adaptive selling. We measured customer orientation using items from a short form of Saxe and Weitz's (1982) selling orientation–customer orientation (SOCO) scale (Thomas et al. 2001). To compare the performance of members of our multi-industry, multi company sample, we needed to use a subjective performance measure. Thus, we used salesperson outcome performance measures from the work of Behrman and Perreault (1982). Because salespeople have a documented tendency to overestimate their own performance (Johnson et al. 2009), we formulated the question as follows: "Think about how your supervisor would grade you based on your selling achievements in the last 12 months, compared to the selling achievements of other salespeople in the company." Respondents then rated their performance relative to other salespeople in the firm (1 = "much worse," and 7 = "much better").

Because the literature suggests that experience can be related to customer orientation (Franke and Park 2006; Goad and Jaramillo 2014), we measured sales experience as individuals' tenure in their sales job. In addition, because of our focus on the industrial ethical climate, we assessed whether the industrial ethical climate is dependent on a general industry type (products vs. services). Thus, we introduced an industry dummy variable. Following the relevant literature (e.g., Boso et al. 2013), we classified producers of physical goods as 0 and service providers as 1. We included both experience and industry as control variables in testing our model.

Reliability and Validity Assessment

We followed Anderson and Gerbing's (1988) approach to assess the reliability and validity of the measures. First, we performed a confirmatory factor analysis using the maximum likelihood estimation procedure and covariance matrix as input data, in LISREL 8.71. We assessed model fit using the conventional chi-square test and several fit heuristics (Bagozzi and Yi 2012). In estimating all items simultaneously (Table 2), we obtained an excellent fit to the data (χ^2/df = 340.43/237 = 1.43). In addition, all fit heuristics were well within the cut-off ranges: root mean square error of approximation (RMSEA) = .042, nonnormed fit index (NNFI) = .971, standardized root mean square residual (SRMR) = .045, and comparative fit index (CFI_ = .975—all suggesting a good model fit (Bagozzi and Yi 2012).

Table 2 about here

Next, we submitted all constructs to reliability, convergent validity, and discriminant validity evaluations. The significant standardized factor loadings (lowest loading = .597, $p < .01$) of each item on predetermined factors supported convergent validity (Table 2). Composite reliability (CR) and average variance extracted (AVE) values were all above the recommended thresholds of .60 and .50, respectively (Bagozzi and Yi 1988). In addition, we performed Fornell and Larcker's (1981) test of discriminant validity, comparing shared variance between each pair of constructs with the AVE value. Discriminant validity was achieved for all constructs because all AVE values were greater than the square of the correlations between each pair of constructs (Fornell and Larcker 1981), as indicated in Table 3.

Table 3 about here

Because we obtained all measures from the same source, we employed both procedural (as explained previously) and statistical remedies to minimize the potential effects of CMB (Podsakoff et al. 2003). Although it has been argued that CMB is more likely to emerge in simple models versus more complex theory-driven models that include interaction effects (Chang, van Witteloostuijn and Eden 2010), as is the case in the current study, we applied some statistical remedies to test for CMB. We performed and passed (χ^2 = 3004.97, df = 252; χ^2/df = 11.92; RMSEA = .211; NNFI = .507; SRMR = .183; CFI = .507) a Harman single-factor test (Podsakoff and Organ 1986). Because the Harman test is generally regarded as a lower bound on the likelihood of CMB and to control for the systematic measurement error of the relationships between the latent constructs, we also included a single unmeasured latent method factor directly in the baseline structural equation model (Model 3a in Podsakoff, Mackenzie, Lee and Podsakoff 2003). By comparing the baseline models with and without the unmeasured latent factor, we are able to control for the portion of variance in the indicators that is attributable to obtaining the measures from the same source. In the baseline model with the unmeasured latent factor, we allowed the manifest indicators to load on their respective theoretical constructs, as well as on the unmeasured latent factor. In accordance with the literature (e.g., MacKenzie et al. 1999), we needed to constrain some of the method factor loadings to be equal when estimating this model. The results show that the overall pattern of significant relationships remains consistent in both models. Therefore, our tests suggest that neither our results nor the interpretation of our findings are substantively affected by CMB.

Results

We used the structural equation modeling technique to assess the hypothesized direct and moderated relationships using the maximum likelihood estimation method implemented in LISREL 8.71. In addition, we used bootstrapping with bias-corrected confidence estimates (Preacher and Hayes 2008), as recommended by Zhao et al. (2010), to examine possible mediation paths.

Hypotheses Testing

To test our hypothesized relationships, we estimated three models. Model 1 contained all the control and direct relationships, except for the relationship between industrial ethical climate (IEC) and customer orientation (CO). Model 1 is the most consistent with the models advanced and examined in previous studies (e.g., Martin and Busch 2006; Schwepker and Good 2004), in which the primary focus is on the organizational, rather than the industrial, ethical climate, but not on both simultaneously. By adding the relationship between IEC and CO to Model 1, along with the industry dummy control, we obtained Model 2 and tracked any potential changes in the hypothesized relationships. Finally, we used Model 3 to estimate the moderating relationships predicted in H2 and H5. Therefore, Models 1 and 2 were nested within Model 3 and estimated using hierarchical structural equation analyses. Specifically, Model 2 contained all direct effects, nonhypothesized paths, and control variables, while Model 3 included the moderating interaction effects as well. Table 4 presents the results for all three models. There is a significant decrease in the chi-square when moving from Models 1 and 2 to Model 3 (i.e., from the constrained to the unconstrained model). In addition, the fit indices for Model 3 (specifically, SRMR and RMSEA) were superior to those of Model 1 and Model 2. Accordingly, we use Model 3 when discussing and interpreting our results.

