Influence of Ethics Codes on the Behavior Intention of Real Estate Brokers

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ABSTRACT

Using structural equation modeling (SEM), this study investigates how business ethics codes and ethical evaluation influence ethical judgment and behavior intention on the part of real estate brokers. One respondent was drawn from each branch store. Analysis results show that the overall theoretical model has acceptable goodness-of-fit, representing support for the theoretical model in this study. A higher perception of business ethics codes or ethical evaluation implies a more positive influence on ethical judgment, and that real estate brokers are unlikely to violate ethics. In terms of a real estate broker’s perception of business ethics codes and ethical evaluation, the direct influence effects on their behavior intention is smaller than the indirect influence effects based on ethical judgment.

INTRODUCTION

Following the gradual recovery of Taiwan’s economy in recent years, the real estate business is also on the rise. As a result, the real estate brokerage industry has been expanding. However, due to different business types and the inconsistent quality of members, real estate broker perception of ethics codes also varies, resulting in consumers having a negative image of brokers. Weber (1990) pointed out that company employees should build, cultivate, and maintain long-term good relationships with their clients. The so-called good relationship should be established on ethical behavior.

According to Black (1983), business ethics codes represent a company’s responsibility regarding its personnel’s behavior. Companies typically hope that their personnel will abide by the law and cultivate a just organizational culture. Flynn (1995) indicated that companies follow ethics codes to reinforce personnel evaluation standards, judgments of right and wrong and their knowledge of legal rules. Conversely, Toffler (1991) argued that business ethics codes can reduce dilemmas when employees are faced with sophisticated ethical issues, and help them in identifying the best solution, so that they can be accountable for their behavior.

Numerous studies have investigated ethical behavior (e.g., Ferrell and Gresham, 1985; Hunt and Vitell, 1986; Trevino, 1986; Dubinsky and Loken, 1989). Hunt and Vitell (1986) proposed a general theory for marketing ethics, regarding the correlations among ethical evaluation, ethical judgment and behavioral intention (HV model for short). Many academics have used this model for empirical research (e.g., Mayo and Marks, 1990; Flory, Phillips, Reidenbach and Robin, 1992; Cohen, Pant and Sharp, 1998; Hunt and Vasquez-Parrage, 1993). However, such studies have usually neglected the influence of ethics codes on ethical judgment and behavioral intention.

Based on the path of HV theoretical model, this paper incorporates business ethics codes into ethical evaluation, ethical judgment and behavioral intention. This study also investigates perceptions of business ethics codes, their individual ethical evaluations and the influence between ethical judgment and
behavioral intention on the part of real estate brokers. This study applies structural equation modeling (SEM) to deal with the latent construct issue in ethical behavior. Few studies have investigated the influence of ethics codes on employee ethical judgment and behavioral intention. Even fewer studies have focused on the real estate industry. This study adopts real estate brokers as an example in investigating the relationships among business ethics codes, ethical judgment and behavioral intention.

LITERATURE REVIEW AND RESEARCH HYPOTHESES

Ajzen (1991) argued that behavioral intention is the best way for predicting individual behavior and that behavioral intention and behavior are strongly correlated, meaning that when a person has a strong behavioral intention toward a given behavior, he or she is likely to engage in the behavior; so using behavioral intention to judge behavior performance is suitable. Many researchers developed ethical decision making models, in which individual behavior intention is affected by ethical judgment or ethical evaluation (Ferrell and Gresham, 1985; Hunt and Vitell, 1986; Dubinsky and Loken, 1989; Mayo and Marks, 1990; Hunt and Vasquez-Parrage, 1993; Menguc, 1998). Understanding ethical evaluation is very important when measuring individual ethical judgment. The basic theorem or moral philosophy applied by individuals for ethical evaluation is not limited to a single concept; consequently, evaluation standards used by individuals when investigating ethical issues are based on the concept of plural moral philosophy.

Of the numerous ethical decision-making models, the general theory of marketing ethics, proposed by Hunt and Vitell (1986), has been the most widely used by researchers investigating business and marketing ethics. Based on this theoretical model (HV model), individual ethical evaluation may directly or indirectly influence individual performance for ethical behavior intention. With this model, the major influential factors regarding individual ethical decision-making in an organizational behavior can be better understood.

