

When Ethical Tones at the Top Conflict: Adapting Priority Rules to Reconcile Conflicting Tones

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ABSTRACT: While tone at the top is widely regarded as an important predictor of ethical behavior in organizations, we argue that recent research overlooks the various conflicting ethical tones present in many multi-organizational work settings. Further, we propose that the resolution processes promulgated in many firms and professional associations to reconcile this conflict reinforce the tone at the bottom or a tone at the top of the employee's organization, and that both of these approaches can conflict with the tone at the top of other important organizations such as professional and regulatory organizations. Here we adapt Integrative Social Contract Theory's priority rules to propose a multi-tone reconciliation process which prioritizes conflicting ethical tones based upon features of the organization and the effects on society. Using three contextualizations (overbilling, worker safety and client advocacy), we demonstrate the effectiveness of the multi-tone reconciliation process over current processes. We conclude with recommendations for future research and implications for practice.

KEY WORDS: tone at the top, ethical leadership, norms, auditor ethics, integrative social contract theory, priority rules, ethical decision-making

IN THE LAST TEN YEARS, research on the tone at the top has flourished in the fields of accounting, management and business ethics (Brown & Treviño, 2006; Lail, McGregor, Stuebs, & Thomasson, 2015; Mayer, Aquino, Greenbaum, & Kuenzi, 2012; Mayer, Kuenzi, & Greenbaum, 2010; Pickerd, Summers, & Wood, 2015; Schmidt, 2014; Treviño, Weaver, & Brown, 2008). In this research, the tone at the top is consistently described as a critical, singular message emanating from the top of an organization. For instance, Skaife, Veenman and Wangerin (2013: 92) describe the tone at the top as "top management's attitude towards creating and maintaining an ethical culture in the workplace," and Mayer et al. (2012: 167) explain, "Leaders set the ethical tone of an organization and are instrumental in encouraging

ethical behavior..." This description of the tone at the top as a singular message, however, is inconsistent with the tone at the top in practice. In contrast to what the literature asserts, many modern work settings include multiple organizations and multiple tops. Further, these multiple tops often produce multiple ethical tones that conflict. For instance, nurses may receive competing ethical tones from the top of their hospital, their professional association and the doctors that they support, and factory workers may find that their factory leadership sets an ethical tone that conflicts with their country's safety regulations or their firm's headquarters.

Confusion over the singular tone at the top is demonstrated by the many conceptualizations of tone at the top in the literature. These parties include the board of directors (Shwartz, Dunfee, & Klein, 2005); the chief executive officer (COSO, 1992; Weber, 2010); the chief financial officer (Arel, Beaudoin, & Cianci, 2012); the firm's upper management (Hansen, Stephens, & Wood, 2009; Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009); the client's upper management (Cohen, Krishnamoorthy, & Wright, 2010) and the client's audit committee (Aghazadeh, Kang, & Peytcheva, 2015; Vera-Munoz, 2005). Importantly, any of these parties may possess a tone at the top that conflicts with the other parties as well as the tone from leaders of regulatory or professional organizations.

Given the potential conflict between ethical tones from multiple organizational leaders and the lack of attention to such conflict in the existing literature, the purpose of our paper is to address the problem of tones from multiple tops by considering possible reconciliation processes and proposing a solution that draws upon priority rules introduced in Donaldson and Dunfee's (1994, 1999) Integrative Social Contract Theory (ISCT). We begin by reviewing the many conceptualizations of tone at the top. We then explain why conflicting tones from multiple tops are problematic for an employee and we seek a means for reconciling such conflict. We turn to common processes promulgated by firms and professional organizations, which implicitly address conflicting ethical tones through guidance on how to approach ethical dilemmas. We note these processes favor a tone at one organizational top or favor the tone at the bottom. In order to broaden the scope of employee decision-making, we adapt ISCT's priority rules for the purpose of proposing a new reconciliation process that guides employees by prioritizing the conflicting tones at the top. Importantly, our proposed system of reconciliation limits the priority of any one organization by considering significant adverse effects on humans and communities. In the last section of the paper, we demonstrate the efficacy of our multi-tone approach over other approaches (tone at the bottom, tone at one top) in reconciling competing ethical tones by analyzing three contextualizations involving multiple organizations: overbilling, client advocacy and worker safety. Our main contribution lies in not only identifying competing approaches to reconciling influence from multiple leaders but also proposing a new reconciliation process grounded in normative theory which can be empirically tested. In all, our paper draws from normative research to advance theory on tone at the top and suggests that although research on tone at the top has made progress in the last decade, much more theoretical and empirical research is needed to fully understand the importance of tone at the top in a multi-organizational work setting.

TONE AT THE TOP

Tone at the top is a concept that originated in accounting as part of the Treadway Commission Report of 1987 (Brief, Dukerich, Brown, & Brett, 1996; COSO, 1987). Thought to be an important predictor of unethical conduct and, in particular, accounting fraud, the Treadway Commission Report (COSO 1987) notes that, “The tone set by top management—the corporate environment or culture within which financial reporting occurs—is the most important factor contributing to the integrity of the financial reporting process” (32). Following this report, many of the accounting policies and regulations in the United States recognized and emphasized the importance of the tone at the top in organizations (AICPA, 2002a; COSO, 1992, 2004, 2013; International Auditing and Assurance Standards Board, 2008).

In recent years, the concept of tone at the top has also been adopted by general management and business ethics literatures as part of the emphasis on ethical leadership (Brown & Treviño, 2006; Mayer et al., 2009; Mayer et al., 2012; Treviño, Brown, & Hartman, 2003; Treviño et al., 2008). While ethical tone at the top is not precisely defined by researchers, it is meant to capture the ethical messages conveyed by a person in a leadership role. As Mayer and colleagues (2010: 9) explain, “Leaders set the tone for an organization by enacting practices, policies, and procedures that help facilitate the display of ethical behavior and reduce the likelihood of misconduct.” Tone at the top is thought to be an important precursor to, or reinforcement of, an ethical culture or ethical norms and therefore researchers place great weight upon it. In this section, we review conceptualizations of tone at the top in the current literature and then consider the possibility for conflict in ethical tones.