Table 4 about here

Our tests of the hypothesized direct relationships (H1, H3, H4) returned significant path coefficients for the following links: IEC - CO (.20, t = 1.85), moral equity (ME) - CO (.17, t = 2.35), and adaptive selling (AS) - salesperson performance (SP) (.35, t = 4.66). These results support H1, H3, and H4. It is worth noting that, as expected, the relationship between AS and salesperson performance is in accordance with findings in previous empirical studies in the field (see, e.g., Chakrabarty et al. 2014).

To test H2 and H5, we estimated the moderating effects following the parsimonious product-term approach proposed by Ping (1995; 2004). Consequently, we created a single score for IEC, organizational ethical climate (OEC), ME, and AS from their respective observed items. We then generated the interactive terms by multiplying IEC × OEC and AS × ME to estimate the moderating effects of OEC on relationship between IEC and CO and of ME on relationship between AS and SP. To minimize multicollinearity problems, we followed Little et al.'s (2007) suggestions and orthogonalized the variables involved in the interactions. As we mentioned previously, Model 3 returns superior fit relative to Model 2 (see Table 4 and Figure 2), which also supports moderation. Therefore, the prediction in H2 that OEC strengthens the relationship between EIC and CO and the prediction in H5 that the effect of AS on salesperson performance is weaker when levels of ME are higher are both supported by the data (γ = .21, t = 2.80; and γ = –.13, t = –1.83, respectively).

Fig. 2 about here

To further explore moderating relationships, we plot the interaction effects in Figure 3 and Figure 4, following Aiken and West's (1991) approach. As Figure 3 shows, when OEC is high, the influence of IEC on CO is stronger. Figure 4 shows that when salesperson ME levels are higher, AS has a weaker effect on salesperson performance. Conversely, we observe that when a salesperson's ME levels are lower, AS has a stronger positive effect on salesperson performance. Thus, we infer that AS is a less effective predictor of salesperson performance when ME levels are higher.

Fig. 3 and 4 about here

Post Hoc Analyses

To ensure the robustness of our model and to acknowledge the possibility of tensions that may appear among different ethical frames of references (e.g., Ferrell et al. 2007; Hansen and Riggle 2009), we also tested for two alternative scenarios.[2] Specifically, we tested for the interplay between IEC and ME and for potential interplay between OEC and ME (see Table 4). Therefore, we reestimated the model (see Model 4) by adding the IEC ×ME and OEC × ME interaction terms to Model 3. We used the same procedure (i.e., product-term approach; see Ping [1995, 2004]) that we used to test H2 and H5. Our results indicate that the notion of tensions, as reflected in the interplay between these levels, do not actually play a major role

[2] We thank an anonymous reviewer for this suggestion.

in determining salesperson behavior. However, we propose that future research should attempt to further examine this potential tension.

It is particularly interesting to note that, contrary to prior research (e.g., Martin and Bush 2006; Schwepker and Good 2004), we do not find a strong direct effect between OEC and CO (see Model 3 results in Table 4). Furthermore, our results for Model 1 suggest that there may be an effect of larger magnitude between OEC and CO (with a path loading of .12, t = 1.67). Importantly, Model 1 does not include the effect of IEC. Thus, when IEC is introduced (i.e., in Models 2 and 3), it appears to take precedence over OEC. As such, and in accordance with the previously mentioned alternative explanation of the influence of IEC on CO through OEC, we conducted an additional post hoc assessment on the effects of IEC and OEC on CO. We use the same method to formally test the mediation expressed in R1, which posits that the effect of CO on salesperson outcome performance is mediated by AS. Specifically, we used bias-corrected bootstrapping with a 95% confidence interval (Preacher and Hayes 2008) of the indirect effects with 5,000 bootstrap resamples, using the INDIRECT procedure (Preacher and Hayes 2008). The key requirement for demonstrating mediation in the bootstrapping method is to provide evidence of a significant indirect effect (Preacher and Hayes 2008; Zhao et al. 2010).

Before entering the variables in the INDIRECT procedure, we created factor scores that we subsequently used for mediation assessment. We used items that load on specific factors, as reported in Table 2. This procedure ensured that there was no shared variance among the potential mediators (e.g., Rutter and Hine 2005). We demonstrate that AS fully mediates the relationship between CO and salesperson performance because the 95% confidence interval for AS (ranging from .012 to .089) has no indication of zero, thus providing support for R1

(Table 5). However, we do not find evidence that OEC mediates the relationship between IEC and CO. We obtained 95% bias-corrected confidence intervals for OEC as a mediator with an indication of zero (ranging from –.776 to .143).

