

Ethical Managers Practices in Large and Small Business in the U.S. Economic Environment

الممارسات الأخلاقية لمديري الأنشطة الكبيرة والصغيرة في المناخ الاقتصادي للولايات المتحدة الأمريكية

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الملخص

الأفق التجارية دائماً متغيرة ومجهولة، لاسيما تلك التي تعود إلى الأخلاقيات والمسؤولية عن تكلفة الممارسات غير الأخلاقية التي تهز النشاط التجاري. الممارسات الأخلاقية تهدد مصداقية وسمعة مديري الأنشطة التجارية الأمريكية، الذين بحاجة إلى الموارد والمعلومات من حول العالم في كيف يديرون أنشطتهم أخلاقياً بشكل أفضل، تبعاً لذلك، فإن الأزداد في الممارسات الأخلاقية يطرح التساؤل عن المهارات، المعرفة، وتوافر أخلاقيات المديرين في الأنشطة التجارية، بما يحفظ أخلاقيات تلك الأنشطة ويدعوا إلى اختبار أساسياتهم الإدارية، بالإضافة إلى المساعدة في تطوير وتجديد الأساس الأخلاقي عبر البحث العلمي.

هذه الورقة استنتجت أن هناك عدة عوامل تؤثر في السلوك الأخلاقي وأخلاقيات المهنة، بعضها داخلي مثل: الأخلاقيات الشخصية للقادة الإداريين والمديرين والمشرفين على الأنشطة التجارية، وبعضها خارجي أو يتعلق بالبيئة المحيطة مثل: التعامل مع المؤسسات الأخرى والتراجع الاقتصادي. وأوصت الدراسة بمزيد من الدراسات المختلفة للممارسات الإدارية الأخلاقية لمنظمات مختلفة من حيث النوع، والحجم، والملكية، وطبيعة النشاط.

الكلمات المفتاحية: أخلاقيات المهنة، أخلاقيات المديرين، الثقافة الأخلاقية، السلوك الأخلاقي، الركود الاقتصادي.



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Abstract:

The business horizon is constantly changing and uncertain, especially with respect to ethics and accountability and the cost of ethical malpractice is devastating to business. Ethical malpractices threaten the integrity and reputations of American business managers, who need resources and information from across the globe on how best to ethically manage their businesses. Accordingly, the rise in ethical malpractices questions the skill, knowledge, and resourcefulness of ethics managers in businesses, and what they maintain business ethics, and calls for an examination of their management principles, in addition to assisting in developing renewed ethical principles through research. This paper concludes that they are many factors affect ethical behaviour and business ethics some are internal such as the personal ethics of leaders, managers and supervisors of the business, others are external or environmental such as the dealings of other firms and the economic decline, and recommends further studies on variations in ethical management practices considering business type, size, ownership, and nature of business involvement.

Keywords: *Business ethics, Ethics managers, Ethical culture, Ethical behaviour, Economic recession.*

1. Introduction

Promoting higher levels of accountability at all levels of business, through the application of ethics, moral values, integrity, and sound ethical behaviour is a crucial managerial function and an approach for mitigating ethical dilemmas and scandals. Managers are responsible for making sure that effective ethical practices are in place in the businesses they run, to keep all and sundry ethically conscious and to avoid ethical misconduct, (Batten & Hettihewa, 1999; Chandler, 2007; Harned, 2010). Studies of this nature centred on ethical practices are not only necessary, but also urgent especially considering this post-recession era (Health Care Compliance Association,

2010; Society of Corporate Compliance and Ethics, 2009). As an uneasy task, it involves creating positions, developing policies, designing employee-training programs, discussion forums, exchange of ideas on best practices from studies of this nature, and knowledge of federal, and state ethical compliance codes, policies and programs (Ferrell, Fraedrich, & Farrell, 2000).

2. Significance of the Research

Many studies, such as the Business Training & G.T. C. Institute, 2011, and the National Ethics Survey did not consider type of company; a fact that casts a shadow of doubt over the generalization of their findings and conclusions particularly that malpractices are lower during recessions, which actually could vary when considering type and/or nature of operation. Perhaps that is the reason the Ethics Resource Centre recommended further studies on business ethics considering business type, size, and nature of business involvement.

This study will add to the existing body of knowledge by examining how ethics, moral values, integrity, and sound ethical behaviour are managed through existing structures in the U.S. firms. By illuminating, the differences in practice from another perspective, this study perhaps, will add another building block on the existing knowledge about ethics in business that manager can tap into for building ethical structures and cultures in their organizations. For this reasons, this study is considered highly necessary and significant.