Identifying the Top

Perceptual studies of employees shed light on not only what constitutes the tone at the top but also difficulties in locating the top of an organization. In the Ethical Leadership Survey (2014) conducted by the Ethics Resource Center, a large sample of private sector United States employees were asked which factors most contribute to the employee’s perceptions of tone at the top and the most common responses were the leader’s interpersonal interactions, the leader’s response to crises and the leader’s adoption of policies and procedures. Yet considerable variance existed in *who* the employees considered to be the top of the organization. Employees most frequently identified their direct supervisor as top management (39%), then the president or CEO (26%), followed by the head of a location (12%) or region (11%). A small percentage of respondents identified the head of the employee’s business unit (5%), the supervisor’s boss (4%) and the board of directors (3%) as top management.

Similarly, academic research includes many discussions on the top of the organization, and these discussions often differ in the definition of the top. For instance, research in management and business ethics tends to take an intra-organizational perspective and to focus on the leaders within a firm. In contrast, research in accounting tends to take an inter-organizational perspective and to focus on the leaders of an outside (client) firm. Furthermore, other research identifies an organization’s board of directors as the top. Below we discuss the three approaches.

Leaders and managers. In the management literature, the most common conceptualization of the top of the organization is that of the “dominant coalition” (Hambrick & Mason, 1984). The coalition is described as the upper echelon of a firm and includes those individuals or teams in influential organizational positions. For instance, Treviño and colleagues focus on senior executives (Treviño et al., 2003) and senior managers (Treviño et al., 2008), and Mayer and colleagues (2010, 2012) focus on supervisors.

Leaders from a client firm. In contrast to the intra-organizational perspective in management research, research in accounting typically takes an inter-organizational perspective. In this perspective, the tone that most influences the decision of an auditor is from a top outside of the auditor’s firm. For instance, many studies on external auditors focus on the tone at the top of their clients’ firms as an indicator of the risks of fraud and related unethical behavior (Kizirian, Mayhew, & Sneathen, 2005; Skaife et al., 2013). Only a few studies directly study the tone in the auditor’s firm (Douglas, Davidson, & Schwartz, 2001; Pickerd et al., 2015; Sweeney, Arnold, & Pierce, 2010).

Board of directors. Other scholars look beyond managers within the firm or the client’s firm and conceptualize the organizational top as the members of the board of directors. Board members “play a leading role in corporate governance and any significant reforms must encompass their role” (Schwartz, Dunfee, & Kline, 2005: 79). For instance, many studies in accounting focus on the influence of the audit committee, a subset of the board of directors responsible for overseeing the audit and for appointing and dismissing external auditors (Aghazadeh et al., 2015; Ng & Tan, 2003; Pomeroy, Hoang, & Fiolleau, 2012). Indeed, these committees have a fiduciary responsibility and corporate governance role that is critical to financial reporting (Beasley, Carcello, Hermanson, & Neal, 2009; Cohen et al., 2002, 2010; Gendron, Bedard, & Gosselin, 2004).

Although prior research includes many conceptualizations of tone at the top, it fails to consider that these tops may produce ethical tones that conflict. Related research, however, provides a window into the possible conflicts that may exist between the various conceptualizations. For example, research on organizational ethical sub-climates (Weber, 1995) demonstrates sharp contrasts in ethical sub-climates within firms, which suggest that an employee is likely to receive different ethical messages depending upon where the employee works within the firm. If tone at the top is a precursor to ethical work sub-climates, it is likely that tone at the top of these sub-climates conflict, too.

In practice, business leaders and consultants acknowledge the lack of consistency between tones at the top, middle and bottom in organizations and note that such inconsistency increases the likelihood of unethical behavior, because “[talk of value and ethics by senior executives] can be completely destroyed if middle managers say they don’t care and will do what they need to in order to make the numbers” (SAI Global, 2013: 4). Moreover, “[t]here are many organizations . . . where a song is sung from the top, but the tune is heard very differently by rank-and-file employees or it is simply ignored” (SAI Global, 2013: 12). These views are reiterated by those in government. The Honorable Saris, chair of the U.S. Sentencing Commission, states

that, "If there is a 'tone at the top,' there must also be a 'mood in the middle' and a 'buzz at the bottom' that reflect and reinforce the tone at the top" (Saris, 2013: 20).

Conflicting Tones

In a recent widespread scandal, Atlanta public school teachers heard a strong ethical tone from their superintendent's office that encouraged the changing of students' test answers to give the impression of improvement in student performance (Blinder, 2015; Strauss, 2015). Even though changing test answers stood in sharp contrast to the ethical tone at the top of governmental and professional organizations associated with improving education, almost 180 teachers participated in the test-changing scandal (Blinder, 2015; Strauss, 2015). The question remains, why did the teachers heed the superintendent's messages given the conflicting ethical tones from leaders of other important organizations in the teachers' work environment?

While the current literature includes many conceptualizations of tone at the top, it fails to consider that multiple tones can conflict and therefore provides only limited insights into the Atlanta school scandal. Interestingly, in one of the only studies to explore the effects of conflicting tones, Pickerd and colleagues (2015) found that any conflict in tones is likely to produce unethical behavior. In particular, they found that the tone at the top interacts with the tone at the bottom, such that auditors are more likely to engage in unethical behavior if *either* the partner (tone at the top) or the senior-in-charge (tone at the bottom) promotes an unethical tone. In contrast to what is predicted in many accounting discussions, they also found that auditors are more influenced by the tone at the bottom than the tone at the top. While the research on conflicting tones from different organizational tops is limited, several related literatures (accountability, identity and conflict of interests) address multi-organizational work settings and suggest an effect on ethical decision-making.