Table 5 about here

Discussion and Conclusion

By the nature of their job, salespeople must regularly negotiate potentially conflicting demands from customers on the one hand and their organization on the other (e.g., Hartline and Ferrell 1996), making them more susceptible to unethical behavior. As a response to this trend and the growing negative reputation of sales, the literature and leading organizations have begun to acknowledge the importance of sales ethics regulation (Chonko 2015). This study is a timely response to the growing recognition that firms and employees are continuously faced with diverse ethical considerations in an increasingly diversified, complex, interrelated, and globalized business environment (e.g., Hannah et al. 2011). To prevent unwanted behavior and to foster preferred behavior that improves firm success, various interventions have been suggested, with varying levels of success (Donaldson 2003). Building on this work, the objective of the present study was to examine the role of three ethical frames of reference in fostering preferred employee behavior and, consequently, performance.

We first developed a theoretically grounded holistic model of three ethical frames of references that affect individual behavioral and performance outcomes: the industrial (macro)

level, the organizational (meso) level, and the individual (micro) level. Using data obtained from a multi-industry online survey of industrial salespeople, we empirically demonstrated that industrial ethical climate and salesperson moral equity exert direct positive effects on customer-oriented selling behavior and that the organizational ethical climate facilitates and enhances the effect of the industrial ethical climate on employee behavior. In doing so, we validated that industrial and organizational ethical norms have a stronger synergistic effect on customer orientation than either of the two (i.e., macro and meso levels) ethical climates alone. We further showed a mediating effect of adaptive selling on the customer orientation–salesperson performance link, as has been suggested in the sales literature (Guenzi et al. 2014). Finally, we presented evidence of the moderating effect of individual moral equity beliefs on the relationship between adaptive selling and salesperson outcome performance. Specifically, our results indicate that a strong reliance on moral equity beliefs reduces the effectiveness of adaptive selling behavior. This finding is in line with our initial argument that, while all three levels of ethicality influence a particular form of behavior, their contrasting foci can cause tensions between individual ethical beliefs and broader behavioral standards, resulting in diminished performance outcomes.

Theoretical Implications

Our findings yield several important research implications. First, drawing on the theory of differential associations (Sutherland and Cressey 1970) and the institutional theory of the firm (DiMaggio and Powell 1983), we find a direct positive effect of macro-level ethics (industrial ethical climate) on employee-mandated (i.e., customer-oriented) behavior, as well as a strong moderating effect of meso-level ethics (organizational ethical climate) on the relationship between the industrial ethical climate and customer-oriented behavior. In the absence of existing empirical evidence on the simultaneous effects of both macro- and meso-

level ethics on sales-related behavior, we hypothesized the moderating effect of organizational ethical climate. However, we also allowed for the alternative explanation of organizational ethical climate as a mediator. Our analyses confirm the hypothesized moderating effect of organizational ethical climate. We were also able to dismiss the alternative explanation via our post hoc analysis, showing more definitively that organizational ethical climate does not mediate the relationship between the industrial ethical climate and customer-oriented selling.

Contrary to our expectations, in the presence of industrial ethical climate, we could not identify any direct effect of the meso-level influence (i.e., organizational ethical climate) in shaping customer orientation. This is a noteworthy finding to the extent that previous studies (e.g., Martin and Busch 2006; Schwepker and Good 2004) tend to model the relationship between organizational ethical climate and customer orientation, without taking into consideration the industrial ethical climate within which an organization operates (which corresponds to our Model 1). Our results complement, but also contradict, such findings insofar as they demonstrate that a stronger organizational ethical climate enhances the positive effects of the industrial ethnical climate on customer orientation.

It is interesting to speculate why our findings seem to contradict existing work. One aspect we have touched on already is methodological. Specifically, the current study is among the few to directly conceptualize and measure the industrial ethical climate itself rather than using a proxy measure of how important the existence of an industrial ethical climate is. Another influence may be our focus on the sales profession. Because salespeople spend much of their time in the field, they are relatively alienated from their firms and are often without the direct supervision or control of their organizations (e.g., Tanner et al. 2015). In seeking to

attain their performance objectives, salespeople may view their behavior as being more dominated by industry-wide ethical norms rather than relying on their company's ethical norms as their primary source of reference, information, and guidance for acceptable behavior. With the growth of remote working practices in many industries, including the financial sector (Rodier 2013) in which much unethical activity persists (Tenbrunsel and Thomas 2015), our findings take on greater significance.

Second, our study yields thought-provoking evidence regarding the role of micro-level (individual) ethical influence (i.e., moral equity beliefs as a driver and facilitator of behavior and performance). Consistent with the literature, we confirm that salesperson moral equity beliefs exert a significant direct effect on individual behavior (in our case, customer orientation). That is, salespeople with a high degree of moral equity beliefs are more likely to practice customer-oriented behavior. Beyond the direct effect of moral equity beliefs on customer orientation, we also demonstrate the connection between moral equity beliefs and adaptive selling behavior (Weitz et al. 1986; Pruden 1971), albeit in a contingent manner. Unlike customer orientation, which we find to be directly driven by moral equity beliefs, we find that salespeople who rely strongly on moral equity principles have lower levels of adaptive selling behavior. The implication of this finding is that when a salesperson perceives the differential treatment of customers (i.e., adaptive selling) as morally questionable (because it contradicts the basic tenets of moral equity), even though adaptive selling is accepted as ethical and promoted by the organization, the inherent tension between personal moral equity beliefs and the principles of adaptive selling may yield counterproductive effects. These findings highlight potential tensions between the widely accepted practice of adaptive selling and individual moral equity principles. Thus, it is important for research to

further explore the tensions between organizationally mandated forms of behavior and organizational members' personal beliefs.

