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Administration Sciences

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**Understanding Unethical Behavior in
Organizations Through Complexity and Narratives**

Summary of
Doctoral dissertation

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Győr, 2022

Research Questions of the Dissertation

Unethical behavior in organizations is societal issue that received significant attention lately in the international academic business ethics literature, but this does not seem to have translated into practice. We continue to hear about huge corporate scandals and see a plethora of non-publicized examples where corporate wrongdoing harms our society. Throughout the dissertation, unethical and immoral behavior, as well as wrongdoing are used to refer to actions that are committed within or by an organization and they may or may not be illegal, but they would clearly be deemed inappropriate and harmful by relatively impartial societal observers. Examples would include corruption; cheating and lying for monetary gains for an individual or the organization; harming stakeholders physically or mentally; or blatantly disregarding environmental and/or societal externalities.

In order to combat unethical behavior in organizations, we need new conceptual tools because we see that the

majority of compliance-based regulation as well as formal ethical programs built on the prescription of ethical codes and trainings have failed in most organizations (Treviño *et al.*, 1999; Remišová, Lašáková and Kirchmayer, 2019). But to replace these with more effective counter- or preventive measures, we need to understand the true nature of unethical behavior in business organizations.

Accomplished academics (Bazerman and Tenbrunsel, 2011; Ariely, 2013) have shown that the view that bad people, especially immoral business managers are responsible for unethical behavior in business is way too simplistic and mostly false. The dichotomy of bad apples (referring to bad people) versus bad barrels (referring to bad organizations) has also been shown to be futile (Kish-Gephart, Harrison and Treviño, 2010) therefore we need novel conceptual tools that can help us understand the emergence of corporate wrongdoing. This dissertation proposes two of these: complexity and narratives.

Most business ethics research rely on methodological individualism, through which the subject of the study is an individual agent being observed from an objective perspective, and any higher level of organization (e.g., a department, a company, an industry) is treated as nothing more than a simple aggregate of individual agents or lower-level organizations. In my dissertation, I am challenging this by building on the concept of complex adaptive systems. I build on previous empirical research that has shown how moral disengagement is related to unethical behavior and several other negative organizational outcomes, but research related to organizational level moral disengagement is rare (Newman *et al.*, 2019). I propose a new way of understanding the dynamics of moral disengagement, organizational culture, and unethical behavior. I introduce the concepts of phase transition, circular causality, and feedback loops in order to understand this process and illustrate through real life examples how this unfolds. The first research question of the dissertation is thus formulated as follows:

How do organizations, conceptualized as complex adaptive systems, become immoral?

Furthermore, to address how immoral business behavior integrates into the fabric of our society, we also need to see that the role of corporations today extends way beyond making profit for their shareholders. Companies have an active role in traditionally political functions such as dealing with environmental challenges, providing public goods, or public administration (Baur and Arenas, 2014; Scherer, Palazzo and Matten, 2014). All of this entails serious moral accountabilities and companies may fail to live up to certain moral standards because of the ambiguous understanding on these. A major reason for this is the creation of narratives that companies espouse as their autobiographies, helping them make sense of their own purpose and their relation to society. This is referred to as the narrative construal of reality (Bruner, 1996). These narratives may be coherent within organizations, but they may conflict with other elements of societal discourse, and this leads to a debate that is not based on

rational argumentation, but on the clash of values and beliefs. By studying such debates, we can better understand why corporations often lack the moral capacity for accountability for their unethical behavior. Therefore, the second research question of the dissertation can be formulated as follows:

How do organizational narratives influence the social discourse on the accountability of corporations?

The dissertation contains four research papers which contribute to answering these research questions from different perspectives. The first paper serves two purposes: first, it provides a brief introduction into the field of business ethics through a quick historical glance at its evolution since the 1970's and an overview of the topics discussed and researched by business ethics scholars; second, it reveals one of my motivations to work with this subject, namely that in my native country, Hungary, it is still a severely underrepresented area in the academic discourse about business.

The second paper discusses the importance of integrating complexity into business ethics and looks specifically at unethical behavior in organizations, connecting unethical behavior with moral disengagement and organizational culture. The most important novelty of this work is provided by taking a complexity-informed approach into understanding how these factors interact in a dynamic way.

The third paper introduces a methodology that is built on the theory of complex systems and has hardly ever been utilized in business ethics. This paper is an initial attempt of modelling the patterns of unethical behavior in organizations with this approach. Specifically, I use agent based computational modelling to simulate the spread of unethical behavior and I aim to understand the interaction of certain organizational and personal factors.

