Relationships and Unethical Behavior: A Social Network Perspective

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RELATIONSHIPS AND UNETHICAL BEHAVIOR: A SOCIAL NETWORK PERSPECTIVE

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Recent models of unethical behavior have begun to examine the combination of characteristics of individuals, issues, and organizations. We extend this examination by addressing a largely ignored perspective that focuses on the relationships among actors. Drawing on social network analysis, we generate propositions concerning types of relationships (strength, multiplexity, asymmetry, and status) and the structure of relationships (structural holes, centrality, and density). We also consider the combination of the type and structure of relationships and how this embeddedness perspective relates to social contagion and conspiracies.

Over the last decade scholars have offered a number of models of organizational ethical decision making and behavior (e.g., Dubinsky & Loken, 1989; Ferrell & Gresham, 1985; Hunt & Vitell, 1986; Jones, 1991; Rest, 1986; Trevino, 1986). These models attempt to delineate the factors that lead to unethical behavior in organizations, such as the recent illegal brokerage transactions that defrauded customers and cost Prudential-Bache more than a billion dollars in settlements (Eichenwald, 1995). These models have suggested a number of individual (e.g., locus of control and cognitive moral development) and organizational (e.g., climate, reward systems, codes of conduct, and norms) factors that may influence unethical behavior in organizations (Kahn, 1990). As articulated by Trevino and Youngblood (1990), these models reflect an ongoing debate among organizational ethics researchers as to whether unethical decision making and behavior are more a function of "bad apples" or of "bad barrels." According to the bad apples argument, one can attribute organizational unethical behavior to the personal characteristics of individuals. The bad barrels argu-

ment, in contrast, points to the primacy of organizational and societal variables in influencing the unethical decisions and behaviors of organizational members.

As Granovetter (1992) has argued, neither the undersocialized perspective of individuals acting in isolation nor the oversocialized view of individuals obedient to norms and culture is adequate to explain behavior. Applying a similar argument to the study of ethics, Jones (1991) has offered an issue-contingent model that focuses on neither apples nor barrels. Characteristics of moral issues interact with individual and organizational attributes in influencing ethical decision making. Likewise, researchers such as Trevino (1986) and Hunt and Vitell (1986) have argued that neither the individual bad apples perspective nor the organizational/societal bad barrels perspective fully explains unethical behavior in organizations. As a result, theorists have combined the two approaches. Although this combination has identified a number of important elements explaining unethical behavior, the focus on individual and organizational/societal attributes has led researchers to neglect an important additional consideration: relationships among actors.

This is an important omission because unethical behavior is inherently a social phenomenon—it involves a relationship between actors

that is also embedded in a structure of other social relationships. By most definitions, ethics involves a consideration of "the other." For example, theorists have defined an ethical situation as one where the consequences of an individual's decision affects the interests, welfare, or expectations of others (cf., Rest, 1986). Yet few developers of models of ethical decision making have considered such topics as the type or structure of interpersonal relationships. Exceptions include those conducting research on differential association theory (Sutherland & Cressey, 1970; Zey-Ferrell & Ferrell, 1982; Zey-Ferrell, Weaver, & Ferrell, 1979), Jones' (1991) emphasis on proximity among actors, and Gilligan's (1982) perspective on moral reasoning and gender.

Social network researchers have begun to examine ethics-related topics, such as trust (Burt & Knez, 1995; Coleman, 1988; Granovetter, 1992) and conspiracies (Baker & Faulkner, 1993). Building on this work, in this article we draw upon social network analysis to explore how relationships among individuals can affect unethical behavior in organizations. Adopting an "embeddedness" position (Granovetter, 1985), we ask the general question of under what social network conditions are we likely to see unethical behavior.

We begin with a working definition of unethical behavior. Following Jones, we define unethical behavior as behavior that has a harmful effect upon others and is "either illegal or morally unacceptable to the larger community" (1991: 367). We briefly review previous research on individual characteristics, issues, organizational and societal influences, and interactionist approaches to the study of ethical behavior in organizations. We then turn our analysis to relationships, considering types of relationships, the structure of relationships, and the combination of types and structures (see Figure 1 for an overview). We argue that social relationships mutually interact with characteristics of individuals, issues, and organizations in influencing unethical behavior.

CURRENT APPROACHES

From the bad apples perspective, individual characteristics are assumed to be the primary force influencing unethical behavior in organizations. Previous researchers have investigated individual characteristics, such as cognitive

moral development (Ford & Richardson, 1994; Kohlberg, 1969; Power, Higgins, & Kohlberg, 1989; Trevino & Youngblood, 1990), locus of control (Hegarty & Sims, 1978; Trevino & Youngblood, 1990), and Machiavellianism (Hegarty & Sims, 1978). Although results are sometimes weak (Blasi, 1980; Thoma & Rest, 1986), the bad apples perspective leads to the prescription that organizations should attempt to attract individuals who match an evolving profile of desirable characteristics. Organizations also are encouraged to develop individual moral character through training programs (Hersh, Miller, & Fielding, 1980; Kohlberg, 1969; Kohlberg & Turiel, 1973; Penn & Collier, 1985).

As one anonymous reviewer stated, "Some people in most instances and most people in some instances behave ethically." This individual approach is sometimes referred to as "moral character." From this perspective, when moral character is exemplary, additional theories of unethical behavior are unnecessary. However, when moral character is moderate or questionable, the study of "instances" becomes important and necessitates additional theories and practices, such as a focus on bad barrels, issues, or relationships.