Finally, while prior studies on business ethics are limited mostly to industrialized settings in mature markets (e.g., Javalgi and Russell 2015), this study contributes to the ethics literature by moving beyond conventional research settings to focus on an under-researched setting—namely, selling processes in a maturing market (see Table 1). Therefore, this study helps broaden the theory-building efforts and the perspective of the business ethics literature beyond industrialized mature contexts.

Practical Implications

The practical implications of our study are equally noteworthy for both policy makers and managers. For policy makers, our study offers proof that industries, which are regulating their ethical climate, are directly fostering the ethical behavior of people operating within that industry (in our case, influencing the customer orientation of salespeople). Thus, policy makers should be encouraged by our findings to create policies that regulate the ethical climate in industries more formally. This macro-level ethical force has the greatest effect on the behavior of employees within an industry, and consequently, regulators can have a positive impact on industry performance at this level.

For managers and their companies, our results suggest that when industrial ethics are low, it is important for organizations to identify additional tools that will provide ethical guidance for their salespeople besides simply organizational ethical codes and standards. We find that in the absence of industrial ethical norms (Model 1, Table 4), organizational ethical climate has a relatively weak ability to drive salesperson behavior. Thus, expecting that salespeople will behave ethically simply due to the influence of organizational codes and prescriptions

(i.e., the organizational ethical climate) is perhaps overly optimistic. This weak influence is due to the large amount of time that most salespeople spend in the field, isolated from their organizations. However, when organizations operate in an industry that carefully regulates its ethical standards, organizational ethical standards will reinforce the impact of industrial ethical standards on employees' behavior, as we have exhibited herein through stronger customer orientation. Considering the strong synergistic effect of both industrial and organizational ethical climates on firm-mandated behaviors and sales results, organizations should continue to nurture their own ethical standards and closely align them with the industry standards.

With respect to moral equity beliefs, our results suggest that organizations that encourage salespeople to help customers make purchase decisions that will best satisfy their needs (Saxe and Weitz 1982) should pay attention to the personal ethics of their employees to achieve the desired sales outcomes. Considering the negative moderating effect of moral equity beliefs on the link between adaptive selling and salesperson performance, we can suggest several actionable implications. First, sales managers should reconsider whether and/or when adaptive selling is the best strategy for their sales organization. Subsequently, they can organize educational activities to improve how their salespeople understand ethical behavior and equitable treatment of their customers. This type of educational activity should be conducted only in organizations in which the practice of adaptive selling outperforms adaptive selling–related costs (e.g., the additional time the salesperson requires to collect information about the customer and selling situations). Clearly, markets characterized by dissimilar customer needs and diverse buying organizations, as well as those characterized by complex products, will demand a greater use of adapting selling than more homogenous markets in which customers can be given more equitable treatment. Therefore, when adaptive

selling is warranted by the situation, ethics education should aim to equip employees with an ability to understand and apply the principles of personal ethics in a flexible way. Being equitable to all customers is not always the best strategy, and being inequitable is not, by default, a negative thing.

Second, we find that for salespeople who rely strongly on moral equity, adaptive selling might not be the optimum selling strategy. Such salespeople might be more effective in situations that do not require adaptive selling and thus could be given tasks that require other relational sales strategies, such as team selling (Guenzi et al. 2007). Such salespeople, if forced to practice adaptive selling, are likely to experience diminishing results in terms of outcome performance. Thus, in assigning specific tasks to sales team members and providing periodic performance evaluations, sales managers should assess the extent to which an individual salesperson's performance is suffering due to the possible tensions between the expected behavioral standards (e.g., adaptive selling) of the organization and an individual's personal sense of ethicality. Then, the sales manager can assign selling tasks to salespeople with the appropriately aligned abilities and characteristics to execute those tasks effectively.

A word of caution is warranted here with regard to any managerial advice. By no means do the results of our study imply that managers should avoid hiring people who rely heavily on their personal sense of ethics. Rather, we would argue that firms should invest in educational programs that equip their salespeople with the skills to practice adaptive selling behavior in a way that does not conflict with their moral equity beliefs. Therefore, our study suggests that managers need to pay attention to the potential conflict between a salesperson's individual ethical principles and the practice of adaptive selling, which may adversely affect salesperson performance. They should try to make informed decisions with regard to matching sales tasks

with adequate salespeople and to the type of training required for those salespeople to achieve the desired results.