The fourth and final paper of the dissertation – co-authored with my supervisor, professor László Imre Komlósi, – integrates another main component to

business ethics: narratives. This paper also takes a different perspective from the previous two papers. The topic is still the unethical behavior of organizations, but it is viewed through the lens of societal discourse. Also, we have a more specific focus and look at social media companies in particular, and we explore how the accountability of these companies is affected by their narratives.

Methodology

First, I need to highlight that I do not follow the positivist (or post-positivist) research paradigm. Instead, my work is situated in the realm of naturalistic inquiry (Lincoln and Guba, 1985). The word *paradigm* here is not used exactly in the Kuhnian sense (Kuhn, 1970), but as it is defined by Lincoln and Guba, (1985), as a system of ideas and methods that are used for uncovering truth statements about the nature of reality, regardless of discipline.

The dominant positivist assumption in academic research is that the observer (the knower) can be fully

separated from the observed (the known) and this is necessary to achieve objective observation (knowledge). One of the basic tenets of naturalistic research posits, however, that no inquiry can be completely objective. Even behind rigorous scientific research, there is always a person or a group of persons who arrive at certain findings about a subject. Instead of trying to hide this, naturalistic inquirers are encouraged to account for their presence in the knowledge acquisition process and critically reflect on their work (Denzin and Lincoln, 2018).

Second, I build my research on a transdisciplinary approach. As its name suggests, transdisciplinarity requires that a problem is studied from multiple perspectives. It means not only going across but also going beyond disciplines (Klein, 2009). The concept was first used by Jean (Piaget, 1972), but it was later fully conceptualized by Basarab (Nicolescu, 2002). Transdisciplinarity rests not only on the proposition of multiple levels of reality and the axiom of the included middle (Nicolescu, 2014), but it also integrates the

concepts of complexity (Cilliers and Nicolescu, 2012), knowledge integration (Hoffmann, Pohl and Hering, 2017), and problem solving in the lifeworld (Hirsch Hadorn et al., 2008). As transdisciplinary research incorporates multiple levels of reality, my research also addresses unethical organizational behavior on the level of the organization as well as on the level of society.

Looking at the organizational level, Brand (2009) raises the methodological concern that much of the work done in business ethics relies on a positivist or post-positivist approach, using cross-sectional surveys and statistical analysis as a standard method. In business ethics, just like in business related research in general, there is an often-unstated assumption that methods that led to useful findings in the natural sciences are equally successful when studying social phenomena, such as business organizations (Mowles, Stacey and Griffin, 2008). This results in the dominance of methodological individualism, where the subject of the study is an individual agent, being observed from an objective

perspective, and any higher level of organization (e.g., a department, a company, an industry) is treated as nothing more than a simple aggregate of individual agents or lower-level organizations. Based on this assumption, "[e]thics surveys and climate studies are regularly employed but are mostly incapable of detecting or describing the tacit, unwritten rules that are the primary source of moral orientation in many organizations" (Painter-Morland, 2008, p. 5).

Similar to much of the social sciences, traditional modelling approaches in business ethics implicitly assume disorganized complexity (Weaver, 1948) where organized complexity would be an appropriate assumption (Miller and Page, 2009). This is important because in disorganized complexity the impact of phenomena that deviate from the mean are expected to average out; the occurrence of an extreme value to one end is supposed to be rare and it is supposed to be compensated by another rare extreme occurrence to the other end. However, interdependent occurrences in complex systems can reinforce each other and this can

result in emergent behaviors on the level of the system, such as self-organization and phase transition. Inputs and decisions in organizations occur continuously and form feedback loops that are fundamental for complex system phenomena.

Building on this, two papers in the dissertation conceptualize organizations as complex adaptive systems. The first such paper builds a conceptual framework that incorporates the dynamic interaction of moral disengagement and organizational culture to show how positive feedback loops drive the organization from a mostly ethical state to mostly unethical one through a phase transition.