Accountability. An important literature that relates to multiple sources of tone is the research on multiple accountability pressures from sources with differing preferences (e.g., Bagley, 2010; Gibbins & Newton, 1994; Leavitt, Reynolds, Barnes, Schilpzand, & Hannah, 2012). In addition to leading to unethical behavior, the presence of conflicting messages is expected to also give rise to negative affect (Bagley, 2010) and stress (Gibbins & Newton, 1994) for the employee. The concept of multiple accountabilities differs from the concept of multiple tones as accountability is defined as the expectation to justify one's judgments and actions to important others (Lerner & Tetlock, 1999; Tetlock, 1992), and tone at the top involves the general attitudes of those at the top of an organization and the culture promoted and sustained by them (COSO, 1987; Skaife et al., 2013; Treviño et al., 2008). Despite the differences, the literature on accountability offers a perspective on how employees respond to conflicting tones. The accountability literature recognizes various types of accountability with different effects on judgment, such as process and outcome accountability as well as accountability to audiences with unknown views and audiences with known views (Lerner & Tetlock, 1999; Siegel-Jacobs & Yates, 1996). The latter type, accountability to audiences with known views, is the type of accountability that is perhaps most important to the concept of ethical tone because the views and attitudes of those at the top can be gleaned through their tone.

Tetlock's social contingency model of judgment and choice suggests that pre-decisional accountability to audiences with known views leads individuals to use conformity as a strategy to deal with such pressures (Lerner & Tetlock, 1999; Tetlock, 1985, 1992). Research has documented the use of this strategy by auditors (Peytcheva & Gillett, 2011; Wilks, 2002). This strategy, however, may be hindered in situations where multiple constituencies with conflicting views are present. Thus, tone at the top, like pre-decisional accountability to audiences with known views, may promote conformity but little is known of how multiple tones will affect conformity.

Related research provides a sense of how employees react to multiple accountabilities. For example, Gibbins and Newton (1994), using an open-ended questionnaire, asked auditors to give examples of their own experiences to examine how auditors deal with accountability pressures from multiple sources (e.g., peers, supervisors, audit clients or other parties). They found that auditor responses to accountability (i.e., compliance, noncompliance, delay or withdrawal from the situation) differ depending on the strength and the clarity of the accountability pressure, as well as on the auditor's initial position on the issue. Though Gibbins and Newton (1994) examine auditors' responses to multiple accountabilities and demonstrate conflicting pressures, they neither study which sources dominate nor propose a framework to determine how an auditor *should* choose actions in a multiple accountabilities dilemma.

Identity. A similar stream of research considers the effects of multiple identities within the workplace and unethical outcomes. For example, Bamber and Iyer (2007) examine the role of identification with clients, the profession and the accounting firm in predicting a lack of objectivity, an unethical behavior for external auditors. While this research does not consider the tones from the leadership of each organization or how these may conflict, it demonstrates how auditors' identification with these organizations affects unethical auditor behaviors. In terms of tone at the top, employees are likely to align their behavior to the tone at the top of the groups that they identify with the most, so identifying with an organization that possesses an unethical tone at the top could promote unethical behavior (Smith-Crowe & Warren, 2014; Warren & Smith-Crowe, 2008).

In related research, Leavitt and colleagues (2012) find that morality is situated in employee identities such that the salience of an identity influences a person's moral judgment. In a study of individuals with dual occupations, the authors find that the activation of an occupational identity influences employee moral judgments (Leavitt, et al., 2012). If we think of dual occupation identities as a form of multiple organizational affiliations, this finding suggests employees will follow the organizational tone of the top that aligns with their activated identity.

Others see identification as a cause of differences between ethical perceptions within an organization. For example, Treviño and colleagues suggest upper-level managers possess more positive perceptions of organizational ethics than lower-level employees because upper-level managers identify more strongly with the organization. As Treviño et al., (2008: 236) explain, "... a senior manager's own self-image is closely tied to the image of the organization while lower level employees are less likely to identify with the organization and are more likely to

identify with their work group, department, or unit.” They assert that this difference affects how upper-level managers view organizational ethics.

In sum, the research discussed in this section provides important insights into the effects of multiple, conflicting tones, even though the concepts in this research (accountability, identity, and interests) differ from the concept of tone at the top. For example, the literatures on conflicts of interest and multiple accountabilities tend to assume that some parties, such as the client, have a specific and known view or interests (e.g., to maximize reported income). In contrast, the literature on tone is more nuanced and recognizes that although for-profit client firms seek to maximize income, they may also differ in their ethical tones at the different tops. Similarly, although firms or groups may have different interests and identities, they can have the same ethical tone at the top (e.g., leaders dedicated to promoting integrity, transparency, sustainability, corporate citizenship). In short, neighboring constructs (conflicts of interest, identities and accountabilities) suggest that conformity to groups is likely to arise from strong identification or accountability to sources with known views, but these literatures do not offer any solutions to conflicting ethical tones. A system that recognizes conflicting ethical tones at the top of organizations and provides a way to prioritize which tone(s) to follow is needed because the consequences of selective conformity can be very damaging to employees, firms and society. For example, research on moral stress (Waters & Bird, 1987) and moral ambiguity (Warren & Smith-Crowe, 2008) suggest that tones from multiple tops will affect employee moral judgments and unethical behavior in organizations. In Atlanta, the 178 public school teachers who repeatedly conformed to the superintendent’s unethical tone at the top caused serious damage to the educational system (Blinder, 2015; Strauss, 2015). In the next section, we consider how organizations implicitly provide reconciliation processes through their guidance on how to tackle ethical dilemmas, which may shed light on unethical behavior in organizations.