Further Research

Our analyses attest to the significant, albeit different, roles of all three levels of ethicality on focal selling behaviors. It might be that the direct effect of macro-level versus the moderating effect of meso-level ethical influences (i.e., the industrial vs. the organizational ethical climate) on work-related behavior is function of whether the employee behavior in question is internally oriented (with organizational norms being the prime source of guidance regarding acceptable conduct) or externally oriented (with industry standards being the primary driver of behavior). If that is the case, there may be some substitution effects between the macro and meso levels. To gain a deeper understanding of the dynamics of the three ethical frames of references, additional research should include not only externally oriented behavior (as in this study) but also internally oriented employee behavior, such as organizational citizenship behavior (Mackenzie et al. 1993).

The business ethics and sales management literature would also benefit from further investigation into the double-edged direct and moderating effects of moral equity beliefs on behavior and performance outcomes. We recommend that future studies apply alternative objective outcome performance measures, including behavioral performance, to further identify micro-level ethics effects (e.g., moral equity) on sales outcomes. Considering our research design (i.e., sampling across various industries and types of companies) and following suggestions in the literature (e.g., Homburg et al. 2011), we favored a subjective outcome performance measure as our dependent variable. However, future studies may apply objective performance measures that minimize measurement error to account for behavioral

performance.

In testing the model of ethical influences in this study, we controlled for two sets of possible influences, sales experience and industry type. While we found no significant effects of these two factors, future studies could further probe their impact—in particular, because our sample was on the low to medium end with respect to the sales tenure (i.e., slightly under nine years of average full-time sales experience). According to the literature (e.g., Kim and Miller 2008), individuals tend to adopt common behavior patterns that are advanced within the industry in which they operate. Future research might examine suggested relationships that compare industries with diverse levels of regulations (e.g., finance and insurance versus IT).

To enhance the generalizability of our holistic model of ethical influences and increase the validity of this study's empirical findings, future studies could expand data collection efforts beyond a single EU member country and examine the model across various countries with different national cultures. Although some scholars argue that ethical decision making, perceptions, and attitudes are informed and influenced by culture (Burnaz et al. 2009), others believe that ethical norms tend to transcend culture (Izraeli 1988) and that business behavior and ethics are similar across borders within the same industry (Brikmann 2009). However, cross-cultural scholars generally agree (Hofstede 2001; Hollensen 2011) that different nested layers of culture influence the behaviors of its members. As such, the effects of national culture on the interplay of macro-level (industrial ethical climate), meso-level (organizational ethical climate), and micro-level (moral equity) mechanisms should be consistent within the same culture setting. While the thrust of this study was to examine a universal model of ethical influences rather than to examine its cross-cultural validity, we urge researchers to

examine our three-level ethicality model across cultures. It would be prudent to build a multilevel data set (e.g., survey data in various countries and national-level data, such as Hofstede culture scores and economic data) and, similar to recent studies in the sales literature (e.g., Hohenberg and Homburg 2016), to investigate cross-level interactions using hierarchical linear modeling. Such analyses would offer a broader perspective of the synergies and tensions across the three levels of ethical influences and inform theory building in international business ethics literature.

Our results indicate that the sales function is an important avenue for gaining knowledge related to the three-level model of ethical influences on employee behavior and performance. Considering the detrimental consequences of unethical employee behavior—not only for organizational and industry effectiveness but also for individual consumers and the general moral fabric of society (as illustrated in the examples at the outset of this paper)—we hope that our findings serve as a springboard for further debate on ethically relevant antecedents that influence business behavior and its outcomes.

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Table 1: Overview of conceptual and empirical papers acknowledged macro ethics

	Authors	Conceptualization of the ethical levels				
Conceptual studies	Pruden (1971)	Assumes ethical decisions are determined by three ethical frames of reference: 1. **Individual ethics** which stem from an individual's beliefs and values 2. **Organizational ethics** which are collective moral values representing needs of organizations 3. **Professional ethics** which present collective norms of a specific discipline				
	Brinkmann (2002)	Building on Victor and Cullen (1988) the author identifies differences in three levels of moral climates: **1. Micro levels:** Personal morality (Deontology); Friendship (Utilitarianism), Self-interest (Egoism) **2. Meso level:** Organization rules and procedures (Deontology); Team interest (Utilitarianism), Organizational profit **3. Macro level:** Laws and professional codes (Deontology); Social responsibility (Utilitarianism) (benevolence), Efficiency (Egoism)				
	Hunt and Vitell (1986, 2006)	Hunt-Vitell theory of ethics assumes that ethical decision making is influenced by: **1. Personal characteristics** **2. Organizational environment*** **3. Industry environment *** **4. Professional environment*** **5. Cultural environment** *are specifically oriented to ethical situations for businesspeople and the professions				
Empirical studies	**Authors**	**Research context/Sample size**	**Levels studied**			**Other variables studied**	**Objectives and key findings related to IEC**
			Individual Ethics	Organizational Ethics	Industrial Ethics		
	Zabid and Alsagoff (1993)	Malaysia/ Cross-sectional/81			X	Unethical behavior and Unethical Decisions	Provides a ranking of different factors that influence unethical decisions of managers, acknowledging the importance of industrial ethical climate. However, the study is exploratory, without aiming to offer information on the effect of IEC on behavioral outcomes.
	Ekin and Tezolmez (1999)	Turkey/ Cross-sectional/156	X	X	X	Unethical behavior and Unethical Decisions	Provides a ranking of the factors that influence unethical decisions of managers, and among others individual, company and industrial ethics related factors are acknowledged as important. However, the study is exploratory in nature, using descriptive statistics and correlations, it does not explain the relationships between the three levels of ethical reference and actual behavior.
	Kim and Miller (2008)	Korea/ Tourism industry/258		X	X	Job satisfaction and Organizational commitment	The study investigates the effects of organizational and industrial ethical climate on job satisfaction and organizational commitment.