3. Background of the Problem

There exist many studies and literature on the causes of ethical problems in business. However, very few studies demonstrate knowledge, and literature on how to set up structures that prevent ethical problems (Batten & Hettihewa, 1999; Harned, 2010; Chandler, 2007; McGraw-Hill, 2010). In addition, very few studies researched companies that emerged from the recession on sound ethical management principles, with the view to discovering the priceless strategies and principles of effective ethical

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management practices that helped them withstand the challenges of the recession.

Business Training & G.T. C. Institute (2011) concluded that management malpractice and organizational abuse occur so often in today's organizations, despite the high price, and gave five reasons why ethical malpractice has become so prevalent even during recessions. Also supporting this argument is the fact that a tough economic time, such as recessions lead to cuts in compliance budget by many companies, as revealed by the Health Care Compliance Association (2009 & 2010), the Society of Corporate Compliance and Ethics (2009), and (White, 2009). Such cuts during recessions affect ethical management practices as firms embark on reduction in training and forums for discussions and dissemination of ethics information.

Reporting the results of the national ethics survey carried out at the peak of the recession in 2009, Ethics Resource Centre (2009) noted as follows:

Misconduct at work is down. Fewer employees said they had witnessed misconduct on the job; the measure fell from 56 percent in 2007 to 49 percent in 2009. Whistleblowing is up. More employees said they had reported misconduct when they observed it; 63 percent in 2009, up from 58 percent in 2007. Ethical cultures are stronger. ERC's measures of the strength of ethical culture in the workplace increased from 53 percent in 2007 to 62 percent this year – a positive sign. Pressure to cut corners is lower, and overall perceived pressure to commit an ethics violation – to cut corners, or worse – declined from 10 percent two years ago to 8 percent. Only retaliation against those who reported misconduct increased – a negative trend (p. 9).

Ethics Resource Centre (2009) further confirmed the existence of a pattern of business ethics improvement during economic downturns, referring to the case between the year 2000 and 2003, when ethics measures similarly had improved. According to ERC, this can be explained by the hard times during recessions, when a company's well-being or existence may be endangered and regulators watching and experts are trying to figure out the causes of an economic mishap, and businesses talk more about the importance of high standards to see the organization through the crisis. The fear of becoming a

scapegoat keeps many businesses at alert, and less inclined to ethical malpractice. Therefore, it values to investigate how ethical practices are managed and how management approaches may vary given small and large business involvement.

Largely the above explanations are true for big companies, particularly those that have much to lose if indicted for ethical misdemeanour. Businesses with slim chances of survival during recessions that have comparatively little or nothing to lose, particularly small business, may not succumb to the pressure of high ethical standards, rather for many, the pressure is mainly that of focusing attention on survival first, than maintaining ethical standards.

While the Ethics Resource Centre (2009) indicated that malpractices are low during recessions, the Health Care Compliance Association (HCCA, 2009 & 2010) and the Society of Corporate Compliance and Ethics (SOCCER, 2008 & 2009), in great contrast, reported that the current economic situation greatly increased the risk of compliance and induced greater ethics failures (HCCA, 2009 & 2010). These are opposing views that may not be true at all categories of business, especially for small or medium businesses.

Many studies have recommended an in-depth study of companies they survived the recession without any known trace of malpractice particularly small companies based on the assumptions that:

1.A relationship exists between global economic recession and business ethical management practices, which could vary according to scale of business, local or international (Batten & Hettihewa, 1999; Business Training & G.T. C. Institute, 2011).

2.Companies that emerged from the recession ethically sound possess some effective ethical management principles and practices essential for building the lasting ethical culture worthy of study and documentation as resources. In line with the opinion of Harned (2010), many believe that such companies hold the solution to the problem of business ethical malpractice (Batten & Hettihewa, 1999; Business Training & G.T. C. Institute, 2011).

This study, in addition to researching companies that emerged from the recession on sound ethical management principles, will also discuss these sound ethical practices in small and large business involvement, as a way of revealing best practices for curbing the wave of ethical malpractices.

4. Operational Definitions

Ethics. “Ethics are norms or standards of behaviour that guide moral choices about our behaviour and our relationship with others” (Cooper & Schindler, 2008, p.108). McGraw-Hill (2010) defines ethics as the recognized doctrines of what is right or wrong “that govern the conduct or behaviour of a person, the members of a profession, or the actions of an organization” (p. 3).