The bad barrels perspective emphasizes the various attributes of organizations and society that influence unethical behavior in organizations. Researchers have demonstrated that organizational factors, such as reward systems (e.g., Hegarty & Sims, 1978), norms and culture (e.g., Trevino, McCabe, & Butterfield, in press), and codes of conduct (Cressey & Moore, 1983; Laczniak & Inderrieden, 1987; Mathews, 1987; McCabe & Trevino, 1992; McCabe, Trevino, & Butterfield, 1996), can significantly decrease the prevalence of unethical behavior in organizational contexts. The bad barrels perspective suggests that organizations attempt organizational-level modifications (e.g., restructuring the reward system to discourage unethical behaviors, fostering a strong ethical climate, and introducing and promoting a code of ethics). From a societal view, this bad barrels perspective includes cultural and societal norms and values. For example, Gaertner (1991) and Victor and Cullen (1988) have shown that ethical climate provides a powerful normative system; it informs members what they "ought to do regarding the treatment of others" (Victor & Cullen,

FIGURE 1
A Model of Unethical Behavior
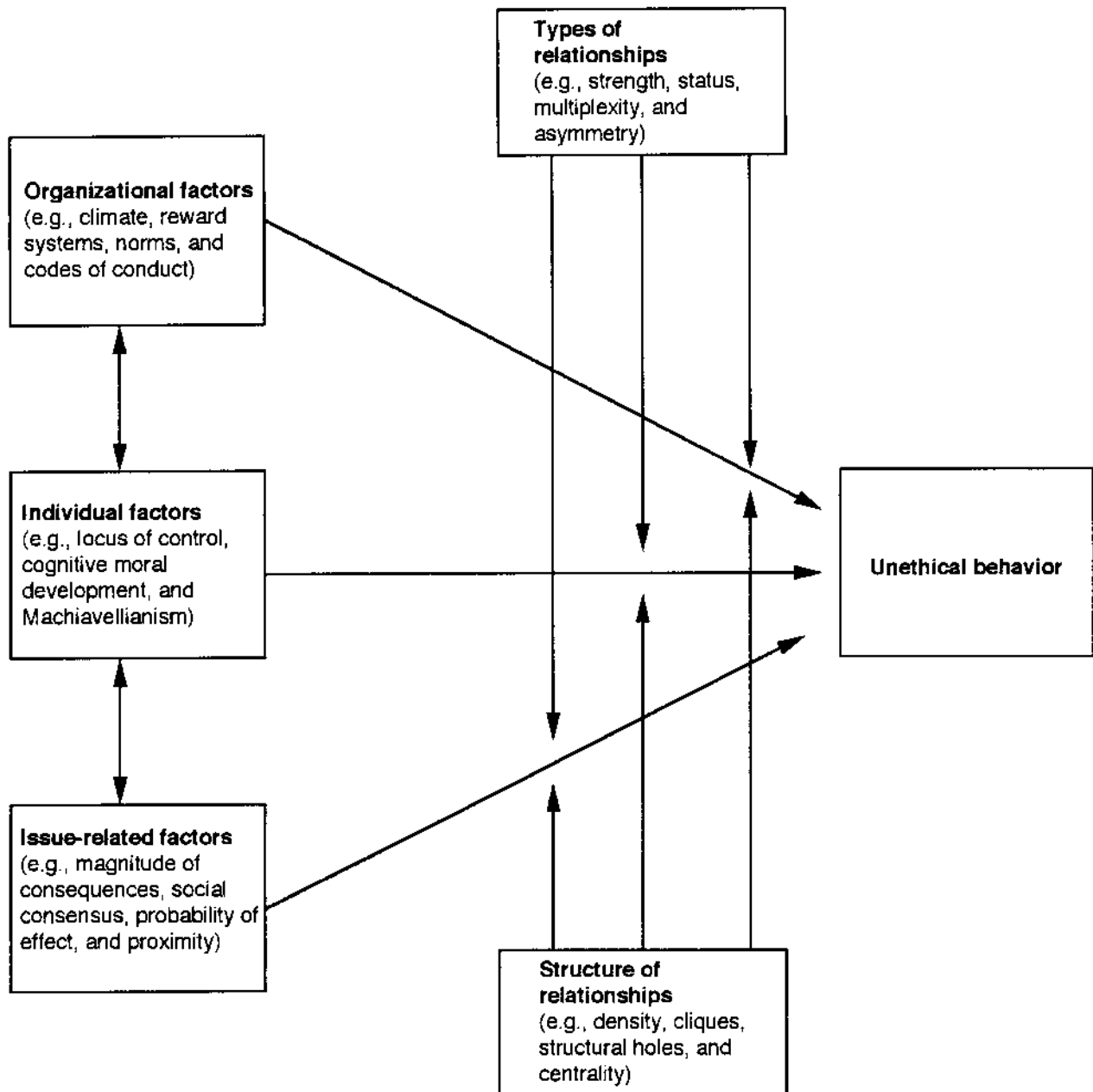
1988: 102) and, therefore, also acts to inform organizational members what not to do.

Many researchers have abandoned the bad apples/bad barrels dichotomy, suggesting that ethical/unethical decision making and behavior involve a complex interaction between individual and organizational factors (e.g., Trevino, 1986). More recently, Jones (1991) has argued that moral issues vary in terms of their "moral inten-

sity," a construct composed of six issue-related factors (magnitude of consequences, probability of effect, temporal immediacy, concentration of effect, proximity, and social consensus). For example, as the magnitude of the consequences of an anticipated act becomes greater, an individual will be more likely to perceive the ethical nature of the act and, we assume, will be less likely to act unethically. According to Jones,

each of the dimensions of moral intensity can interact with individual and organizational factors in influencing moral decision making.

A SOCIAL NETWORK PERSPECTIVE

Both the under and oversocialized views of behavior in organizations, as well as the additive combination of the two, are "paradoxically similar in their neglect of ongoing structures of social relations" (Granovetter, 1985: 481). Missing from these three perspectives is the focus on relationships represented by social network analysis. Basic to this approach is the assumption that organizational actors are embedded within a network of relationships (for reviews, see Nohria & Eccles, 1993b; Scott, 1991; Wasserman & Faust, 1994; Wasserman & Galaskiewicz, 1994; Wellman & Berkowitz, 1988). These ongoing social relationships provide the constraints and opportunities that, in combination with characteristics of individuals, issues, and organizations, may help explain unethical behavior in organizations.

We define a social network as a set of actors and the set of ties representing some relationship—or lack of relationship—between the actors. Although we can assign social network measures to individuals, these measures are not the property of analytically isolated actors; rather, they result from an account of the entire network of relationships. Thus, the focus is on the relationships among the apples rather than the characteristics of the apples or the barrel. As with differential association theory, it is this social relationship perspective that attempts to explain, among other things, how one bad apple spoils the barrel.

TYPES OF RELATIONSHIPS

Strong and Weak Relationships

The strength of a relationship refers to the frequency, reciprocity, emotional intensity, and intimacy of that relationship (Granovetter, 1973). Casual acquaintances, represented by infrequent interaction and indifferent affect, are characterized by weak ties. Minimally, a weak tie might represent two casual acquaintances who meet once, for a short amount of time, and may never see each other again. There may be little incentive for ethical behavior in a very

weak, one-time, private exchange between two individuals. For example, in a private exchange lying to or cheating a stranger may have few adverse consequences. The consequence of acting unethically—the loss of this very weak relationship—is minimal. At the same time, the opportunity for unethical behavior is minimal; since individuals typically do not trust strangers with sensitive information or valuables.