CURRENT RECONCILIATION PROCESSES

In this section, we examine the common reconciliation processes for ethical dilemmas in organizations and later compare them to a reconciliation process rooted in ISCT’s priority rules. Though research on tone at the top has overlooked conflicting tones from multiple organizational leaders and the ethical dilemmas that these conflicts create, the reconciliation processes promoted in firms and professional bodies in the United States appear to implicitly recognize this conflict. Typically, these reconciliation processes take a “tone at the bottom” or a “tone at one top” approach. We assign these labels to these processes to indicate where an employee starts solving an ethical dilemma (the bottom of the organization or the top of the organization). Even though the Ethics Resource Center’s (2014) study results indicate that employees commonly perceive their direct supervisor as top management, structurally speaking, direct supervisors are not the top of the organization for most employees. By directing employees to speak to their direct supervisor, organizations encourage employees to start inquires at their current location, which we regard as the bottom of the organization for that employee.

In this section, we assert that the starting point of the reconciliation process possesses an advantage over other sources of ethical tone because the person at the starting point has the first opportunity to shape the employee's interpretation of the ethical dilemma, offer a resolution, and prevent the employee from pursuing feedback from other important sources of ethical tone. In particular, we assert that while tone at the bottom and tone at one top reconciliation processes provide guidance to employees in some situations, they can fail to consider important features of ethical dilemmas in multi-organizational settings.

Tone at the Bottom

The reconciliation process discussed in the many professional publications (e.g., AICPA Ethics Decision Tree, 2002b; Deloitte Code of Ethics & Professional Conduct, 2012), and corporate codes of conduct (e.g., IBM, 2014; KPMG Code of Conduct, 2008; Merck, n. d.; Phillips 66, 2012; Walmart, 2008) indicate that employees faced with ethical dilemmas and conflicts should seek guidance from their immediate supervisor. In practice, we see many corporate codes encouraging employees to resolve ethical dilemmas by turning to their direct supervisors. For instance, Home Depot's Business Code of Conduct and Ethics (May 2014: 2) states, "Depending on your concern, often it is best to speak first with your immediate manager or supervisor. Your immediate manager or supervisor is best-suited to respond to your issue immediately and may already be familiar with the concern you are reporting." Similarly, Hewlett-Packard's most recent code (2010: 19) notes that, "When concerns or questions come up, communicating at the local level, either peer-to-peer or with your manager, is often the best place to start." Similarly, the KPMG Code of Conduct (2008: 7) notes that, "While you should choose the channel you feel most comfortable with, resources closest to the situation are often in a better position to resolve an issue. This usually means your performance manager or supervisor." In this recommended reconciliation process, the employees start to resolve a dilemma by approaching those in their immediate work environment. In doing so, lower-level management's interpretation of the rules prevails over that of the profession, regulators and the firm.

We find that research in business ethics also promotes a similar approach to tone at the bottom to resolve conflicts as, for instance, in De George's (1995) proposal for a morally permissible approach to whistleblowing. In particular, De George (1995) recommends that employees start the process by discussing ethical concerns with the direct supervisor and, if not satisfied, employees should advance the issue up the chain of command. Again, we see this recommendation as an opportunity to emphasize the tone at the bottom rather than the tone at the top of the organization or the larger community.

Given the tendency to direct employees to raise ethical dilemmas with their supervisors, it is not surprising that 82% of over the 6,000 employees surveyed in the Ethics Resource Center's National Business Ethics Survey (2013) reported an ethical problem to their supervisor while only 16% used the company hotline and 15% spoke to an ethics officer. Even fewer employees reported unethical behavior to a resource outside of the organization (11% to lawyers and 9% to a governmental or regulatory authority).

The emphasis on reconciliation through tone at the bottom may explain recent findings regarding employee reporting of misconduct. The Ethics Resource Center's National Business Ethics Survey (2013) results indicate that respondent trends among employees for reporting misconduct are stagnating while other indicators of workplace ethics continue to improve. Recent research on reporting misconduct by Gao, Greenberg and Wong-On-Wing (2015) may provide a window into this stagnating statistic. Gao and colleagues (2015) find that an externally administered reporting channel increases intentions to blow the whistle compared to internally administered reporting channels. Considering this finding alongside our observation regarding the push towards tone at the bottom, it appears that one hurdle standing in the way of reporting may be the tendency to push the employees to use internal reporting channels such as their direct supervisors which could decrease the likelihood that the employee will report misconduct at all.

Furthermore, the tone at the bottom approach is a concern because lower-level and upper-level management may markedly differ in their perceptions of organizational ethics and tone at the bottom provides direct supervisors with the first opportunity to persuade employees that the local interpretation of rules outweighs the perspective of broader organizations or communities. For instance, in a study of the ethical perceptions of lower-level employees and senior managers, Treviño and colleagues (2008) found that senior managers possessed more positive perceptions of their firm's internal ethical environment and were more likely to perceive that employees would report unethical behavior and seek ethical advice from top management (Treviño et al., 2008). Lower-level employees were also more likely to believe that ethics and compliance programs exist to protect senior managers. In all, this research suggests the bottom of the organization is an undesirable starting point for resolving ethical dilemmas.

Tone at One Top

In contrast to the tone at the bottom approach, some organizations encourage employees to start with the top of the employing organization. For instance, some organizations such as General Electric (2008) encourage employees to consider the organizational standards and values, and Ford's code of conduct (2007) encourages individuals to pursue issues with various parties within the organization such as Human Resources or Ethics and Compliance Officers. These organizations, however, do not encourage consideration of parties outside of the organizational boundaries and often overlook the broadest organizations, such as regulatory or professional bodies. For this reason, we refer to these reconciliation processes as the tone at one top approach. Though tone at one top orients the employees towards the top of the employing organization as a first step in approaching ethical dilemmas, this approach does not consider the ethical tone at the top of the other relevant organizations.

Thus, the main weakness in tone at one top and tone at the bottom reconciliation processes is that they do not acknowledge the importance of other organizations such as regulatory or professional organizations. We propose that organizations need to encourage employees to look beyond their current community when considering ethical dilemmas. In particular, they need to look to the broader communities that

may possess other ethical tones at the top that are critical to the employee's work and the interests of society. In an effort to broaden the perspective of existing approaches, we turn to Integrative Social Contract Theory—a theory that focuses on resolving business ethics dilemmas that entail multiple communities.