	Brinkmann (2009)	Norway/Real estate agents/ 256	X	X	X		This action research draws on role conflict theory in order to identify conflict potentials for real estate agents that may originate from the ethical climate of an industry they operate in and organization they work for. Real estate agents are selected as they represent both an industry and a profession.
	Honeycutt et al. (2001)	US / Auto salespeople / 184	X		X	Ethical behavior	This study uses industry code to operationalize legal perception of industrial ethical climate.
	Kurland (1993)	US / Defense industry			X	Ethical behavior among industry	This case study aims to shed the light on the reasons why the Defense Industry Initiative fails to be an effective method of industry ethical self-regulation, as it did not resolve the organizational and market pressure to be unethical as it did not achieve complete industry-wide cooperation.
	Chonko, Wotruba and Loe (2002)	US / Direct selling industry/ 286		X	X	Unethical behavior	This study presents the descriptive statistics results of an ethics audit conducted among sales professionals employed within the Direct Selling Industry.

Table 2: Details of measures, standardized factor loadings, and reliability tests

Item description (composite reliability/average variance extracted)	Std. Factor loadings (T-values)
Industrial ethical climate (adapted from Schwepker 2001), Five-point semantic differentiation scale: CR = .868; AVE = .633	
The industry I work within doesn't enforce code of ethics / strictly enforces a code of ethics.	.817 (14.32)
The industry I work within doesn't have policies on ethical behavior / has policies on ethical behavior.	.820 (Fixed)
The industry I work within doesn't enforce policies on ethical behavior / enforces policies on ethical behavior.	.868 (15.36)
The industry I work within has unethical / ethical salespeople.	.662 (10.94)
Organizational ethical climate (Schwepker 2001), Five-point Likert scale: CR = .872; AVE = .631	
My company strictly enforces a code of ethics.	.836 (13.14)
My company has policies with regard to ethical behavior.	.753 (Fixed)
My company strictly enforces policies regarding ethical behavior.	.874 (13.66)
Top management in my company has let it be known in no uncertain terms that unethical behaviors will be tolerated.	.704 (10.93)
Customer orientation (Thomas et al. 2001), Nine-point Likert scale: CR = .816, AVE = .532	
I try to figure out what a customer's needs are.[a]	
I always have the customer's best interest in mind.	.597 (9.47)
I try to bring a customer with a problem together with a product/service that helps solve that problem.	.637 (10.20)
I offer the product/service that is best suited to the customer's problem.	.739 (11.97)
I try to find out what kind of products/services will be most helpful to a customer.	.905 (Fixed)
Adaptive Selling (Robinson et al. 2000), Seven-point Likert scale: CR = .870; AVE = .630	
When I feel that my sales approach is not working, I can easily change to another approach.	.627 (10.47)
I like to experiment with different sales approaches.	.799 (14.49)
I am very flexible in the selling approach I use.	.870 (16.04)
I can easily use a wide variety of selling approaches.	.855 (Fixed)
I try to understand how one customer differs from another.[a]	
Moral equity (Reidenbach and Robin 1990), Five-point semantic differentiation scale: CR = .907; AVE = .713	
Scenario to be assessed: During the last month of the year, Goran is 5,000 Euro below the acceptable quota performance. To make the quota, he contacted an existing customer and exaggerated the seriousness of the problem. He asked that existing customer for a new order of 5,000 Euro, or on the contrary Goran will not be able to sell them the products in the future at the present price. As a result, Goran got a 5,000 Euro order and achieved the acceptable quota performance. To what extent do you think Goran's behavior is…	
Fair / Unfair	.939 (Fixed)
Just / Unjust	.902 (22.47)
Morally right / Not morally right	.790 (16.99)
Acceptable to my family / Unacceptable to my family	.728 (14.62)
Outcome salesperson performance (Behrman and Perreault, 1988), Seven-point scale ("much worse" to "much better"): CR = 0.800; AVE = 0.501	
How your supervisor would grade your selling achievements in last 12 months, compared to the selling achievements of other salespeople in the company	
… performance to sell products with higher profit margins.	.722 (Fixed)
… performance to generate a high dollar amount of sales in my territory.	.701 (9.39)
… performance to produce a high market share for my company in my territory.	.653 (8.85)
… performance to exceed the sales targets and objectives that are assigned to me.	.752 (9.86)
Model Fit : χ^2 = 340.43; df = 237; χ^2/df = 1.43; RMSEA = .042; NNFI = .971; SRMR = .045, CFI = .975	