To summarize these academic researches, with any evaluation standards, individual ethical evaluation may affect judgment and intention of ethical behavior. The ethical behavior of individuals will also be affected by subjective judgment. Additionally, this paper proposes the following hypotheses: Hypothesis 1: high ethical evaluations positively influence individual ethical judgment. Hypothesis 2: real estate brokers with high ethical evaluation are less likely to violate ethical intention. Hypothesis 3: when real estate brokers are more positive concerning their ethical judgments, they are unlikely to violate ethical intention.

In fact, in addition to ethical evaluation and ethical judgment, a large number of factors exist that influence individual ethical decision-making behavior. Curtis (2000) used the members of the Institute of Management Accountants (IMA) as research subjects in investigating the influence of individual values, corporate ethical values, and IMA ethics codes on individual ethical behavior. The results showed that the ethics codes standards significantly influence individual behavior. Benson (1989) pointed out that without stipulated ethics codes, personnel are likely to behave in a manner that is not in compliance with the codes, and to rationalize their behavior, especially when an organization does not aggressively discipline those who transgress the codes. Bequai (1983) pointed out that ethics codes are a tool for preventing employees from behaving unreasonably because rules are like laws or regulations, articulating the scope of behavior that is unacceptable or illegal in an enterprise, and therefore affect employee ethical judgment. It demonstrates that the implementing of business ethics codes enhances employee ethical behavior. Consequently, we believe that ethics codes also affect ethical judgment and
behavioral intention. We propose the following hypotheses: Hypothesis 4: when real estate brokers have a strong perception of business ethics codes, this perception has a positive influence on their individual ethical judgment. Hypothesis 5: when real estate brokers have a strong perception of business ethics codes, they are unlikely to violate ethical intention.

**STUDY DESIGN**

**Establishing a linear structure model**

Based on the literature review and investigation, we hypothesize that when real estate brokers have a high ethical evaluation, $\xi_2$, it positively influences their individual ethical judgment, $\eta_1$, and expectations, $\gamma_{12}$, a positive sign; when real estate brokers have a high ethical evaluation, $\xi_2$, they are unlikely to violate ethical intention, $\eta_2$, and expectations, $\gamma_{22}$, a positive sign; when real estate brokers manifest positive ethical judgment, $\eta_1$, they are unlikely to violate ethical intention, $\eta_2$, and expectations, $\beta_{21}$, a positive sign; when real estate brokers have a strong perception of business ethics codes, $\xi_1$, these codes have a positive influence on their individual ethical judgment, $\eta_1$, and expectations, $\gamma_{11}$, a positive sign; and when real estate brokers have a high perception of business ethics codes, $\xi_1$, they are unlikely to violate ethical intention, $\eta_2$, and expectations, $\gamma_{21}$, a positive sign. As shown below, is a structure model for the variable relationship this paper is going to testify:

![Diagram](image-url)

Where:

- $\xi_1$, $\xi_2$: are exogenous latent variables, respectively representing business ethics codes and ethical evaluation.
- $\eta_1$, $\eta_2$: are endogenous latent variables, respectively representing ethical judgment and behavior intention.
- $\gamma$: is the relationship of exogenous latent variables to endogenous latent variables.
- $\beta$: is the relationship of endogenous latent variables with endogenous latent variables.
- $\xi$: is structure error.
- $\phi$: is the relationship of exogenous latent variables with exogenous latent variables.

**The definition of research variables and their operability**

(1). **Business ethics codes**

Business ethics codes are extensive in their scope, e.g., “the relationship between a company and its personnel,” “the ethical relationship among personnel,” “the influence of a company on its environment,” “business bribery,” “internal information,” “conflict of interest,” “consumer relationship,” “political activities and donations,” etc. (Benson, 1989). However, as real estate brokers are the subjects in this study, “the relationship between a company and its personnel” and “consumer relationship” are emphasized in ethics codes. Moreover, this study adopts the following four business ethics codes: “sales credibility,” “organization credibility,” “system and education training,” and “ethical rules of unit supervisors”.