RECONCILING CONFLICTING TONES FROM MULTIPLE TOPS

Donaldson and Dunfee (1994, 1999) recognized the complexity of ethical dilemmas in contexts that include multiple norms that conflict. For this reason, they introduced ISCT, a pluralistic, normative theory that provides guidance to organizational members who must make decisions in the presence of conflicting micro-social contracts—which are a specific type of community norms where the majority of a community follows and supports the norm and the norms align with hypernorms (a convergence of political, philosophical and religious beliefs). Drawing upon legal approaches to reconciling conflicting laws, Donaldson and Dunfee (1999: 184-189) introduced the following priority rules to explain how to resolve dilemmas involving conflicting micro-social contracts:

1. Transactions solely within a single community, which do not have significant adverse effects on other humans or communities, should be governed by the host community's norms.
2. Existing community norms indicating a preference for resolving conflicts of norms should be utilized, so long as they do not have significant adverse effects on other humans or communities.
3. The more extensive or more global the community that is the source of the norm, the greater the priority that should be given to the norm.
4. Norms essential to the maintenance of the economic environment in which the transaction occurs should have priority over norms potentially damaging to that environment.
5. Where multiple conflicting norms are involved, patterns of consistency among alternative norms provide a basis for prioritization.
6. Well-defined norms should ordinarily have priority over more general, less precise norms.

Most notably, if a practice occurs within a particular community and does not harm others, then the community where the dilemma occurs may determine how to resolve it. However, when more than one set of norms is involved in a dilemma and/or harm to humans, communities or the economic environment is possible, then certain norms receive priority. Assuming adverse effects on humans is negligible, the set of norms that is most extensive, well-defined or offers the most consistency takes precedent over those that are less extensive, not well defined or lack consistency.

While tone at the top of organizations does not necessarily reflect a binding social contract, tone at the top is regarded as a source of ethical norms. As mentioned earlier, Skaife and colleagues (2013: 92) describe tone at the top as “top management's attitude towards creating and maintaining an ethical culture in the workplace.” Thus, in some sense, we are studying the precursor to, or the reinforcement of, ethical norms. Thus we adapt the work of Donaldson and Dunfee (1994), but we

depart from ISCT's full theory because we do not consider whether the ethical tones constitute micro-social contracts. Rather, we propose a system for prioritizing conflicting ethical tones from multiple tops that incorporates concepts from priority rules. By doing so, we aim to introduce an organizational approach to conveying a resolution process to employees that is meant to address conflicting ethical tones at the top of multiple organizations with the goal of encouraging more ethical decisions.

Multi-Tone Reconciliation Process

As a first step in this proposed process, the employee identifies all organizations involved in the dilemma and the tone at the top of the organizations. Employees are then encouraged to consider the extensiveness of the organization and to determine which organization has the most well-defined norms. The employees are instructed to give priority to the most extensive organization with the most well-defined norms and decisions that avoid significant adverse effects for humans and communities. Rather than guiding an employee to start with a specific leader, this multi-tone approach guides employees to identify the relevant organizations. To illustrate the differences in the approaches previously discussed and the reconciliation process proposed here, we present Figure 1. In the remainder of this section, we draw upon research on moral intensity, accountability and ethical work sub-climates to explain why we expect the multi-tone reconciliation process to promote ethical behavior better than current approaches.

Moral intensity. The importance of creating a reconciliation process that entails all organizations related to the dilemma is best appreciated after considering Jones' (1991) concept of moral intensity and related empirical research. From Jones' (1991) perspective, ethical behavior in organizations hinges upon an employee's ability to identify a moral issue and properly gauge the issue's moral intensity. Certain features of the moral issue such as the magnitude of consequences are expected to affect an individual's assessment of an issue's moral intensity (Jones, 1991). Because the multi-tone reconciliation process considers the broader scope of organizations

TONE AT THE BOTTOM	TONE AT ONE TOP	MULTI-TONE
<p style="text-align: center;">Identify dilemma</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">Discuss issue with peers or immediate supervisor</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">If not resolved, pursue issue with next level of management</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">Continue raising issue through the levels of the organization</p>	<p style="text-align: center;">Identify dilemma</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">Consult with top management or consider the co.'s core values and standards</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">Consider what your supervisor thinks is the right thing to do</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">Consider what your coworkers think is the right thing to do</p>	<p style="text-align: center;">Identify dilemma</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">Identify the organizations involved in the dilemma and the tone set by the leaders of the organizations</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">Determine which organization is most extensive and has the most well-defined norms</p> <p style="text-align: center;">↓</p> <p style="text-align: center;">Priority should be given to the most extensive organization with the most well-defined norms and to decisions that avoid significant adverse effects to humans and communities</p>

Figure 1: Reconciliation Processes for Organizational Ethical Dilemmas.

associated with a moral issue and any significant adverse effects on humans and communities, an individual using this process will be better able to gauge the consequences of a moral issue and thereby assess the issue's intensity which, according to Jones (1991), should lead to more ethical behavior.

In terms of ethical leadership and moral intensity, recent experimental research indicates that the moral intensity of an ethical issue moderates the effect of ethical leadership on intentions to blow the whistle. Bhal and Dadhich (2011) found that employees are most likely to intend to report unethical behavior when ethical leadership is strong and they perceive a high intensity of harm. Coram and colleagues also find that auditors' ethical choices can be affected by moral intensity attributes such as the temporal immediacy of consequences or the proximity between the employee and the victims/beneficiaries of their actions (Coram, Glavovic, Ng, & Woodliff, 2008; Coram, Ng, & Woodliff, 2004). Thus, past research on moral intensity suggests using a reconciliation process that incorporates priority rules can be effective by not only identifying moral issues from the vantage point of different organizations but also by highlighting victims or beneficiaries of an ethical dilemma that the other reconciliation processes may ignore.