In the second paper that looks at the level of the organizations, computational agent-based modelling is presented as a possible new method of understanding the spread of unethical behavior in organizations. In this project, NetLogo (Wilensky, 1999) is used for building the model. Wilensky and Rand (2015) distinguish two types of models based on the model's

objective: phenomena-based modelling and exploratory modelling. In the former the goal is to reproduce a known pattern on a higher level and investigate the mechanisms on the lower level that can provide explanation for the emergence of the pattern. In the latter, the agents are created with a preset behavior and the modeler observes the patterns that emerge on the system level (perhaps this is also a reason why the person running the model is referred to as the observer in NetLogo terminology). The first type corresponds to a top-down approach, where the research questions are preset and more exact, while the second corresponds to a bottom-up approach, where the research questions might be less clearly formulated, and the conceptual model is continuously evolving as the model is being built up and perfected. In my paper, I use the bottom-up approach.

When looking at the societal aspect of the research questions, the methods used in the dissertation are also different. In the final paper of the dissertation, co-authored with my supervisor, a case study is used

because we believed that in emerging human affairs, concrete, context dependent knowledge can often be more useful than attempts at formulating predictive and universal theories (Flyvbjerg, 2006). The case we have chosen is the 2019 congressional hearing of Facebook's founder, majority owner and CEO, Mark Zuckerberg. The reason for our choice was that at the time when we began our work, this was a current, heavily discussed, and well-documented public event involving the leading representative of a large corporation and numerous representatives of a regulatory body in a public debate whose main questions revolved around accountability.

We build our study on a hermeneutical analysis of a text that is the representation of the congressional hearing of Mark Zuckerberg. We found this to be the most suitable approach to achieving our goal of interpreting and understanding an event that is representative of the discourse on the accountability of social media companies. As part of the analysis, we collected quantitative and qualitative data from the text. The

quantitative data includes the number of words spoken by the participants related to each question during the hearing and the number of questions posed by each questioner. This data serves to facilitate aggregate level comparisons between different groups of participants and their interaction with the witness in the final section of the paper. In most of the paper, however, we rely on qualitative data, which is extracted through our understanding and contextualization of the utterances at the event.

First, we focus on what was told by Zuckerberg and how, but then we expand by analyzing the text as a conversation. We rely on the tools of conversation analysis (Hutchby and Wooffitt, 1998), and one of the ways to do this is by studying how sequences in the conversation are organized, for example, how adjacency pairs, such as questions and answers, influence the flow of conversations (Schegloff, 2007). We make use of the earlier mentioned quantitative data here, but we keep qualitative data in the focus of the analysis. We recorded the attitude of the questioners

during the hearing through coding it as positive or negative (Auerbach and Silverstein, 2003), but we also added neutral as a third option.

We have accessed the video of the complete testimony through YouTube (Guardian News, 2019) and a written transcript through an online transcription service provider (Rev.com, 2019). The most important advantage of using video in research is that it allows for a circular research design, making it possible to revisit the exact same source of data multiple times, while making 'manipulations' (pausing, rewinding, slowing down, etc.) that do not change the recording but enable the capturing of new information (Harris, 2016). Thus, we viewed the testimony and read the transcript in its entirety once while taking notes, and then we re-read and re-watched it in pieces when we assessed certain aspects of the text. A limitation of this analysis is that potentially important environmental details, such as the reaction of the attendants to certain utterances are barely or not at all captured. We also have to acknowledge that the narratives presented by Mark

Zuckerberg during the hearing may reflect much of his views, but how they are presented is certainly the result of conscious preparation by a team of experts, and thus they might differ from what and how the CEO would present under different circumstances. We contend, however, that even an imperfect analysis of the text that represents this hearing has strong illustrative support of the theoretical points proposed by our work.

Results

The dissertation contains four research papers which contribute in different ways to answering the research questions introduced earlier.

In the first paper I show that Business ethics can be understood in different ways, and through the conceptual framework of De George (2006) I discuss the three different strands of business ethics: the general ethics-in-business approach; business ethics as an academic discipline; and the incorporation of ethics into corporate regulation and codes. There is no overarching agreement that the development of

business ethics as a discipline had tangible impact on business, especially on a global level (Brenkert, 2019), but there are several researchers who argue that ethics pays (Trudel and Cotte, 2009; Blazovich and Cook, 2011) while others argue that having an emphasis on ethics in business provides long term benefits that may or may not be measurable in monetary terms (Paine, 2000; Witzel, 2018).

I also found that Hungarian business culture has some glaring issues and that an increasing role of business ethics could foster the needed improvement in this regard. Based on empirical data (Szerb and Kocsis-Kisantal, 2008) and the assessment of renowned experts of different disciplines (Hankiss, 2017; Kornai, 2017) I point out that unethical behavior is pervasive and entrenched in the practices of economic actors on all levels. Business organizations have to form certain attitudes and behavioral strategies to cope with these problems and this shapes the overall business culture of the country. Increased emphasis on research and education of business ethics is not going to solve this

problem alone, but it can help raise awareness and it might cultivate values and ideas in the future generation of business leaders that are largely neglected today.