Within an organization, members typically hold expectations for future interaction. Thus, we are likely to see at least minimal levels of trust and some opportunities for unethical behavior that would not be present in the case of two strangers meeting on the street. In a strong relationship, cooperation, trust, intimacy, and empathy develop between the two parties (Granovetter, 1973). Interaction is frequent, and each party reciprocates the trust and positive affect of the other. As frequency of interaction and trust increase, opportunities for unethical behavior increase, as do the possible payoffs. However, the cost of behaving unethically—the loss of a strong relationship—is much higher than in the case of a weak tie. Strong, mutually trusting relationships build slowly and incrementally over time. In addition to the satisfaction involved in the strong relationship, the time invested becomes an increased cost or disincentive to act unethically.

Conceptual work on empathy (e.g., Vetlesen, 1994) suggests as well that the emotional intensity and intimacy of the relationship between two people will be related negatively to the likelihood of unethical behavior. Vetlesen (1994) argues that empathy is a deeply rooted human faculty—one that disposes a subject to develop a concern for others. According to Vetlesen, empathy provides a "trigger" into the domain of ethics, establishing whether a person perceives that he or she is facing an ethical situation (e.g., a situation in which the other person might be harmed). Jones (1991) arrives at a similar conclusion when he considers the characteristics of moral issues. He includes proximity—a measure of psychological, social, cultural, and physical distance—as an important antecedent to moral behavior. People are more aware of the moral nature of issues and less likely to act unethically toward others who are close to them as compared to strangers.

Although all people possess some capacity to identify with others, research on "moral exclu-

sion" suggests that people vary in their willingness to morally identify with others (Opotow, 1990). Those who are morally excluded, and thereby subject to unethical behavior, are perceived to be psychologically distant from the actor (e.g., we see them as nonentities, expendable, undeserving, or threats). As the strength of a relationship increases, the possibility of moral exclusion decreases. Smith (1966) notes that the ability to identify and empathize with others depends on familiarity, attraction, and generalization (i.e., the degree to which the subject views the object as "similar" and thus ascribes a number of the object's traits to him or herself, and vice versa). Research has supported the general observations that similar people tend to interact and that interaction leads to further similarity (Blau, 1977; Davis, 1966; Erickson, 1988; Granovetter, 1973; Homans, 1950). Both observations lead us to conclude that strong relationships foster empathy and psychological proximity, and they decrease the likelihood of unethical behavior.

In extremely weak social relationships, when expectations for future interaction and opportunities for unethical behavior are minimal, individual characteristics, moral intensity, and/or societal norms may provide the most predictive power. For instance, although we do not give our wallets to strangers, widely accepted norms prompt us to give our car keys to parking attendants. Whether an attendant will steal the car is likely to depend more on individual characteristics, the magnitude of the consequences, or norms than on the strength of any relationship we may have with the attendant. Conversely, we expect that very strong relationships may outweigh weak organizational norms or low moral character, as the adage "honor among thieves" suggests, thus prompting the following interaction effect:

> *Proposition 1: The effects of the constraints of strong relationships on unethical behavior will increase as the constraints of characteristics of individuals, organizations, and issues decrease, and vice versa.*

Disliking another person can be conceptualized as a negative relationship at the oppositive end of the continuum of strong and weak ties. Social network researchers seldom have studied this type of relationship (exceptions are

Labianca, Brass, & Gray, 1998, and White, 1961). Negative relationships, including broken relationships that previously were positive, may involve a variety of emotions, but they obviously do not include the constraining effects of empathy and psychological proximity. Consistent with the above proposition, we expect negative relationships to be positively related to unethical behavior and these effects to increase as the constraints of characteristics of individuals, issues, and organizations decrease, and vice versa.

Multiplex Relationships

Relationships also can be characterized by multiplexity: the degree to which two actors are linked by more than one type of relationship (e.g., friend, business associate, neighbor; Burt, 1983). Multiplexity adds an additional constraint on unethical behavior, for acting unethically toward the other party increases the costs involved in breaking the relationship. For example, acting unethically toward a business partner may also result in a lost friendship when the relationship is multiplex. Typically, multiplex relationships will be strong relationships, although strength is not necessary for multiplexity to occur, and vice versa. As in the case of strong ties, we expect an interaction between multiplexity and individual, organizational, and issue-related characteristics.

> *Proposition 2: The effects of the constraints of multiplex relationships on unethical behavior will increase as the constraints of characteristics of individuals, organizations, and issues decrease, and vice versa.*

Asymmetric Emotional Relationships

We are not suggesting that the possible payoffs for engaging in unethical behavior do not at times outweigh the strength or multiplexity of relationships, just as they might also outweigh ethical norms or personal values. As Granovetter (1992) has noted, organizational crimes, such as embezzlement, require the opportunity generated by the trust of strong relationships. The fact that such crimes are infrequent suggests that the constraints of strong relationships usually outweigh the opportunities. Such crimes

are more likely the result of moral exclusion of the organization (a large, faceless entity) or asymmetric social relationships.

We suggest that unethical behavior is most likely to occur in asymmetric relationships, in which the trust and emotional involvement of one actor are not reciprocated fully by the other (Carley & Krackhardt, 1990). Asymmetric ties place the trusting party at risk, while they increase the opportunity and payoffs for the nontrusting, emotionally uninvolved other party. Thus, "scam artists" and "con men" attempt to develop asymmetric relationships with targets in order to increase their opportunities and payoffs (Cialdini, 1985). In addition, the less emotionally involved party may view the other as not requiring or deserving consideration, as in the case of moral exclusion.

Although asymmetric relationships provide the opportunity for unethical behavior, whether an individual takes advantage of this opportunity may be contingent upon individual characteristics, such as moral character, organizational norms, or moral intensity. As with the previous two propositions, we expect an interaction effect.

> *Proposition 3: The effects of the opportunities for unethical behavior provided by asymmetric emotional relationships will increase as the constraints of characteristics of individuals, organizations, and issues decrease, and vice versa.*

Status

We can also characterize relationships in terms of status, or the relative power of one actor over the other. As with asymmetric emotional relationships, asymmetric power relationships put the lower status actor at risk of being treated unethically. If power is the reciprocal of dependence (Emerson, 1962; Pfeffer, 1981), then one party has less to lose (by acting unethically) than the other. The lower status actor is less likely to act unethically, because the more powerful actor can retaliate with more force. The probability of the higher status actor acting unethically will be influenced by that actor's moral character, as well as such organizational factors as norms or codes of conduct and such issue-related factors as probability of effect.