[a] Item eliminated during the purification procedure

Table 3: Inter-correlation matrix and discriminant validity test

Constructs	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
1. Salesperson performance	**.501**	.095	.093	.035	.020	.032	.002	.047
2. Adaptive selling	.308	**.630**	.035	.018	.038	.008	.004	.001
3. Customer orientation	.305	.187	**.532**	.007	.024	.043	.006	.011
4. Organizational ethical climate	.187	.136	.084	**.631**	.376	.001	.002	.020
5. Industrial ethical climate	.143	.195	.156	.613	**.633**	.000	.002	.008
6. Moral equity	.179	.091	.208	.027	-.007	**.713**	.001	.036
7. Industry type dummy	.043	-.063	.080	.039	.039	.031	N/a	.028
8. Salesperson experience	.216	.035	.106	.143	.090	.191	.166	N/a

Notes: Correlation matrix appears below the diagonal, squared correlations appear above diagonal, while AVE values are on the diagonal in bold. Correlations above .20 are significant at 5% levels.

Table 4: Findings on hypotheses testing

	Model 1		Model 2		Model 3		Model 4	
	Std. Estimate	T-value	Std. Estimate	Std. Estimate	Std. Estimate	T-value	Std. Estimate	T-value
Hypothesized relationships:								
H1: Industrial ethical climate → Customer orientation			.21	1.86†	.20	1.85†	.21	1.90†
H2: Industrial ethical climate x Organizational ethical climate → Customer orientation					.21	2.80**	.21	2.80**
H3: Moral equity → Customer orientation	.18	2.51**	.19	2.69**	.17	2.35**	.17	2.34**
H4: Adaptive selling → Salesperson performance	.35	4.62**	.35	4.62**	.35	4.66**	.35	4.66**
H5: Adaptive selling x Moral equity → Salesperson performance					-.13	-1.83†	-.13	-1.84†
Control paths								
Industry type dummy →Industrial ethical climate			.10	1.03	.12	1.04	.33	1.09
Salesperson experience →Customer orientation	.10	1.21	.09	1.18	.12	1.52	.13	1.65†
Organizational ethical climate → Customer orientation	.12	1.67†	-.03	-.30	-.03	-.31	-.04	-0.37
Customer orientation → Adaptive selling	.26	3.69**	.27	3.72**	.27	3.74**	.27	3.72**
Moral equity → Salesperson performance	.17	2.45**	.18	2.46**	.17	2.46**	.17	2.46**
Results of Additional Analyses								
Industrial ethical climate x Moral equity → Customer orientation							-0.06	-0.60
Organizational ethical climate x Moral equity → Customer orientation							-0.05	-0.50
R^2 of Customer orientation	.071		.091		.158		0.130	
ΔR^2 of Customer orientation	-		.020		.067		-	
R^2 of Salesperson performance	.158		.159		.175		0.175	
ΔR^2 of Salesperson performance	-		.001		.016		-	
Goodness-of-fit indicators								
χ^2/D.F.	121.3/84		186.9/89		175.0/87		193.98/105	
$\Delta\chi^2/\Delta$D.F.	-		65.7/5**		11.8/2**		/	
p-value	0.005		.000		.000		.000	
RMSEA	0.042		.067		.064		.059	
NNFI	.973		.916		.924		.923	
CFI	.978		.937		.945		.947	
IFI	.978		.939		.946		.949	

† = .10; * $p < .05$; ** $p < .01$. α = critical t-values are 1.645, 1.960, and 2.326

Table 5: Post-hoc analysis results: mediation assessment and critical ratios of indirect effects as per Preacher and Hayes (2008)

Independent variable (IV)	Mediating variables	Dependent variable (DV)	Effect of IV on mediator (a)	Unique effect of mediator (b)	Direct effect (c')	Total effect of IV on DV (c)	Bootstrapping BC 95% CI	
							Lower	Upper
Industrial ethical climate	Organizational ethical climate	Customer orientation	.598**	.041	.125	.159*	-.776	.143
Customer orientation	Adaptive selling	Salesperson performance	.191**	.216**	.257**	.298**	.012	.089

† = .10, * $p < .05$, ** $p < .01$. α = critical t-values are 1.645, 1.960 and 2.326 respectively

Note: BC = bias-corrected; 5,000 bootstrap sample

Fig. 1 Holistic model of ethical influences on individual behavior and performance (in the sales context)