Business ethics. Refers to the universally accepted doctrines of what is right or wrong that controls the behaviour of business people.

Ethical strategy. All actions or courses of action that are not contrary to acceptable principles of right or wrong in the conduct of business are referred to as ethical strategy.

Ethical dilemmas. Are scenarios or situation in which there are no alternative solutions that are ethically sound or acceptable. For example, employing child labour in Bangladesh, where there is extreme poverty. Child labour is not ethically improper and not employing children of poverty means denying them a source of income and survival (McGraw-Hill, 2010, p. 11).

Ethical management principles. These consist of extant set of documented principles, values, policies, rules or guidelines in a business that guide actions and decision-making in a business, to make sure that they conform to business ethics. For example, the best practice principles, Chunghwa Telecom CO., LTD (2011).

Compliance and ethics program. Compliance and ethics program is a program that an organization should have mandated by the federal government to prevent and detect criminal conduct (United States Government, 2010).

5. Literature Review

While exploring the challenges faced by corporations McManus (2011) suggested revisiting ethics by incorporating and bringing it to the forefront of strategic management process in businesses and organizations. Mcmanus suggestion is based on the recent corporate scandals, Enron (Time, 2011), and ethical gaps discovered at the implementation stages of ethical and

moral obligations in cooperation (McManus, 2011). Reviewing ethical practices and standards in businesses has become important, and to do so with a focus on answering the research problem, the literature review will be organized into the following sections: (1) Compliance and Ethics Program: Federal Sentencing Guidelines, (2) Ethical Theory, (3) Ethics and determinants of business ethical behavior, (4) Ethical management structures in large and small firms.

5.1. Compliance and Ethics Program: Federal Sentencing Guidelines

Ethics are expected standards of behavior that guide moral choices about our behavior and our relationship with others” (Cooper & Schindler, 2008, p.108). McGraw-Hill (2010) defines ethics as the recognized doctrines of what is right or wrong “that govern the conduct or behavior of a person, the members of a profession, or the actions of an organization” (p. 3). In a firm, business ethics is represented by a code of ethics (documented) and what managers do or practices to make sure that sound ethical standards and culture is maintained throughout the organization, which together is referred to in this study as the ethical management principles and practices.

According to McGraw-Hill (2010) sound ethical management principles and practices involve the following:

- 1.A code of ethics that addresses all the potential areas from which ethical problems arise, such as hiring and promotion, organization culture and leadership, decision-making process, violation of rights and corruption.
- 2.Wide distribution of the code of ethics to all employees and its reinforcement in formal ways, especially through decision-making systems.
- 3.Training of workers in the art of ethical decision-making, and the skills to question authority when asked to do something that is ethically wrong.
- 4.Creating an avenue or a formal committee for employee to make their concerns known confidentially about ethical issues. An ethics committee for example as in the congress.
- 5.Swift and just discipline of ethical misconduct within the organization.
- 6.Emphasis on integrity always to all employees and new employees.
- 7.Modeling of ethical behavior by supervisors, managers and leaders (p. 145).

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These seven principles of ethical management practice will be part of the probing questions for examining ethical management practices in businesses. These seven principles align with the compliance and ethics program as outlined by the Federal Sentencing Guidelines (Ethisphere, 2011; United States Government, 2010).

One of the reasons why many companies see the need for business ethic is the federal government requirement, under the seven principles of federal sentencing guidelines (FSG) for effective compliance and ethics program. Chapter 8B2.1 of the FSG compliance and ethics program (United States Government, 2010 B) has the following requirement for companies:

1.The organization shall establish standards and procedures to prevent and detect criminal conduct.

2.(A)The organization's governing authority shall be knowledgeable about the content and operation of the compliance and ethics program and shall exercise reasonable oversight with respect to the implementation and effectiveness of the compliance and ethics program...Specific individual(s) within the organization shall be delegated day-to-day operational responsibility for the compliance and ethics program.

3.The organization shall use reasonable efforts not to include ...any individual whom the organization knew ...has engaged in illegal activities or other conduct inconsistent with an effective compliance and ethics program.

4.(A) The organization shall take reasonable steps to communicate periodically and in a practical manner its standards and procedures, and other aspects of the compliance... and

(B) by conducting effective training programs and otherwise disseminating information appropriate to such individuals' respective roles and responsibilities.