> *Proposition 4: The effects of the opportunities for unethical behavior provided by status differences in a relationship will increase as the constraints of characteristics of individuals, organizations, and issues decrease, and vice versa.*

In summary, as the strength, multiplexity, symmetry, and status equality of a relationship increase, frequency of interaction and trust provide increased opportunities and payoffs for unethical behavior, whereas empathy, psychological proximity, and the cost of losing a strong, multiplex relationship constrain unethical behavior. Although we have stated propositions for each type of relationship, the effects of additional parties also must be taken into account when we consider whether the opportunities will outweigh the constraints. Dyadic interactions seldom occur in isolation; relationships within organizations almost always involve other parties. The addition of relationships among multiple parties requires consideration of the structure of relationships. One advantage of the network perspective is its focus on the entire network.

STRUCTURE OF RELATIONSHIPS

Research on the opportunity for misconduct (e.g., Zey-Ferrell & Ferrell, 1982) suggests that the addition of others (a greater number of people) increases the opportunity for unethical behavior. However, adding additional people introduces consideration of two related—but under-researched—concepts: "surveillance" and "reputation." Both concepts involve relationships. Surveillance—the possibility of being observed by other members of the organization—will decrease the likelihood that the focal individual will engage in unethical behavior. Although research evidence is indirect, McCabe and Trevino (1993) have found that ethical behavior is influenced by the individual's perception of the likelihood of being caught. Other researchers (Izraeli, 1988; McCabe & Trevino, 1993; Zey-Ferrell & Ferrell, 1982; Zey-Ferrell et al., 1979) have indicated that the presence of peers, peer perceptions, and the frequency of contact with the peer group can strongly influence ethical decision making and behavior. Together, these findings suggest that people are

aware that other organizational members may be watching their actions, and that this surveillance will constrain unethical behavior.

The addition of other organizational members also increases the chances that individuals will consider the impact their potential unethical actions might have on their reputations. Research has found that most American adults and business managers engage in a "conventional level" of moral reasoning, which includes being aware of, and trying to comply with, the roles and expectations of others (Kohlberg, 1969; Trevino, 1992). At this level of cognitive moral development, interpersonal relationships and social approval are important aspects of the reasoning process used in ethical decision making. The possibility that mutual friends and acquaintances may learn of unethical behavior acts as a deterrent. If Actor A engages in unethical behavior toward Actor B, he or she also risks damage to his or her reputation as perceived by Actor C and other third parties in the organization. Being perceived as unethical by Actor C may also lead to the loss of the relationship with Actor C.

Simply adding people does not guarantee the constraints on unethical behavior of surveillance and loss of reputation. Rather, the structure of the relationships among the participants may provide either opportunities for or constraints on unethical behavior. To illustrate the effects of the structure of relationships, we consider the extent to which these additional members of the organization are themselves connected.

Structural Holes

"Structural hole" is the term used by Burt (1992) to refer to the absence of a link between two actors. Because network analysis considers not only the presence of relationships but the absence of relationships, we can consider additional organizational members without assuming that they are connected. For example, in Figure 2a, Actor A is connected to Actors B and C, but Actors B and C are not connected. We propose that when these third parties represent a structural hole (i.e., lacking a relationship), the opportunity for unethical behavior is increased. In this structural hole triad, Actor A becomes the only link between Actors B and C. As the intermediate link, Actor A can control the information flow between the two and can broker one of the

FIGURE 2
Examples of Triadic Relationships
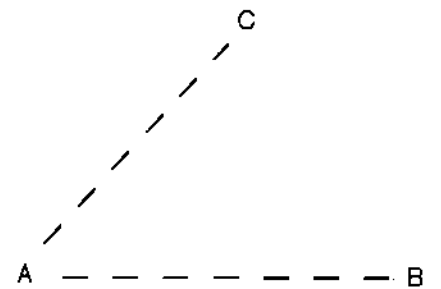
(a)   Structural hole
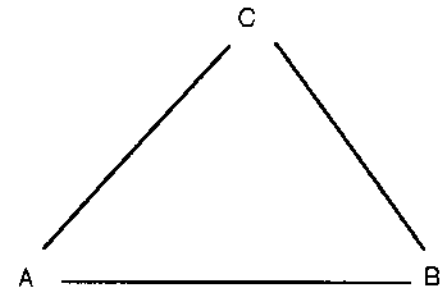
(b)   Simmelian triad

(c)   Mixed

———— Strong tie

— —   Weak tie

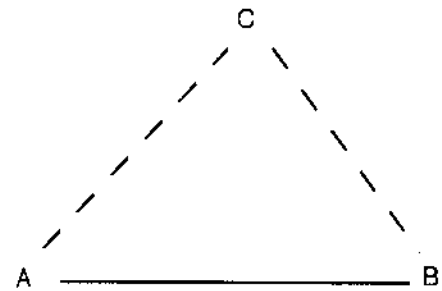actors off against the other (Burt, 1992), increasing the possibility for unethical behavior. In addition, the absence of a link between Actors B and C removes the constraints provided by surveillance and reputation effects. Actor B is not aware of any unethical behavior by Actor A toward Actor C, nor do Actors B and C communicate with each other concerning Actor A's unethical behavior. The possibility that B or C may act unethically toward A is limited because, unlike Actor A, neither Actor B nor C has another relationship to compensate for the loss of the relationship to Actor A. Thus, it is less likely that B or C will act unethically toward A than vice versa.

If Actors A, B, and C are all connected by relationships, as portrayed in Figure 2b, each can easily monitor the behavior of the others, and any noted unethical behavior by one will be transmitted quickly to the third. Thus, surveillance is high, and loss of reputation is swift. In addition, Actor A has no information advantage over either of the other two actors, nor can Actor A broker one off against the other. For Actor A, acting unethically toward Actor B may result in the loss of the relationships with both Actor B and Actor C.