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(2). Ethical evaluation

This study applies the multidimensional ethics scale developed by Reidenbach and Robin (1988) for measuring respondent ethical evaluation. The scale includes five constructs with 17 questions: 3 justice questions; 4 relativism questions; 3 egoism questions; 3 utilitarianism questions; and 5 deontology questions. They are used to measure basic ethical viewpoint for the five constructs.

(3). Ethical judgment

Ethical judgment is also called moral judgment, in referring to the inferential model an individual confronts under an ethical dilemma (Kohlberg, 1984), where the so-called inference refers to Kohlberg’s moral development stage. Thus, this study defines operability of ethical judgment as the extent of a given ethical behavior that an individual is, or isn’t, trying to perform. This study uses a multidimensional scale to measure the performance of real estate broker’s ethical judgment and behavioral intentions. The scale coincides with the application of ethical scenario-based vignettes, such that respondents can assess the simulated issue based on their standards for ethical behavior.

(4). Behavior intention

Ajzen (1991) argued that behavior intention represents the subjective odds that an individual will engage in a certain behavior. Thus, we define behavioral intention as a tendency of individuals to take action in the future according to their subjective judgment. It can be used to predict behavior. After the respondents read two ethical scenario-based vignettes, respondents answered intention questions regarding “the possibility for individuals performing such behavior” and “the possibility that other trade members will conduct such behavior”. Moreover, the ethics codes scale, ethical evaluation, ethical judgment and behavioral intention used in this study are all measured using a Likert 7-point scale.

Questionnaire design

The questionnaire includes three parts. The first part compiles respondent basic information; the second part has 15 questions regarding business ethics codes; and the third part has 20 questions regarding “ethical evaluation,” “ethical judgment” and “behavioral intention.” Since this study uses multidimensional ethics scale to measure ethical evaluation, the third part of the questionnaire has to be in conjunction with the ethical dilemma vignettes. In addition, based on the statistical data for common local disputes during real estate transactions for 2002 through 2004 released by the Ministry of the Interior, this study adopts two common scenarios (fact concealing and authorization abuse).

Sampling design

The study population is based on 1,158 branch stores of corporate and franchising agencies registered with the Department of Land and Administration, MOI in January 2005. One respondent was drawn from each branch store. In total, 700 questionnaires were mailed to recruited subjects. The survey was made between February and March of 2005. In total, 306 responses were received, representing a response rate of 43.71%. After excluding invalid responses, 296 remained, representing a valid response rate of 42.29%.
DESCRIPTION OF SAMPLE STATISTIC

Of the real estate broker population, 62.8% were male and 38.2% were female. Ages ranging from 26-30 years accounted for at 24.6% of respondents, whereas 20.1% were aged 31-35 years, and 19.1% were aged 36-40 years. The majority (52.0%) of brokers were married. College graduates accounted for 41.6% of brokers, whereas 29.7% had an education lower than senior (vocational) high school and 27.0% were university graduates. Roughly 19.7% of respondents had incomes of NT$0.71–0.9 million, 17.3% had incomes of NT$0.31-0.5 million and 16.9% had incomes of NT$0.51-0.71 million.

ANALYSIS OF EMPIRICAL RESULTS

Reliability test and Validity test

The test results in Table 1 show that, in the scale of business ethics codes, Cronbach’s α of organization credibility is 0.434, and that of sales credibility is 0.644, close to 0.70. Cronbach’s α of various constructs in ethical evaluation scale is bigger than 0.71, and that of behavior intention is 0.697, also close to 0.70. As a whole, reliability levels for the scales are all >0.7, an acceptable level as suggested by Nunnally (1978).