5.The organization shall take reasonable steps;

(A) to ensure that the organization's compliance and ethics program is followed, including monitoring and auditing to detect criminal conduct; to evaluate periodically the effectiveness of the organization's compliance and ethics program; and

(B) to have and publicize a system, which may include mechanisms that allow for anonymity or confidentiality, whereby the organization's employees and

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agents may report or seek guidance regarding potential or actual criminal conduct without fear of retaliation.

6.The organization's compliance and ethics program shall be promoted and enforced consistently throughout the organization through (A) appropriate incentives to perform in accordance with the compliance and ethics program; and (B) appropriate disciplinary measures for engaging in criminal conduct and for failing to take reasonable steps to prevent or detect criminal conduct.

7.After criminal conduct has been detected, the organization shall take reasonable steps to respond appropriately to the criminal conduct and to prevent further similar criminal conduct, including making any necessary modifications to the organization's compliance and ethics program (p. 1).

The federal government recognizes that large companies have more resources than small companies have, and stipulates in the guideline that large organizations should have structure that is more formal and apply greater resources in meeting the requirements and guideline than small organization. Furthermore, the federal sentencing guidelines (FSG) manual stipulates that large organization oversee small organizations they do business with and ensure or encourage them to implement effective compliance and ethics programs. Small organizations are expected to meet the guidelines with the same amount of commitment as large companies, but with less formality and fewer resources than would be expected of large organizations.

The major federal legislations that support the guidelines are listed in the Table (1) below:

Table: (1) *Major federal legislation affecting business managers*

Sherman Antitrust Act (1890)	Prohibits restraint of trade
Clayton Act (1914) such as price discrimination, exclusive creation of monopolies	Prohibits specific practices dealer arrangements and the

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Federal Trade Commission Act (1914)	Commission to prevent unfair methods of competition
Robinson-Patman Act (1936)	Prohibits price discrimination among wholesalers and retailers
Wheeler-Lea Act (1938)	Prohibits unfair and deceptive acts regardless of injury
RICO Act (1964)	Prohibits racketeering activity and the investment of such gains in interstate or foreign commerce
Lanham Act (1964)	Prohibits advertising from misrepresenting product characteristics
Foreign Corrupt Practices Act (1977)	Promotes effective internal control systems in international business
Trademark Counterfeiting Act (1980)	Provides penalties for counterfeit consumer goods
Nutritional Labeling and Education Act (1990)	Prohibits false health claims on processed foods

Sources: *Ferrell, LeClaire, & Ferrell (1989, p. 356)*

The federal guideline should work as a safety net if incorporated as part of organizational policy having in mind that “most crimes and unethical actions are not committed by individuals who want to advance themselves and destroy their organizations. Instead, they occur because of two

organizational factors: opportunity and the actions of peers and supervisors” as noted by Ferrell, LeClaire, & Ferrell (1989, p 361). Not having ethical codes, policies, and a culture enshrined in the federal guidelines, amounts to providing incentives and opportunities for unethical things to happen unrestrained. Price fixing, product misrepresentation, copyright violation is examples of employee actions of misconduct often intended to benefit the company, especially employees that see their success tied to that of their organization (Ferrell, LeClaire, & Ferrell, 1989). Furthermore, Ferrell, LeClaire, & Ferrell (1989), noted that “To avoid ethical issues an ethics program to improve the ethical climate is necessary to provide a buffer zone to avoid destructive ethical conflict. While there is always some ambiguity in making the correct ethical decision, only through top management involvement and open debate and discussion of ethical issues can mistakes be eliminated” (p. 4).

A company needs to have code of ethics and culture fashioned out of the federal sentencing guidelines for ethical compliances. It is clear that the code of ethics with the culture that buffers it should be well known to all employees and revising and updated the code of ethics and culture frequently jointly by all employees and staff during meetings is important. Thus, communication is a crucial factor in ethics compliance.