Multiple accountabilities. Tetlock's (1985, 1992) social contingency model of judgment and choice suggests that accountability to audiences with known views leads decision makers to adopt positions that favor the views of those to whom they are accountable. However, the use of this strategy may fail when a decision maker is accountable to multiple constituencies with conflicting interests. Moreover, multiple accountabilities to parties with conflicting views increase negative affect, which in turn can significantly harm performance (Bagley, 2010). As noted in Gibbins and Newton (1994), a lack of clarity about the priority and precedence of the sources of accountability can lead to considerable increases in stress and cognitive load and thereby cause extensive delays in work. This research further highlights the need for a reconciliation process that gives priority to certain ethical tones.

Ethical sub-climates. Weber's (1995) study of employees across multiple departments within a financial organization indicated that ethical sub-climates exist within an organization and that these differences relate to the work of the departments. In particular, Weber (1995) found that those departments with more stakeholder interactions demonstrated an ethical work climate that reflected principle-based thinking, and those departments in the technical core possessed an ethical work climate that aligned with egoism. This study not only demonstrates the variance in ethical climates within one organization but also demonstrates how interactions with groups outside the organization shape employee decision-making in a favorable manner.

Though Weber (1995) found that contact with external stakeholders leads employees to consider external perspectives and take a principle-based approach to ethics, external stakeholders may also introduce bias in the ethical decision-making process of employees. In this sense, employees make decisions that favor a particularly important and influential stakeholder. For example, auditors, analysts, contract bidding officers and employment officers are expected to be impartial in judgments, yet their exposure to certain external stakeholders may lead them to favor one party over

another. The influence of these external stakeholders can be particularly harmful if the tone at the top of the stakeholder organization is corrupt.

Regardless of whether the tone at the top of stakeholder organizations is unethical or ethical, evidence suggests that contact with stakeholders outside the organization influences employee ethical decision-making. This suggests the need for a reconciliation process that focuses on not only the tone at the top of the employee's organization, but also the tone at the top of other organizations that influence the firm and employee. A reconciliation process that incorporates these other organizations and provides a means for prioritizing their influence should more fully promote ethical behavior than a system that overlooks the existence of these influences.

Importantly, the multi-tone approach does not simply prioritize tone at the top based upon the organization size or the degree to which the messages are well-defined; it limits priority based upon serious adverse effects for humans and communities. Indeed, the focus on social welfare is a distinguishing feature of this process. Although some corporate reconciliation processes suggest the employee consult a normative concept such as the corporate values or principles, no normative considerations are explicit in the company's reconciliation processes. Furthermore, some corporate values (e.g., innovation or teamwork) may not contain concepts that relate to societal harm. By promoting a concern for adverse effects to human and communities, the multi-tone approach highlights these considerations alongside the ethical tones at multiple tops.

In short, we expect a multi-tone resolution process to promote ethical conduct because past research suggests that ethical outcomes are improved when employees properly gauge an issue's moral intensity (which entails a consideration of both distal and proximal consequences) and employees understand the process to prioritize the influence of multiple organizational leaders.

Proposition 1. In multi-organizational work settings, the multi-tone reconciliation process promotes ethical behavior more than tone at the bottom or tone at one top reconciliation processes. That is, reconciliation processes that encourage consideration of tone at the top of multiple organizations and significant adverse effects for humans and communities will encourage more ethical behavior than those that do not.

By highlighting the importance of identifying organizations beyond the organization that are relevant to the ethical dilemma, our approach recognizes the existence of multiple and conflicting tones from multiple tops and provides a theoretical foundation to prioritize and, therefore, reconcile these tones.

RECONCILIATION PROCESSES IN PRACTICE

To demonstrate the application of the multi-tone resolution process, we examine three contextualizations from business settings that involve multiple organizations with conflicting tones at the top. The first contextualization entails overbilling by lawyers at DLA Piper, the second contextualization entails conflicting tones at the top in the Ernst & Young Client Advocacy case and the third contextualization entails conflicting tones at the top in the Deepwater Horizon oil spill.

Contextualization 1: Overstating Billable Hours

In many industries, the opportunity to overstate billable hours presents a significant problem. In law, the problem of overstating billable hours has received considerable attention (Gharakhanian & Krywyj, 2001; Lerman, 2006; Richmond, 2008; Ross, 1991). In this context, overstating billable hours includes charging clients for hours worked by legal assistants as work performed by lawyers, billing two different clients for the same hours worked by the lawyer or simply exaggerating the time involved in working on a case (Gharakhanian & Krywyj, 2001; Ross, 1991).

A recent scandal involving the world's largest law firm, DLA Piper, provides insights into overbilling. In this case, support for "churning"—that is, raising a client's bill through unnecessary hours worked—surfaced in a series of emails (Lattman, 2013). This practice is not uncommon in law firms as lawyers often receive conflicting tones and the tone at the top of law firms often encourages the practice (Corbin, 2005; Lerman, 2006; Parker & Ruschena, 2013). Professional organizations such as the states' bar associations and the American Bar Association strongly discourage such behavior. The conduct is viewed as a violation of several model rules and, most often, as a violation of Model Rule 8.4(c) of the American Bar Association. This rule encompasses misrepresentations and dishonest conduct (Richmond, 2008). The client firms also discourage this behavior, as they are most directly harmed by this practice.

Turning to the reconciliation processes, we notice a difference in the reconciliation of a dilemma depending upon the approaches used. If we use the tone at the bottom or the tone at one top approaches to understand an ethical dilemma involving billable hours, a lawyer may proceed by exaggerating hours worked because the top (or bottom) of the organization may encourage such behavior. With the multi-tone approach, the lawyer would need to consider the extensiveness of the organizations involved and the harm inflicted on these organizations. The multi-tone reconciliation process provides a clearer picture for the lawyer who would be directed to consider the ethical tone at the top of the professional associations and encouraged to refrain from engaging in overbilling.