Table 1: reliability test and validity test

<table>
<thead>
<tr>
<th>Factors or constructs</th>
<th>items</th>
<th>Cronbach’s α</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business ethics codes:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales credibility</td>
<td>6</td>
<td>0.644</td>
</tr>
<tr>
<td>Organization credibility</td>
<td>2</td>
<td>0.434</td>
</tr>
<tr>
<td>System and education training</td>
<td>4</td>
<td>0.892</td>
</tr>
<tr>
<td>Ethical rules of unit supervisors</td>
<td>3</td>
<td>0.845</td>
</tr>
<tr>
<td>Ethical evaluation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Justice</td>
<td>3</td>
<td>0.923</td>
</tr>
<tr>
<td>Relativism</td>
<td>4</td>
<td>0.941</td>
</tr>
<tr>
<td>Egoism</td>
<td>3</td>
<td>0.852</td>
</tr>
<tr>
<td>Altruism</td>
<td>3</td>
<td>0.921</td>
</tr>
<tr>
<td>Deontology</td>
<td>4</td>
<td>0.891</td>
</tr>
<tr>
<td>Behavior intention:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>0.697</td>
</tr>
</tbody>
</table>

This study uses factor loading as the measurement standard for construct validity. The factor loading of questions in various scales all reached significance level, thus displaying good construct validity. To ensure a strict and intact manner, confirmatory factor analysis (CFA) was used to respectively test convergent validity and discriminant validity of constructs.

(1). Convergent validity

Results of second-order confirmatory factor analysis for the ethical evaluation for business ethics codes, scenario 1 and scenario 2 are as follows: $\chi^2$.164.325( $p < 0.05$), 281.6( $p < 0.05$) and 264.167( $p < 0.05$)\textsuperscript{10} $; \chi^2 / df$, 2.61, 3.02 and 2.84 ; RMSEA, 0.074, 0.083 and 0.079 ; RMR, 0.067, 0.134 and 0.105; GFI, 0.934, 0.902 and 0.909; AGFI, 0.874, 0.838 and 0.850; NFI, 0.931, 0.956 and 0.950, CFI, 0.956, 0.970 and 0.967 ; and IFI, 0.956, 0.970 and 0.967 . For whatever ethics codes,
scenario 1 and scenario 2, except for the $\chi^2$ test and RMR value not reaching standards and AGFI value < 0.9 which is still within the reasonable range of 0.80-0.89, other overall model fit indices all surpass 0.9, a level required for optimal fit.

(2). Discriminant validity

Discriminant validity is a model used to calculate the chi-square value difference between a path parameter between two constructs with set value of 1 and unrestricted model. Test results show that the business ethics codes scale and ethical evaluation of scenario 1 and scenario 2 all have good discriminant validity.

Test and analysis of research hypotheses

Evaluation of model fit is conducted prior to verifying the rationality of research hypotheses.

(1). Evaluation of model fit

i. Preliminary fit criteria

The two scenario-based vignettes (concealing information and abusing authorization) in this study all attain significance levels that fall somewhere between 0.5 and 0.95; no negative values exist for variance of measurement errors. As a whole, they are within acceptable range.

ii. Overall model fit

Measurement indices for overall theoretical model in this studies for scenario 1 and 2 are as follows: $\chi^2$, 103.6 ($p <0.05$) and 105.4 ($p <0.05$); chi-square ratio ($\chi^2/df$), 2.80 and 2.84; RMSEA, 0.079 and 0.081; GFI, 0.941 and 0.941; AGFI, 0.876 and 0.877; NFI, 0.955 and 0.953; CFI, 0.970 and 0.965; and IFI, 0.971 and 0.968. Only AFGI was <0.9; however it was still within the reasonable range of 0.80 and 0.89. Other indices are >0.9, a level required for optimal fit.

iii. Fit of the internal structure of the model

The composite reliability of latent variables is >0.7 and average variance extracted for latent variables exceeds 0.5. Reliability coefficients of constructs in the two scenario-based vignettes are all surpass 0.5, an acceptable level, illustrating that the fit of internal structure of the model is acceptable.

(2). Verification of hypothesis relationship

Hypothesis 1: Ethical evaluation has a positive influence on ethical judgment. According to the path coefficients of theoretical structure model (Table 2), ethical evaluation has positive path coefficients with ethical judgment, in which the positive direct influence effects are $\gamma_{12}$= 0.44 and 0.43 ($p <0.01$), illustrating that when real estate brokers have a high ethical evaluation, their individual ethical judgment is positively affected. Thus, Hypothesis 1 is supported.