5.2. Ethical Theory

Ethical perceptions and behavior differ greatly between individuals, organizations and organizational settings or context and the interaction between the three Longenecker, Moore, Petty, Palich, & McKinney, 2005). This theoretical analogy draws from psychological theories by Kendrick, Maner, Butner, Li, Becker, and Schaller (2002, p. 347) “that examines and considers not only inherent factors within a person and the environment as factors that influence behaviors, actions and decisions, but also how these factors interact to influence the individual choices.” Agreeing with psychologists therefore, internal predispositions interact with environmental stimulus and affect the continual process of thought, feelings, and actions in a dynamic way. Hence, ethical behavior arises from set established personal values, but not without external influences, a contention that is central to

ethical theory generally and in business, such as the “person-situation-interactions” model by Trevino’s (1986). Personal variables, such as cognitive moral development and ego, on the one hand, and situational factors, like organizational structure, reward systems, and accountability emphases are factors that shape the ethical environment and behaviors; organizational factors or variables often override personal factors (Jackall, 1988; Trevino, 1986). There is a consensus among researchers that personal factors, organizational and situational or contextual factors affect ethical behaviors and decision-making and personal factors are diminished by organizational factors.

Above assertions by researchers (Jackall, 1988; Kendrick, Maner, Butner, Li, Becker, & Schaller, 2002; Longenecker, Moore, Petty, Palich, & McKinney, 2005; Trevino, 1986), form the basis for the choice to examine global recession as an organizational factor, and to assess its influence of the on the maintenance of sound ethical standards as it varies according to scale of business, local and international.

5.3. Ethics and determinants of business ethical behavior

There are five determinants of business ethical behavior (Figure1), which are personal ethics or personal factors, organizational culture, unrealistic performance goals, decision-making process, and leadership (McGraw-Hill, 2010). However situational factors, which may be personal or environmental factors can also influence ethical behavior. Environmental factors are independent and uncontrollable phenomenon like the economic down-turn, that affects both persons and businesses. Central to this study is organizational culture which defines the ethical management structures or principles in place in a business for maintaining effective business ethics and the effect of an environmental factor, which is the economic depression; how the organizational culture helped sustain the impact of the depression.

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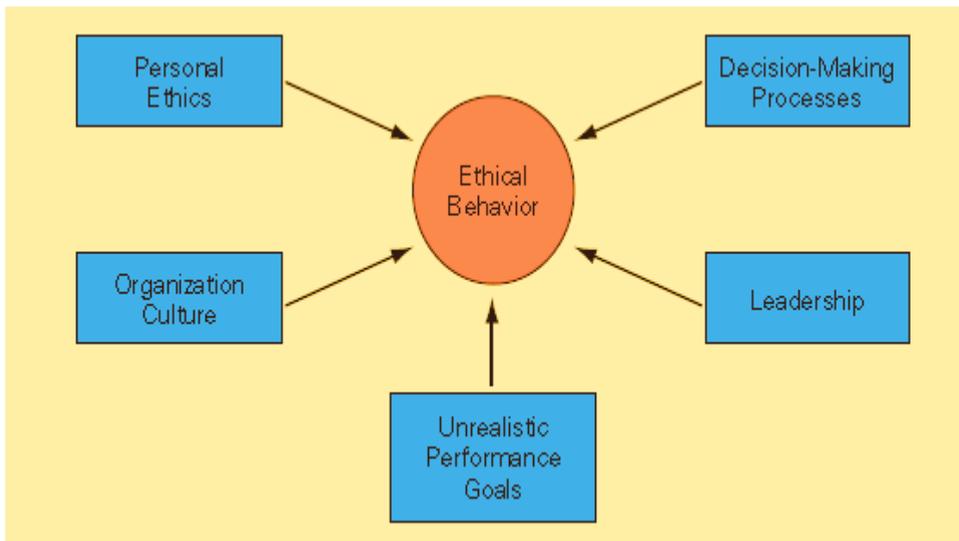


Figure (1): Five Determinants of Ethical Behavior by McGraw-Hill (2010)

Personal factors. Business ethics is not detached from personal ethics. Many small companies are owned and managed by entrepreneurs, and most businesses are run by managers who are people with individual ethics skills set. We know as individuals the fundamental truth about what is wrong or right and that telling a lie or cheating is wrong and unethical. We also know it is dignifying to stand up for what we believe to be right and true, at least from the civil rights actions, and many of these personal ethical codes that guides our behavior we learned from our family, our schools, our religion, and the media. Our individual ethical skills or personal ethical code exerts a profound influence on the way we behave as businesspeople (Brass, Butterfield, & Skaggs, 1998; McGraw-Hill, 2010; Trevino, 1986).