Contextualization 2: Client Advocacy

One recent example of the conflicting tones at multiple organizational tops involved the auditing firm Ernst & Young. In a recent effort, Ernst & Young lobbied the U.S. federal government on behalf of its audit clients (Aubin, Ingram, & Lynch, 2012). However, professional and regulatory standards on auditor independence in the US prohibit auditing firms from taking an advocacy role for audit clients (Public Company Accounting Oversight Board, 2011; AICPA, 2012); the ethical tone at the top of the regulatory and professional organizations does not support the efforts of Ernst & Young. For this reason, the Securities and Exchange Commission launched an inquiry into the matter and charged Ernst & Young with violating auditor independence rules in lobbying activities (SEC, 2014). Initially, Ernst & Young argued that no violation occurred, as the lobbying had been pre-approved by the client firm's audit committee and had been related to tax matters (Aubin et al., 2012; SEC, 2014).

However, the SEC determined that Ernst & Young violated sections of the Code of Federal Regulations, the Securities Exchange Act of 1934 and the Commission's Rules of Practice. In 2014, Ernst & Young settled and agreed to pay a multi-million dollar fine (SEC, 2014).

Importantly, the Ernst & Young employees faced with the dilemma of lobbying for the client encountered multiple conflicting tones that emanated from different organizational tops. In particular, the audit firm and the client's audit committee provided support for the lobbying efforts. However, the AICPA, PCAOB and SEC did not, as these institutions prohibit auditing firms from taking an advocacy role for audit clients.

In this particular dilemma, the application of the multi-tone reconciliation process would lead to favoring the positions of the SEC, PCAOB and AICPA, as the multi-tone reconciliation process favors the ethical tones that emanate from the more extensive or larger organization and the organization with the more well-defined norms. In this case, the SEC, PCAOB and AICPA not only represent broader organizations than Ernst & Young and the client firm, but also represent those organizations with the most well-defined norms in this particular area.

The downfall of the tone at one top reconciliation process is also demonstrated in this contextualization. Even if employees at Ernst & Young had started with the upper management of their organization or their client firm, they would have ignored the well-established tones from leaders of the broader organizations, such as those of the regulatory bodies. In this sense, even those firms that orient employees to the tone established by upper management first still focus employees on a singular tone that often overlooks the broader context.

Contextualization 3: Worker Safety

The third multi-organizational contextualization entails conflicting tones at the top regarding worker safety. When British Petroleum's Deepwater Horizon exploded in the Gulf of Mexico, killing eleven crew members and leaking more than 200 million gallons of oil into the gulf, it quickly became regarded as a public health catastrophe that evoked strong moral and emotional reactions (Farrell, 2014; Kerr, Kintisch, & Stokstad, 2010; Lee & Blanchard, 2012). Several organizational leaders played a key role in influencing the safety decisions at the drilling site including the leaders of the oil rig, British Petroleum and the Mineral Management Service.

Reports indicated that the tone at the top of the Deepwater Horizon focused on safety as, "The crew itself routinely practiced responding to alarms, fires and blow-outs, and it was blessed with experienced leaders who clearly cared about safety" (Barstow, Rohde, & Saul, 2010). However, the lack of concern for safety in the upper echelon of British Petroleum is reflected in a long past of deadly and destructive incidents which suggested that BP prioritized profits over safety (Bratspies, 2011). Importantly, the Mineral Management Service, the federal agency responsible for the reinforcement of safety and environmental responsibilities, failed to reinforce the culture of safety on the Deepwater Horizon (The National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling, 2011). Reports suggest the senior leaders in the MMS responded to incentives to promote offshore drilling

by focusing more and more of their efforts on increasing revenue, sometimes in direct conflict with safety (National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling, 2011). This emphasis on expansion over safety created uncertainty for those organizations that the agency regulated.

Thus, the workers of the Deepwater Horizon received conflicting tones from the tops of different organizations that oversaw their work. In contrast to the leaders of the Deepwater Horizon and their focus on safety, the executives from British Petroleum established a tone focused on operational effectiveness and financial performance. Further, the tone established by the Mineral Management Services failed to clearly reinforce the importance of safety.

If we apply the three different forms of reconciliation processes to this contextualization, the usefulness of the multi-tone reconciliation process is clear. If the Deepwater Horizon workers applied the tone at one top approach, they might follow the tone of the executives at BP and underestimate the importance of safety. In contrast, if the workers applied the tone at the bottom approach, they may have placed more emphasis on safety. Perhaps because executives from British Petroleum met with the leaders of the Deepwater Horizon on the morning of the disaster and reinforced the importance of efficiency and staying on schedule on the day of the disaster, the workers were not focused on safety that day. In this sense, the tone at the top of British Petroleum temporarily influenced the tone at the bottom of the Deepwater Horizon.

In contrast to the tone at the top or the tone at the bottom approach, our multi-tone approach would lead the workers to consider the ethical tones of all relevant organizations and, in addition, to take into consideration the potential adverse effects of their decisions on humans and communities. Because priority rules incorporate a consideration of significant adverse effects on humans or communities, it provides a framework for an employee to prioritize competing ethical tones from multiple tops with concern for harm. By considering harm, the ethical tone favoring safety would receive priority over the others that would risk substantial harm. This scenario thus demonstrates how a consideration of adverse effects can play a critical role in prioritizing conflicting tones at the top of multiple organizations.

DISCUSSION & FUTURE RESEARCH

Here we take an important step in advancing research by addressing the existence of conflicting ethical tones at the top, identifying current implicit reconciliation processes for addressing conflicting tones, and adapting ISCT's priority rules to form a new reconciliation process to guide employees. In this section, we propose several directions for future research. First, we encourage the recognition of this phenomenon, such that theory and models recognize the complexity of multiple, potentially conflicting tones from multiple tops. Second, we propose empirical research will that further our understanding of conflicting tones and reconciliation processes.