Hypothesis 2 states that ethical evaluation has a positive influence on behavioral intention; so ethical evaluation has positive path coefficients with behavior intention, in which the positive direct influence effects are $\gamma_{22}$=0.13 and 0.14 ($p <0.01$), illustrating that when real estate brokers have higher ethical evaluation, they are likely to comply with ethics codes. Thus, Hypothesis 2 is supported.

Hypothesis 3 states that ethical judgment has a positive influence on behavior intention; consequently, ethical judgment has positive path coefficients with behavior intention, in which the positive direct influence effects are $\beta_{21}$=0.77 and 0.77 ($p <0.01$), illustrating that when real estate brokers are more positive concerning their ethical judgments, they are less likely to have the intention of not complying with ethics. Thus, Hypothesis 3 is supported.
Based on the test results for hypotheses 1, 2 and 3, real estate broker ethical evaluation has a positive influence on their judgment criteria for identifying ethical behavior. Thus, through ethical educational training, seminars and symposiums, an enterprise can enhance its employees’ ethical behavior and further reinforce their judgment criteria for determining ethical behavior. In this way, the employees will be unlikely to violate ethics during a transaction process.

Hypothesis 4 states that business ethics codes positively influence ethical judgment. Also according to the path coefficients (Table 2), business ethics codes have positive coefficients with ethical judgment, in which positive direct influence effects are $\gamma_{11}=0.15$ and $0.14 \ (p < 0.05)$. This finding represents that when real estate brokers have higher perception of business ethics codes, individual ethical judgment will have positive effects. Thus, Hypothesis 4 is supported. Hypothesis 5 states that business ethics codes positively influence behavior intention. According to empirical results, business ethics codes have positive coefficients with behavior intention, where positive direct influence effects are $\gamma_{21}=0.11$ and $0.10 \ (p < 0.05)$. This finding represents that when real estate brokers have higher perception of business ethics codes, they are unlikely to violate ethics codes. Thus, Hypothesis 5 is supported.

The test results for hypotheses 4 and 5 suggest that other than being influenced by family, education or organizational training, employee ethical behavior will also be influenced by organization environment factors (e.g., ethics codes). This finding echoes those proposed by Gatewood and Carroll (1991) and Weber (1990). Notably, the reason that ethics codes are treated as a tool for preventing employees from conducting unreasonable behavior is because rules are like laws or regulations for employees; that is, they articulate a definition of the scope of the behaviors that are acceptable, unacceptable or illegal in an enterprise. Such codes therefore affect employee ethical judgment.

Empirical results show that for scenario 1 or 2, the five hypotheses in this study all held, and that their estimated parameters are also very close. Thus, this study utilizes two ethical scenario-based vignettes to measure the appropriateness of individual ethical behavior. It will not result in different effects due to the variance of the scenario-based vignettes.

<table>
<thead>
<tr>
<th>Table 2: Analysis of theoretical structure model – concealing situation (scenario 1) - abuse of authorization (scenario 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Variables</strong></td>
</tr>
<tr>
<td>-----------------------</td>
</tr>
<tr>
<td>Business ethics codes</td>
</tr>
<tr>
<td>Business ethics codes</td>
</tr>
<tr>
<td>Ethical valuation</td>
</tr>
<tr>
<td>Ethical valuation</td>
</tr>
<tr>
<td>Ethical judgment</td>
</tr>
</tbody>
</table>

Note: the estimated coefficient is the standardized value, where "**" is $p < 0.01$, "*" is $p < 0.05$. 

(3). Analysis of influence effects amongst variables

The indirect and overall influence effects of scenario 1 and scenario 2 (Table 3), show that business ethics codes have a positive indirect influence effects on behavior intention. Through the path of \( \gamma_{11} \beta_{21} \), direct influence effects (\( \gamma_{21} \)) are 0.11 and 0.10 respectively, whereas the indirect influence effects (\( \gamma_{11} \beta_{21} \)) are 0.12 and 0.11, respectively. Thus, the overall influence effects are 0.23 and 0.21, respectively. Individual ethical judgment is the most significant factor influencing real estate broker behavioral intention; ethical evaluation (overall effect), and business ethics codes (overall effect) were secondary in importance. In the influence of business ethics codes and ethical evaluation on behavior intention, the influence through ethical judgment (indirect effect) is greater than that of direct effects. Illustrating this, in addition to the influence of business ethics codes, individual ethical behavior is also greatly influenced by individual subjective judgment.