The opportunity for brokering transactions between two otherwise unconnected parties is exemplified by boundary-spanning positions in organizations. For example, salespeople and purchasing agents form structural hole triads between the organization and customers and suppliers, respectively. Thus, these boundary spanners are in a position to benefit themselves by playing one party off against the other. As illustrated by highly publicized cases of fraudulent behavior by Wall Street firms in the 1980s, stockbrokers who had structural holes between clients and the firm were able to unethically manipulate transactions (Eichenwald, 1995). For example, a broker could clandestinely use an investor's money or the firm's money to cover a loss on a personal, although illegally acquired, security. Unbeknownst to the firm or the investors, such practices were not uncommon, and they illustrate the opportunity for unethical behavior that can result from the existence of structural holes.

Opportunities presented by structural holes do not necessarily result in unethical behavior. For example, a person with high moral character may not recognize or take advantage of a structural hole, whereas a person of low moral character might act unethically given the same

structural opportunity. For a person with moderate moral character, the opportunity provided by a structural hole may be the difference between acting ethically or unethically. Similarly, organizational and issue-related constraints may deter individuals from taking advantage of structural holes. Thus, we anticipate the following interaction effect:

> *Proposition 5: The effects of the opportunities for unethical behavior provided by structural holes will increase as the constraints of characteristics of individuals, organizations, and issues decrease, and vice versa.*

Centrality

As in the structural hole triad example, we can predict the likelihood of unethical behavior of particular positions within a network. For example, an individual's position in a network can be measured in terms of its centrality. Of the various measures of centrality (see Freeman, 1979, for a review), closeness centrality is particularly relevant to our discussion of surveillance and reputation. Closeness centrality refers to the extent to which an individual can reach all others in the network in the fewest number of direct and indirect links (direct links being weighted as "closer" than indirect links; Freeman, 1979). These employees are central by virtue of being connected to many others (direct connections), who are connected to yet others (indirect connections). Direct connections increase surveillance, and indirect connections determine the number of others who may hear about unethical behavior, providing an indicator of the extent to which reputation losses may occur. High closeness centrality suggests high surveillance and extensive loss of reputation (and the power and prestige of a highly central position) by acting unethically. Those isolated in networks (having very few connections) have little to lose in terms of reputation; as the size of the personal network increases, the importance of reputation increases. The visibility of a highly central actor may extend beyond actual relationships to include the number of others who know of him or her. Being well known provides additional constraints from surveillance and possible loss of reputation.

The surveillance and reputation constraints on those occupying positions of high closeness

centrality within a network may be greatest in the presence of strongly embedded codes of conduct or when an ethical organizational culture is strong. An employee is not likely to be concerned about surveillance and loss of reputation if the norms or reward systems of the organization condone or promote unethical behavior. Conversely, codes of conduct may have their greatest effects when individuals are highly connected (central) to others in the network.

> *Proposition 6: The effects of the constraints on unethical behavior provided by the closeness centrality of a position will increase as the constraints of organizational norms, social consensus, and codes of conduct also increase.*

Density

To the extent that the entire network is highly interconnected, surveillance of behavior is high and the possible loss of reputation by acting unethically is increased. Conversely, in a loosely connected network, the possibility of unethical behavior is greater. The proportion of network ties compared to the total number of possible ties is referred to as "density" (Scott, 1991). The density of relationships also may enhance social consensus on issues, thereby increasing moral intensity, perception, judgment, intent, and action (Jones, 1991).

Coleman (1988), Granovetter (1992), and Burt and Knez (1995) arrive at a similar conclusion regarding density and trust. As an example, each cites the New York diamond exchange, where extremely high-priced deals are transacted without benefit of any written contracts but, rather, are sealed by a handshake. The close-knit community of diamond merchants can easily monitor each other's behavior in a business where reputation is critical to success. In addition, these dense network relationships provide for the rapid dissemination of information about any instances of unethical behavior. Coleman argues that dense connections ("closure") are necessary for the existence of effective norms (1988: 107). As in the case of closeness centrality, we expect an interaction effect between density and organizational factors.

> *Proposition 7: The effects of the constraints on unethical behavior of the density of relationships within a group*

will increase as the constraints of group norms, social consensus, and codes of conduct increase.

COMBINING RELATIONSHIP TYPES AND STRUCTURE

The structure of relationships is not completely independent of the types of relationships that exist between the actors. We offer four examples, each of which combines type and structure to help predict unethical behavior in organizations.

Simmelian Triad

As Granovetter's (1973, 1982) theory of strong and weak ties suggests, when two relationships in a triad are strong, it is likely that the third relationship will also be strong (or at least minimally connected). In other words, two of your friends are more likely to be friends themselves than are two of your acquaintances. Thus, when two strong ties exist in a triad, the possibility of a third strong tie is much greater than when two strong ties do not exist. When all three parties are connected by strong ties, we refer to this as a Simmelian triad (Figure 2b; Krackhardt, 1992).

The potential loss of a third-party relationship between Actor A and Actor C is particularly great if it is a strong relationship. For example, when Actor A has strong relationships with both Actor B and Actor C, engaging in unethical behavior toward either may result in the loss of both relationships. When we add the empathy evoked by strong relationships to the constraining effects of surveillance and possible loss of reputation, we expect the incidence of unethical behavior to be highly unlikely in this strong Simmelian triad (three strong ties). Because all actors in this simple triadic example are in structurally similar positions (each with strong ties to the others), the possibility of each acting unethically is the same.

As with the Simmelian triad, a structural hole is not independent of the strength of the relationships.[1] It is most likely to occur when Actor A's ties to Actors B and C are weak relationships

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[1] Although structural holes may be related to weak ties, Burt (1992) emphasizes the distinction between the two concepts and suggests that structural holes do not necessarily involve weak ties. He argues that it is the absence of connections, rather than the strength of the ties, that is important in structural holes.

(Granovetter, 1973). Just as strong ties to two other actors increase the chances of the two others being linked, weak ties are more likely to connect an actor to two actors who are not themselves linked. Thus, in addition to the opportunity presented by a structural hole, the lack of empathy created by weak ties will make this structure particularly susceptible to unethical behavior by Actor A.

These two examples—the three strong ties of the Simmelian triad and the two weak ties and a missing third link of a structural hole—represent extreme but frequent interaction patterns. Various combinations of strong and weak ties are less frequent (according to Granovetter, 1973) and fall between the two examples. We suggest that as the overall strength of the triad increases (from weak-tie structural holes to strong-tie Simmilean triads), the likelihood of unethical behavior will decrease.