Theoretical Considerations

Theoretical models need to be expanded to not only recognize the differences in employee perceptions of the tone at the top, but also understand how these

differences influence ethical decision-making and outcomes. In this, it is particularly important to understand whether or not the location of the tone matters to the ethical outcomes. More specifically, is an ethical tone more influential when it emanates from the direct supervisor, the CEO or the leader of a professional or regulatory organization? For instance, the effect of a leader's cognitive moral development—an important predictor of tone at the top—may depend upon the location of the source of the tone (Ponemon, 1992a, 1992b). Indeed, it is possible that the low cognitive moral development of a direct supervisor will have a much stronger effect on the unethical behaviors of an employee than the low cognitive moral development of the chief executive officer.

Another reason to include multiple tops and multiple tones in models is that mediators (e.g., ethical climate) and moderators (e.g., moral issue intensity) may have stronger effects on employee behavior if the tone occurs intra-organizationally rather than inter-organizationally. Though more complex, such models of ethical behavior will provide insights into the relative effects of different sources of ethical tone. For example, the high cognitive moral development of CEOs or professional leaders combined with ethical climates within firms may neutralize unethical tones from a direct supervisor. By further specifying the source of the ethical tone, we can make progress in understanding how the various components of ethical culture interact to influence ethical behavior among employees.

Empirical Considerations

The theory presented in this paper lends itself to empirical research. The three approaches to reconciling conflicting tones from multiple tops could be explored empirically to determine which of the three approaches most strongly promotes ethical outcomes. In addition to experimental research, survey research could examine how an employee's perception of where the tone at the top is located affects their willingness to engage in ethical and unethical behaviors. More specifically, are perceptions of the location of the tone at the top linked to an employee's unethical conduct? Furthermore, does it matter which ethical tones converge? Pickerd and colleagues' (2015) experimental study provides important insights into the alignment in ethical tones at the top and bottom within an audit firm—but what if the tone inside the organization is misaligned with tones at the top of an outside organization? More specifically, future research should probe the effect of conflict between the tone at the top of the employing firm and the tone at the top of the regulatory and professional organizations.

Policy Considerations

Incoherence of tones is in conflict with the Treadway Commission's insistence on a consistent tone "at all levels of the entity" (COSO, 2013: 47). For these reasons, the study of multiple tones that conflict is important for a more complete and comprehensive understanding of the effect of inter- and intra-organizational policies and regulations. While the concept of tone at the top originated with COSO, COSO's (2004) more recent push towards Governance, Risk and Compliance (GRC) appears

to be a clear step away from tone at the top and the recognition of conflicting ethical tones. With GRC, managers focus on managing risk and understanding risk tendencies and preferences rather than focusing on ethics or entities outside of the organization. Although, Power (2009: 854) notes that a preference for risk is really just “a dynamic construction involving values and the situational experience of a multitude of organizational agents.” Therefore, we propose that instead of moving towards a risk assessment paradigm, GRC should focus on acknowledging and reconciling the multiple ethical tones and values emanating from the organizations that are most relevant to the ethical dilemmas the employees experience. Our approach proposes an effective means of reducing risk, as employees will think beyond their organizational boundaries and their immediate benefit and place more emphasis on the tone at the top of well-established regulatory and professional organizations.

Limitations

Our approach to resolving conflicts in tone at the top is more complex than other approaches, and we recognize that there is a limit to what you can ask an employee to consider (in terms of cognitive load) (Gibbins & Newton, 1994). Donaldson and Dunfee (1994) note that individuals are morally constrained and limited in their reasoning processes and resources. However, past research, such as that on multiple accountabilities, suggests that the employee may already perceive these conflicting ethical tones, which means the reconciliation process based upon prioritizing may not exacerbate but rather relieve the cognitive strain associated with conflicting ethical tones by providing a means for choosing the most important or relevant one to follow.

Furthermore, our theory also assumes that employees want to do the right thing but are misguided or confused (see Warren & Smith-Crowe, 2008), but this may not be the case. For employees who have no interest in seeking guidance on how to behave ethically our reconciliation process may not be effective.

We also acknowledge that many other means for reconciling multiple tones may exist. We present our multi-tone approach as a means to stimulate thought and research surrounding this topic. While our approach is grounded in philosophical thought associated with social contracts, we could imagine many other approaches. We encourage research into other forms of reconciliation processes that promote ethical behavior in organizations.

Lastly, we are not applying ISCT to the problem of conflicting ethical tones from multiple tops, but rather adapting a subset of ISCT for the purpose of reconciling conflicting ethical tones. The drawback to this approach is that we lose important features of the theory which legitimize priority rules. More specifically, Donaldson and Dunfee (1999) allow for the prioritization of community norms through priority rules because the community norms, in their theory, are social contracts that have already passed certain normative thresholds by aligning with hypernorms (a convergence of philosophical, political and religious thought). We do not consider how these ethical tones relate to hypernorms. For this reason, we lack these important normative features of ISCT. However, we capture a broader set of dilemmas, including those that involve influences that do not rise to the threshold of an authentic, legitimate social contract. Thus, we provide a process to guide employees when faced with a

workplace dilemma, especially when uncertainty exists regarding the existence of social contracts or hypernorms.

CONCLUSION

In this paper, we assert that recognizing multiple ethical tones at the top and the potential for conflict is important for ensuring ethical behavior, especially in a multi-organizational work setting. Here we address the various conceptualizations of ethical tone at the top as well as the implicit and explicit systems for reconciling conflicting ethical tones. To date, behavioral ethics research has not addressed different resolution processes for ethical dilemmas or tested the efficacy of these various approaches. Our main contribution lies in not only identifying different approaches to reconciling conflicting ethical influence but also proposing a new approach grounded in normative theory which can be empirically tested. Most notably, our proposed approach not only addresses multiple organizations that affect employee ethical decision-making but also limits their influence by considering significant adverse effects to humans and communities. In doing so, we advance research in the area of ethical tone at the top and, more broadly, behavioral research on ethical decision-making.

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