Table 3: Direct effects, indirect effects and overall effects of each construct – concealing situation (scenario 1) 、 abuse of authorization (scenario 2)

<table>
<thead>
<tr>
<th>Path relationship</th>
<th>Direct effect</th>
<th>Indirect effect</th>
<th>Overall effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business ethics codes ( \rightarrow ) ethical judgment</td>
<td>0.15</td>
<td>0.14</td>
<td>0.15</td>
</tr>
<tr>
<td>Business ethics code ( \rightarrow ) behavior intention</td>
<td>0.11</td>
<td>0.10</td>
<td>0.23</td>
</tr>
<tr>
<td>Ethical evaluation ( \rightarrow ) ethical judgment</td>
<td>0.44</td>
<td>0.43</td>
<td>0.44</td>
</tr>
<tr>
<td>Ethical evaluation ( \rightarrow ) behavior intention</td>
<td>0.13</td>
<td>0.14</td>
<td>0.47</td>
</tr>
<tr>
<td>Ethical judgment ( \rightarrow ) behavior intention</td>
<td>0.77</td>
<td>0.77</td>
<td>0.77</td>
</tr>
</tbody>
</table>

Note: the estimated coefficient is the standardized value.

CONCLUSION

Study results first show that when real estate brokers have a good understanding of business ethics codes, they are expected to be more positive in their individual ethical judgments. Real estate brokers who believed that the behavior in the scenario did not comply with professional ethics are unlikely to have an intention to not comply with ethics during business practice; consequently, business ethics codes should be regulated in enterprises. Study results show that business ethics codes directly influence behavior intention, indicating that when individuals have good understanding of business ethics codes, they will be less likely to have the intention to violate ethics in their business practice. The influence of business ethics codes and ethical evaluation on behavioral intention indicates that the influence through ethical judgment (indirect effect) is greater than that of direct effects. Thus, in addition to the direct influence of business ethics codes, individual subjective judgment also plays a significant role.

Over the past years, the real estate brokerage industry in Taiwan has been devoted to enhancing its corporate image and aggressively offering a variety of professional services with the goal of raising public perception of the real estate industry. This image must be built without violating ethics in their business practice. Thus, business ethics codes become a crucial tool in guiding them to behave ethically; consequently, when facing ethical dilemmas, brokers will have a guide in a timely manner and avoid behaviors which do not comply with ethics.
This study uses a multidimensional ethics scale in conjunction with ethical scenario-based vignettes for its measurements. These vignettes are concealing information and abusing authorization. However, to effectively measure employee ethical behavior, future studies can prepare different ethical scenario-based vignettes for employees to answer, and thereby verify whether individual ethical behavior varies with differing vignettes.

NOTE

1 Loch and Conger (1996) postulated that the relationship between attitude and behavior are affected by intention, especially in ethical behavior issues. Respondent actual ethical behavior cannot be directly measured, so it is necessary to deal with intention when investigating the relationship between ethical attitudes (perception and evaluation) and behavior.

2 Based on Reidenbach and Robin (1988), contending differing ethical evaluation viewpoints result from different moral philosophies; individual ethical evaluation models can be classified into five types, namely: justice, relativism, egoism, altruism and deontology, in which deontology is also called moralistic and altruism is teleological. The standard of ethical evaluation for justice places more focus on the rational and legal aspects of an action. Rather than absolute right or wrong, the ethical evaluation standard of relativism measures right or wrong relatively against each individual standard, and the standard varies with each situation. Thus, no common and effective moral principle exists. The ethical evaluation standard of egoism is centered on self-interest. The ethical evaluation standard of altruism is based on the welfare of a group or society. For deontology, the ethical evaluation standard focuses on the consistency of right and wrong.

3 When researching ethical behavior, respondents are likely to deliberately match or avert some sensitive questions. This problem can be countered by using scenario-based vignettes (Reidenbach and Robin, 1988).

REFERENCES