For example, the entrepreneur's ethical values and behavior invariably affects business ethics. Entrepreneurs are unique individuals whose main goal is the identification of new opportunities to exploit and are more likely to compromise ethics to achieve their goal. Confirming above assertion, Morris, Schindehutte, Walton, and Allen (2002) described what most entrepreneurs are prone to doing as, the willingness to enter zones of opportunity accessible only through the gate of malpractice that many will hesitate to pass. This supports earlier views by Kohlberg (1969) that most successful entrepreneurs

may be morally and ethically bankrupt and have poor cognitive moral development. Generally, some researchers (Brass, Butterfield, and Skaggs 1998; Longenecker et al. 1989; Spence and Rutherford, 2003; Vitell et al., 2000) have made the following conclusions about entrepreneurs and small businesses in contrast to big businesses regarding ethical decision-making:

1. Entrepreneurs take so many risks to achieve, which may have implications for ethical decision-making in their business. High need for achievement might mean lower ethical standards in small sole proprietor businesses than in big business, where one person does not make most decisions (Longenecker et al. 1989).

2. Ethical values and predispositions of sole proprietorship or small business have a far more direct effect on the practices of the business as a whole (Spence and Rutherford,

2003). Small companies are likely to be owner-managed, have unique needs and circumstances, and respond to some ethical issues stronger than to others, depending also on social inclination and environmental pressures (Brass, Butterfield, and Skaggs 1998; Vitell et al., 2000).

Contrarily, Mayo (1991), confirmed by findings in Aldrich and Fiol (1994) noted that entrepreneurs are more of guardians of their personal reputations than individuals who care less about their business practices and business ethics. Guiding personal reputation therefore serves to keep entrepreneurs from ethical misconduct and can be an essential platform for enterprise growth (Aldrich and Fiol, 1994). In large firms, ownership is separated from the business and personal reputation does not have any influence on ethical practice, a counter argument on the popular view that large firms are more ethically conscious.

To clarify the convoluted differences in opinion among researchers regarding ethics, studies in ethics must be broken down according characteristics, such as ownership or size, and scale of business so that differences in ethical practices can be meaningfully explored to make valid generalizations.

Unrealistic performance goals and decision-making process. Decision-making should not only consider financial gains, but be based in justice, good

moral judgment and fairness to all concerned (Brown & Trevino, 2006; McGraw-Hill, 2010). Determining ethical courses of actions, in setting goals, in hiring, promotion and firing must consider ethical principles otherwise they may be unrealistic. To ensure ethical issues are considered in decision-making, the process involves hiring and promoting people with sound knowledge of personal ethics, building a culture that emphasizes ethical behavior. Also, ensuring that managers and supervisors not only talk about ethics but act in an ethically conscious way, integrate ethics in all aspects of the decision making process in the business, and develop and promote moral courage (McGraw-Hill, 2010).

Organizational culture. To maintain ethical behavior, building an organization culture in which ethical behavior is highly valued is very important. Researchers agree that the first that is important in building such a culture is a clear assessment of a set of values that emphasize ethical behaviors essential to the organization. This is the preparation of documentation known as the code of ethics. The code of ethics is a formal statement of the ethical priorities and practices a business adheres to (McGraw-Hill, 2010; Trevino & Weaver, 2003) often grounded in Kantian and rights-based theories of moral philosophy reflected as values or mission of the business (Cooper & Schindler, 2008; Erdogan, Liden, & Kraimer, 2006; Sama & Shoaf, 2008; Trevino & Weaver, 2003). The second important step in building an ethical organization culture is developing an incentive and benefit system, whereby employees that engage in ethical behavior get some incentives or reward including promotion, and those who do not get no benefits (McGraw-Hill, 2010; Trevino & Weaver, 2003). This study will also examine the codes of ethics as well as incentive systems in the companies to be studied.

Organization culture are values and norms that must be built and shared among employees of an organization and must be deeply embedded in what is good, right, and desirable, and policies and guidelines for acceptable appropriate behavior and business decision-making. Ethical organizational culture was weak in Enron and was built on poor and despicable ethical values of greed and deception (McGraw-Hill, 2010).

Leadership. According to Brown and Trevino (2006), ethical managers and supervisors as leaders influence their workers, and the social relationships they create influences the relationship greatly and the adoption of the personal ethics of the leaders as well as that of the organization (Hansen, 2010). Therefore, building a sustainable ethical culture in the organization requires the leadership to set examples not only by demonstrating overt ethical behaviors, but also by establishing the ethical management structures, such as the codes of ethics, and the incentive systems and making sure they are being followed (Brower, Schoorman, & Tan, 2000; Brown & Trevino, 2006; Cory, 2004; McGraw-Hill, 2010). There is much to what a manager can do to maintain an ethical culture in an organization, including managing the challenges of an external situational factor, such as a global recession, which challenged to all stakeholders and the business itself.