Consider an additional intermediate example (Figure 2c): one strong tie (Actors A and B are friends) and two weak ties (each has a mutual third-party acquaintance—Actor C). Based on empathy, it is unlikely that A or B would act unethically toward each other, but more likely that either would act unethically toward C. However, if either A or B acts unethically toward C, each risks the loss of reputation, and the loss of a strong relationship, with the other. At the same time, it is possible for A and B to form a coalition to act unethically toward C (Murnighan & Brass, 1991). For example, it is likely that A and B might gossip about C, each reinforcing the gossiping behavior of the other (Burt & Knez, 1995). The possibility that C might act unethically toward either A or B (because of weak ties to each) is mitigated by the possibility that A or B may be able to protect the other from such an occurrence. Both A and B have some limited information about C, owing to their weak links to C, and each will likely share that information because of their mutual strong tie. As research by Gargiulo (1993) suggests, strong ties between actors can be a source of power and a deterrent against others acting unethically toward them. Thus, in this intermediate-strength example, the likelihood of unethical behavior is greater than in the strong Simmelian triad but less likely than in the weakly connected structural hole.

Adding the possibility of multiplex or asymmetric ties to the above examples increases the complexity, but we can generate similar hypotheses by applying the previous propositions concerning types of relationships. Asymmetric relationships increase the opportunity for unethical behavior while decreasing the constraints of empathy for the party with the least invested in the relationship. Thus, asymmetric relationships are more likely than weak relationships to result in unethical behavior. Multiplex relationships should decrease the possibility of unethical behavior much in the same way as strong ties do.

Combining Density and Strength

The probability of unethical behavior within a group of densely connected organizational members with strong relationships to each other likely would be less than when weak ties exist among the members. The likelihood of information flowing from one person to another is proportional to the strength of their relationship (Burt, 1992); friends transmit more information more quickly than do acquaintances. Thus, information about reputation would more likely and more rapidly flow through strong ties than weak ones. The interconnected overlap of the strong ties provides high surveillance and rapid transmission of personal information (e.g., gossip).

Cliques

Proposition 7, regarding density, applies to the probability of unethical behavior *within* a group. As the size of a network increases, the possibility of fragmentation (individuals forming subgroups) increases (Berelson & Steiner, 1964; Shaw, 1971). Increases in size make it more difficult for each member of a group or organization to interact with every other member. Because similarity breeds attraction and interaction, subgroups of similar people form. Similarity and increased interaction result in strong ties forming among subgroup members, which then results in what network researchers refer to as strong cliques: densely connected subgroups of reciprocated ties within the network (Doreian, 1979). The previously mentioned Simmelian triad is an example of a three-person strong clique.

Given a limit to the number of strong ties a person can maintain, dense connections within a

group may decrease the probability of strong connections across groups. There is a rich history of research on group membership and its effects on intergroup conflict, stereotypes, and in-group/outgroup biases (Coser, 1956; Simmel, 1955; Tajfel & Turner, 1985; see Pruitt & Rubin, 1986, for review). In general, in-group strength and density may promote positive in-group biases and negative outgroup biases. As the size of an organization increases, the fragmentation of the network (into cliques) may also decrease the homogeneity of behaviors and attitudes about ethical behavior across groups within the entire organization (Granovetter, 1992). Thus, it may be difficult for large organizations to maintain ethical norms across fragmented cliques. Dense, strong connections within groups may be positively related to unethical behavior across groups. For example, the expression "honor among thieves" may be the result of strong, dense connections among the thieves, who do not hesitate to cheat or steal from nongroup members. Strong cliques also may have more power (in terms of numbers and united positions) and, therefore, may be able to act unethically without fear of retribution.

> Proposition 8: The presence of strongly connected, dense subgroups within an organization will be positively related to the probability of unethical behavior between groups. The probability of unethical behavior between groups will increase as the constraints of characteristics of individuals, organizations, and issues decrease, and vice versa.

Centrality, Structural Holes, and Status

Closeness centrality and structural holes[2] are not independent of status and power. Both have been shown to be positively related to power in organizations (Brass, 1984, 1992; Brass & Burkhardt, 1993). From a resource dependence or exchange theory perspective (Emerson, 1962; Pfeffer & Salancik, 1978), power results from both

access to and control over important organizational resources, such as information. People who have access to resources decrease their dependence on others, and people who control relevant resources increase others' dependence on them, thereby acquiring power (Pfeffer, 1981). The closeness centrality measure captures access to others, whereas a structural holes measure captures control (Freeman, 1979). For example, in Figure 2a (the structural hole), Actor A controls the information flow between Actors B and C.

Researchers also have related both measures to position in the organizational hierarchy (Brass & Burkhardt, 1993). Because supervisors often link otherwise disconnected subordinates and higher-ups, they experience many structural holes in their networks. However, middle level supervisory positions also are typically high in closeness centrality (directly and indirectly connected to many others), with their reputations being affected by, and surveillance being provided by, subordinates, peers, and superiors. Thus, for middle level managers, closeness centrality may act as a constraint on the opportunities provided by structural holes when those managers consider unethical behavior. However, lower level employees feel less obligation to monitor or whistle-blow on higher-ups (Hamilton, 1978). In addition, higher level positions often are the sole link between owners, boards of directors, or other outside stakeholders and other organizational personnel. Those holding these higher level positions are subject to greater opportunities and payoffs from unethical behavior, as well as less surveillance from those both inside and outside the organization.

Scholars often note (e.g., Hamilton, 1978) that higher level organizational positions come with higher expectations for ethical behavior (occupants are held to a higher standard). However, with the exception of the responsibility to monitor the ethics of those they supervise, such standards are often as ambiguous and slippery as the autonomous job roles themselves (Hamilton, 1978). Thus, higher level organizational positions guarantee increased opportunity and increased freedom of action rather than ethical behavior. "The powerful may eventually hang, but in the meantime they are given a great deal of rope" (Hamilton, 1978: 321).

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[2] Social network measures, such as "structural autonomy" (Burt, 1992) and "betweenness centrality" (Freeman, 1979), measure the extent to which any employee is connected to others who are not themselves connected. As such, they provide a measure of the extent of structural holes for each position in a network.

SOCIAL CONTAGION AND CONSPIRACIES

Combining a relationship-based perspective with current approaches can provide us with a more complete understanding of unethical behavior in organizations. To illustrate we consider social contagion and conspiracies.