In the second paper offers a novel, complexity-informed theoretical perspective on unethical behavior, and its relationship with moral disengagement and organizational culture. Previous empirical research has shown that moral disengagement is related to unethical behavior and several other negative organizational outcomes, but research related to organizational level moral disengagement is rare (Newman *et al.*, 2019). Also, looking for the connections between unethical behavior and organizational culture has been discussed before (Treviño, Butterfield and McCabe, 1998), but organizational culture in such a context is often understood as a static property, not as a dynamically evolving context that is continuously shaped by the members of the organization. A new way of understanding the dynamics of moral disengagement, organizational culture and unethical behavior is proposed through conceptualizing organizations as

complex adaptive systems which evolve over time as a result of circular causality and feedback loops, and occasionally go through phase transitions. When moral disengagement is rare, it occurs as a deviant process, but if it is not controlled by negative feedback mechanisms in the organization, it can become accepted to use moral disengagement strategies to 'cover up' unethical actions. As a result, moral disengagement appears among the artifacts, and as the self-sustaining process continues it can be openly voiced and finally becomes part of the ingrained norms of the organization. It should be an important goal for organizations to fight against and reverse such processes, but this is only possible if we have a good understanding of how they unfold.

In the third paper it is shown in detail how complex systems are qualitatively different from complicated systems, and that they cannot be well understood with reductionist models. Social systems, such as organizations are inherently complex, as they are comprised of conscious, autonomous agents whose

behavior is often not random and is full of interdependencies and feedback mechanisms. This paper proposed the use of computational modelling to gain understanding of the dynamic nature of unethical behavioral patterns in organizations. I created and described an initial model using the NetLogo programming environment. I managed to observe some interesting patterns with the help of this initial model, but much more work is needed to strengthen the model and apply tools with which more general conclusions can be drawn.

In the fourth paper Mark Zuckerberg's congressional hearing is analyzed as an example of the discourse on the societal accountability of social media companies. The official subject of the hearing was a financial innovation by Facebook and its relation to regulation, but several other important topics were discussed as well, such as data privacy; access to information; discriminative advertisement policies; and inference in national elections. It is found that there is no expert or group of experts that can provide objective resolution

to these issues, and thus they are subject to political argumentation. The vastly different interpretations of the same factual events through narratives highlight the epistemic problems that societies are facing when no traditional authority can claim hegemony over policymaking. Our observations show that this hearing represents a form of discourse driven by the propagation of political messages that are based on inherently incommensurable moral beliefs and values. This makes it very difficult to arrive at any resolution on the issues of accountability. As a theoretical advancement, we can see that analyzing such a complex discourse with the tools of narrative inquiry and argumentation theory can help us understand what moves the societal discourse forward, and what drives it to an epistemic stalemate. From a pragmatic perspective, this paper shows that studying this discourse without taking sides and deciding what is 'right' or 'wrong' – as much as this is possible through reflecting on our own biases – can further our

understanding of the accountability of Facebook and social media in our societies.

Author's Publications on the Topic

The dissertation fully contains four research papers, two of which are published, one is accepted for publication, and another is currently undergoing peer review. These are the papers in the same order in which they appear in the dissertation:

- Sneider, T. (2019) "Unethical Behavior and Business Culture: A Case for Business Ethics in Hungary," in *FIKUSZ 2019 - Symposium For Young Researchers*. Budapest, pp. 210–2020.

- Sneider, T. (in press) "How Organizations Lose Their Way: Unethical Behavior and Moral Disengagement in Complex Organizational Context," *Business & Professional Ethics Journal* [Preprint].

- Sneider, T. (2020b) "Unethical behavior in organizations - An agent-based approach," in *58th International Scientific Conference on*

Economic and Social Development. Budapest, pp. 250–261.

- Sneider, T. and Komlósi, L. (in press) "Social Media Companies' Accountability: The Case of Facebook's Narratives."

Additionally, parts of the following publication are used in the dissertation:

- Sneider, T. (2020) "Transdisciplinary Problem Solving: A new Approach for Validating Existing Literature," *Tér-Gazdaság-Ember*, 8(4), pp. 109–120.

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