Situational factors. Situational factors include both personal and environmental factors (Trevino, 1986). An example of environmental factors is the current economic recession that has imposed hardship on many businesses and employees. According to Aldrich and Auster (1986), and Morris, Schindehutte, Walton, & Allen. (2002), some situational factors that affect business or entrepreneurs' ethical practice include cash reserve limitations, limited market presence, stiff competitive, and "contextual factors... liability of smallness and the liability of newness, which recognize, respectively, that entrepreneurial firms often lack scale advantages and are prone to make mistakes as a result of inexperience" (p. 324). These conditions or factors induce entrepreneurs to justify and indulge in ethical compromises. Time pressure, cash shortfalls can induce the compromise of sound ethical standards and mean the difference between business success and failure.

6. Ethical Management Structures in Large and Small Firms

Institutions or large firms often take time to develop guidelines and practices for ethical decision-making as policies. Many large firms have available established code of ethics to guide decision-making, which is more common in large companies than in small businesses. In her study, Robertson (1991) in Longenecker, Moore, Petty, Palich, & McKinney, 2005, found that 60

percent of the large firms had a written code of ethics and 38 percent had ethics training programs. In contrast, only 33 percent of small businesses had a written code and 7 percent had ethics training programs.

Difference suggests that decision making in large firms is more regulated through an established management ethical standard framework, and therefore, managers of large firms are more ethically conscious compared to managers of small companies. In addition, it suggests that it is safe to conclude based on the findings by Robertson, that there exist more sound ethical management practices in large firms than in small firms. The question is how do these differences remain the same for firms involved in local business compared with those involved in international business?

It has been established that personal and situational or contextual factors, size, and ownership influence ethical standards and practice, and decision making in small businesses is likely to be less ethical, than on big business with established codes of ethics. However, the wave of ethical scandals in large corporation makes this assertion hard to swallow. While some researchers believe that small business owner's love of reputation and protection of their social capital compels them to indulge in sound ethical management practices, situational factors such as the need to succeed and achieve, or overcome challenging situations neutralize sound ethical drives among small businesses, especially in sole proprietorships where many have no established code of ethics.

Conclusion

Many factors affect ethical behavior and business ethics some are internal such as the personal ethics of leaders, managers and supervisors of the business, others are external or environmental such as the dealings of other firms and the economic decline. To maintain sound ethical standards towards building an ethical culture in an organization requires a documentation of a set ethical values and standards relevant to the organizational goals and mission, and managing them through an incentive and promotion system, referred to as ethical management principles and practices (McGraw-Hill, 2010; Trevino, 2006 & Weaver, 2003).

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The relationship between ethical management principles and practices and global recession, which according to Ethics Resource Center (2009) is positive, discloses a way out of ethical issues and malpractices. Based on the relationship between ethics management and ethical culture and recession, which is high during recessions, an in depth and systematic study of ethical management principles undertaken by many companies, which helped them survive through the economic downturn, can be conducted. This holds valuable information to businesses and government, especially such that can be applied for success in good business times (Ethics Resource Center, 2009; McGraw-Hill, 2010; Trevino, 2006 & Weaver, 2003). Therefore, a study of the ethical management principles undertaken by many companies, which helped them survive through the economic recession, and holds valuable information to businesses and government for stemming the tide of ethical malpractices will be the essence of this study.

The rise in ethical malpractices questions the skill, knowledge, and resourcefulness of ethics managers in businesses and the structures in place to maintain business ethics. This calls for a reexamination of their management principles, in addition to assisting in developing renewed ethical principles through research that can sustain business ethics at all times, as steps towards stooping the rising level of ethical malpractice in the U.S. and globally.

Ethical management practices vary according to personal, organizational, and situational factors, as well as according to size and firm's ownership and little is known about how it varies in firm involved in local only, compared with firms involve in both local and international business. Unfortunately, very few studies considering different categories of business have been systematically carried out on companies that successfully emerged as ethically sound; to discover those sound ethical management practices that helped them withstand the challenges of the economic obstacles. Findings from such studies will be a priceless resource to both the business world and to governments.

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