Social Contagion

How one bad apple spoils the barrel has been the subject of such ethics research as differential association theory (Sutherland & Cressey, 1970). In one of the few approaches to focus on social relationships, differential association theorists suggest that unethical behavior can result from the influence of members of an individual's referent group, depending on the ratio of contacts the individual has with ethical others compared to contacts with unethical others. Empirical research has provided general support for this approach. For instance, Zey-Ferrell et al. (1979) found that one's perceptions of peer behavior are perhaps a better predictor of self-reported unethical behavior than are one's own beliefs or the beliefs of top management. In addition, Zey-Ferrell and Ferrell (1982) found that referent others within an individual's role-set significantly influence individual ethical/unethical behavior. Differential association is consistent with the social network perspective that attitudes and values are not formed in isolation but, rather, are the result of social influence by others (Erickson, 1988). Social network researchers (Burkhardt, 1994; Rice & Aydin, 1991) have confirmed that attitude similarity is a function of position in the organizational network.

Social network analysis complements the above theory by providing the means for identifying relevant others and predicting the social contagion of unethical behavior as one bad apple affects others. Social network research suggests two possible approaches to explain social influence and attitude similarity: (1) cohesion and (2) equivalence. Similar to differential association, the cohesion approach suggests that attitude similarity is a function of proximity. Directly linked individuals likely will have more similar attitudes than indirectly linked individuals. The underlying process is social influence: the more frequent and empathic the communication between two actors, the greater the likelihood of each adopting the attitudes or values

of the other. Individuals linked by strong ties will be more similar in attitudes and values than individuals linked by weak ties (Erickson, 1988). Some value congruence likely forms the foundation for very strong relationships. These predictions are based on two well-known suppositions: (1) similarity breeds attraction and (2) interaction breeds similarity (e.g., Blau, 1977; Homans, 1950). Thus, we can identify dense cliques of strong ties through analysis of the network patterns, and we can predict similar attitudes and values (e.g., concerning unethical behavior) among those clique members. For example, in Figure 3 Actors E, F, G, and H represent a clique, as do Actors R, S, T, Y, and Z. Network analysis cannot predict whether the attitudes will be ethical or unethical—only that attitudes within cliques will be more similar than attitudes across cliques.

An alternative approach—equivalence—suggests that individuals compare themselves with, and adopt similar attitudes and the behavior of, those others who occupy equivalent positions in the network.[3] Equivalence does not hinge on direct interaction or communication among actors. Rather, similarity in attitudes stems from actors occupying similar positions or roles in the network. The underlying process is social comparison (Burt, 1987). An actor uses the equivalent other as a referent and attempts to maintain or improve his image or outcomes vis-à-vis the other. Thus, managers in an organization are more likely to compare themselves with other managers than they are to compare themselves with their subordinates. This comparison to a similar role occupant—an equivalent other—occurs despite the fact that the two occupants may not be directly linked and that each may have strong ties to nonequivalent others (e.g., the managers have strong ties to their subordinates). However, some awareness of the equivalent other, perhaps through indirect ties to the same superior, is necessary. Thus, managers'

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[3] Social network researchers distinguish between two forms of equivalence: (1) structural equivalence and (2) regular equivalence (Scott, 1991). Structural equivalence refers to two actors having similar interaction partners (e.g., Actors B and C in Figure 3), even though the two may not be directly connected. Regular equivalence refers to similar patterns of interaction (e.g., Actors P and R in Figure 3), even though the interaction partners may be entirely different. For our purposes, we refer to both as equivalence.

FIGURE 3
Example of an Organizational Network

——— Strong tie

— — Weak tie
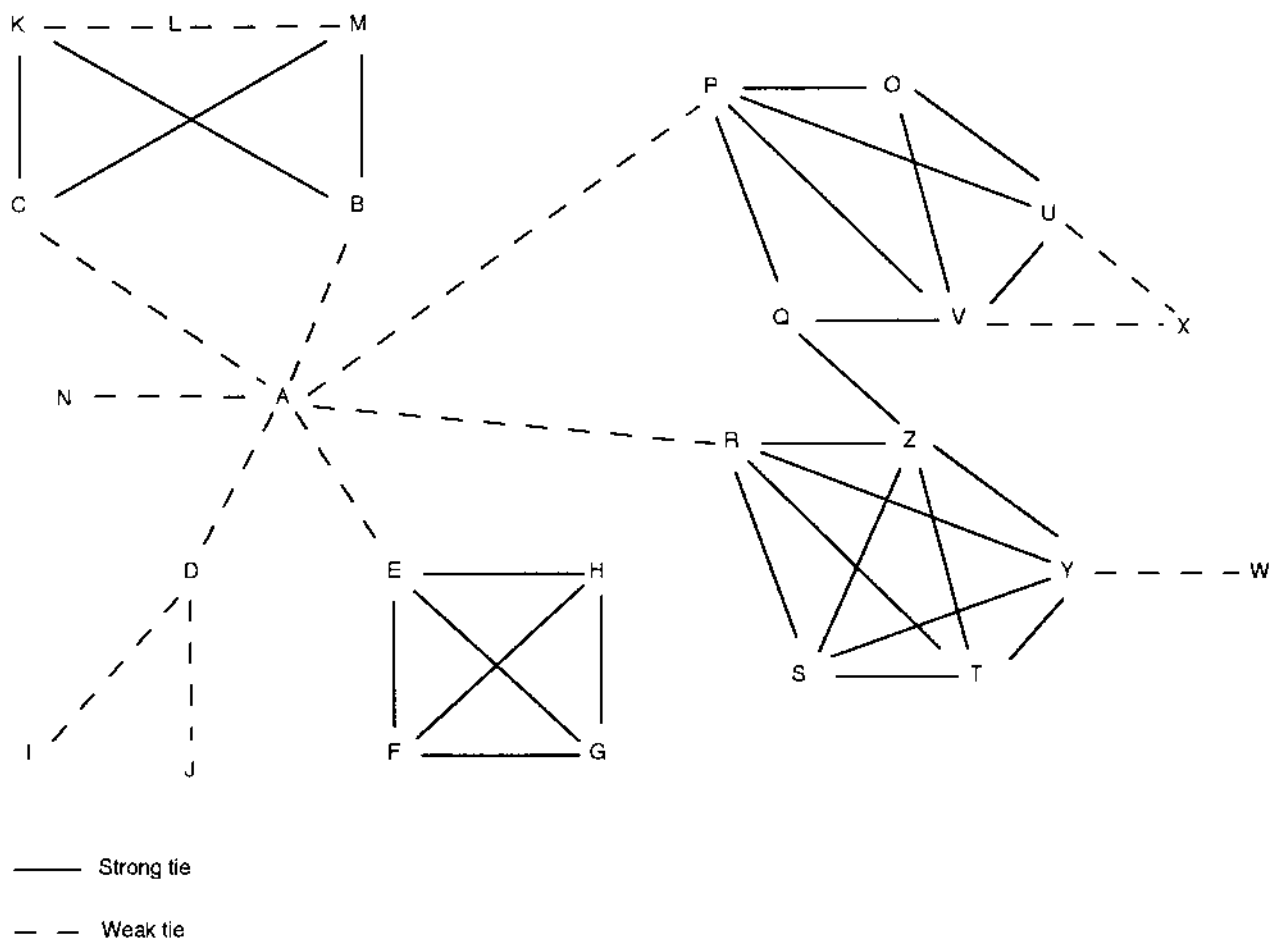
attitudes and values typically are more similar to those of other managers than to the attitudes and values of subordinates (Lieberman, 1956). Using social network techniques, we can identify the extent to which individuals are equivalent (have similar patterns of interaction). For example, in Figure 3 Actors P and R might represent managers who are not directly linked but are equivalent; Actors B and C might represent nonmanagers who are equivalent.