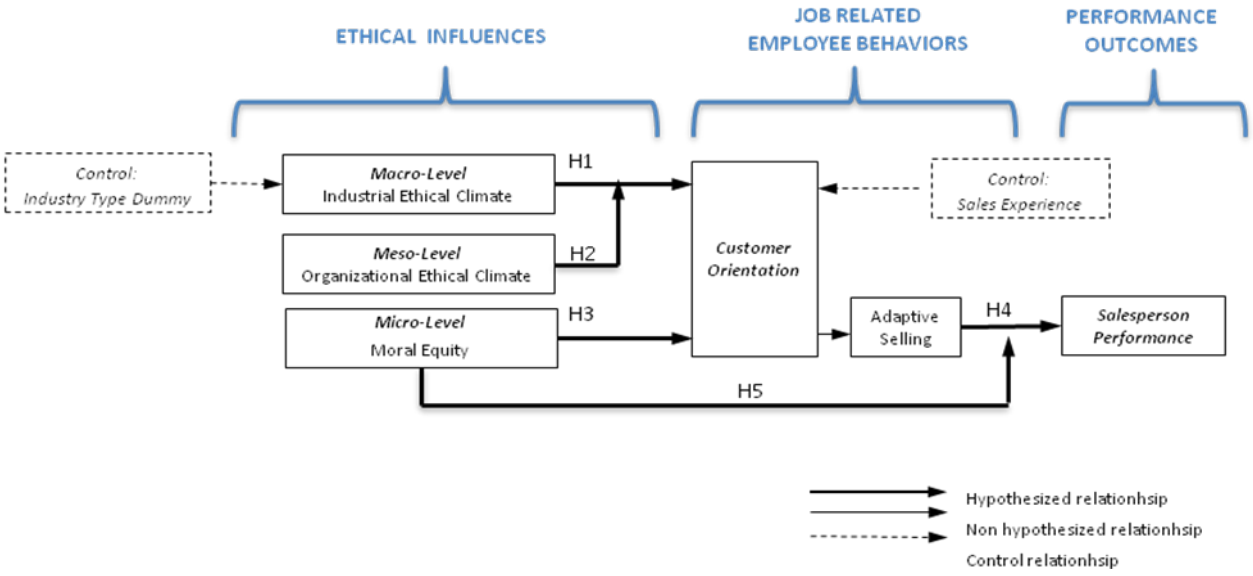
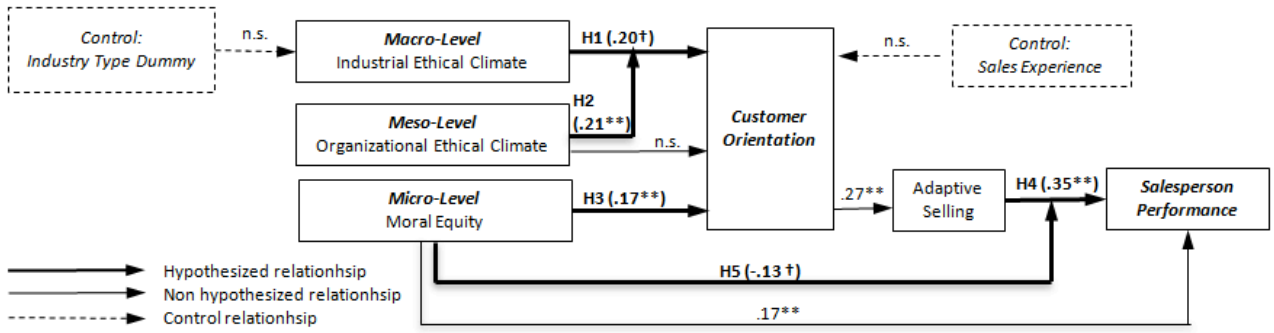


Fig. 2 Model statistics



Note: To avoid clutter in the graphic presentation of the model statistics are not shown for control variables

Fig. 3 Interaction results IECxOEC

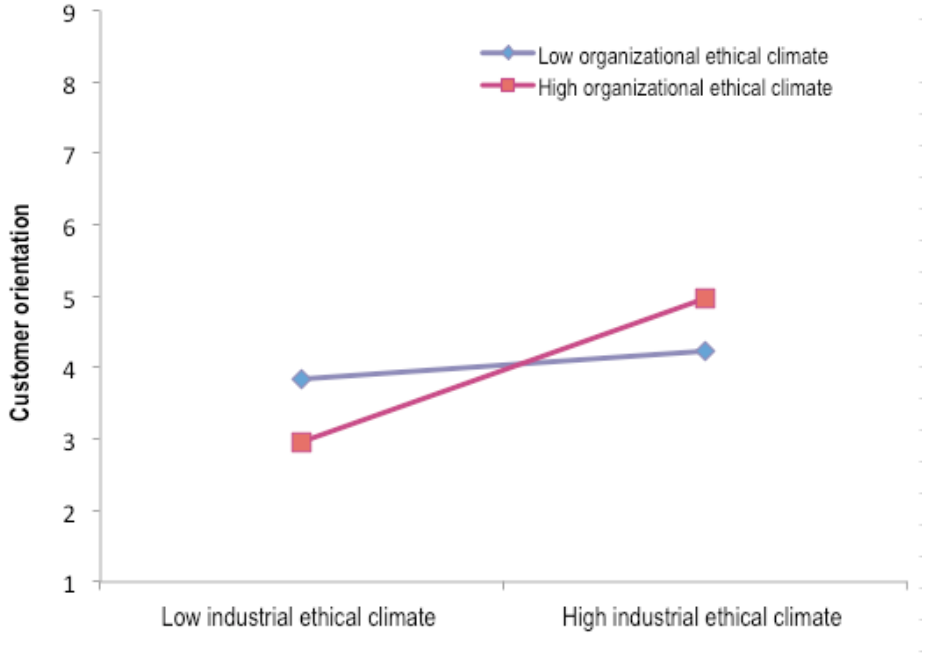


Fig. 4 Interaction results ASxME