Researchers comparing the two approaches have found mixed results (see Brass, 1995, for a summary)—some supporting the cohesion approach and others finding stronger results for equivalence. One possible explanation involves the organizational context. When actors are in competition, we may find equivalence to be a better predictor of attitude similarity. For example, a manager may adopt the unethical behav-

ior of another manager when they are in competition for a promotion.

Conspiracies

Finally, we turn to the social organization of conspiracies: unethical behavior requiring cooperation among several actors in a network. Although research is extremely limited, a recent study of illegal networks in the heavy electrical equipment industry (Baker & Faulkner, 1993) provides some useful insights. Baker and Faulkner argue that conspiracies require the concealment of sparse, decentralized, weak-tie networks, while at the same time requiring the coordination of activity that is more easily accomplished in a dense, centralized, strong-tie network. Because the size of a conspiracy network increases the need for coordination as well as the possi-

bility of detection, it is likely that larger conspiracies will be detected and stopped more easily. However, even large conspiracies may be hard to detect if they are insulated via weak ties. Central players in the conspiracy network are also at greater risk than peripheral players. Baker and Faulkner have found that the greater the number of direct contacts, the more likely the individual was to be found guilty in court.

Based on our previous propositions and the results of Baker and Faulkner's work (1993), we can suggest the following predictions regarding the network structure of conspiracies. Conspiracies or collusions are more likely to occur in sparsely connected, weak-tie networks. As with coalition formation (Murnighan & Brass, 1991), the coordination needed may be provided by the central "structural hole" member who recruits coconspirators, one at a time, through his or her extensive network of weak ties. The extensive network of the conspiracy builder provides information concerning the ethical beliefs of others. Such information is crucial in order to avoid possible detection resulting from unnecessary contacts or from approaching the wrong person. The size of the network will be the minimal number of members needed to be successful.

For example, in Figure 3 we might predict that Actor A might be able to build a successful conspiracy. Actor A has an extensive network of weak ties with many structural holes. Of those actors directly linked to A, Actor E may be the most difficult to recruit because E is a member of a highly cohesive clique. Unless members of the clique (Actors F, G, and H) do not value ethical behavior, the surveillance, empathy, and possible loss of reputation provided by the strong ties will decrease the probability of Actor E engaging in unethical behavior. Of the other ties, the equivalent Actors P and R are each likely to join if the other joins. Actor A may play them off against each other by suggesting to each that the other has joined. Actors D and N may be the easiest to recruit because neither has any strong ties. Of course, these predictions will be enhanced by knowing the ethical values of the actors, as well as the norms of the larger network. For example, Actor A's position in the organizational network provides ample opportunity for engaging in unethical behavior, but Actor A's moral character and the ethical norms or culture of the organization may either mitigate or enhance this opportunity. Although more

research is needed, the above examples point out the utility of combining the social network perspective with previous approaches.

CONCLUSIONS AND IMPLICATIONS

In proposing a social network perspective, we have emphasized the relationships among actors because other scholars have focused extensively and effectively on characteristics of individuals, organizations, and issues. However, we do not propose social networks as an alternative perspective but, rather, as a perspective to be combined with previous research. Indeed, there are many aspects of unethical behavior social networks cannot explain. For example, this approach cannot predict which of two individuals, identically placed in the organization's network, is more likely to behave unethically. Conversely, previous approaches cannot predict which of two individuals, having identical personality characteristics and facing identical issues in the same organization, are likely to act unethically. As with the conspiracy example, our predictive value is enhanced by combining perspectives.

As Jones notes, "[T]he relative importance of personal factors and situational factors might vary considerably, from issue to issue" (1991: 391). We would add that the relative importance might also vary by type and structure of relationships. Thus, we have stated our propositions in terms of interaction effects. The constraints and opportunities provided by relationships may be most predictive of unethical behavior when personal characteristics, issues, and organizational factors present moderate or weak constraints on unethical behavior. Conversely, these previously researched variables may have their greatest impact when relationships provide opportunities for, rather than constraints on, unethical behavior. However, as we noted in our discussion of surveillance and reputation, we expect the constraints of density and closeness centrality to be greatest when characteristics of issues, individuals, and organizations also provide constraints. The proposed interactions with individual, organizational, and issue-related factors suggest theoretical boundaries on the social network approach.

As our discussion of differential association theory suggests, social relationships may affect such individual characteristics as ethical atti-

tudes and values. It is equally likely that inter-action patterns may be the result of individual characteristics. Strong ties may develop between people with similar values and attitudes. In addition, when organizational members agree on and share norms of conduct, dense patterns of relationships may emerge. Conversely, dense networks may be a necessary requirement for organizational characteristics, such as shared norms and values. We conclude that social relationships and individual and organizational factors may be mutually causal. Thus, we do not argue that one perspective is predominant, and we state our propositions as mutually interactive.

As several of our examples imply, the application of social networks and the consideration of relationships are not limited to the boundaries of an organization. Networks can be extended to consider individuals, groups, or organizations outside an organization. The "nodes" in the network can represent groups and organizations, as well as individuals who represent themselves or larger groups. For example, the social network perspective might be applied to stakeholder theory (Donaldson & Preston, 1995; Freeman, 1984; Jones, 1995). Stakeholder theory emphasizes the relationships and social responsibility between a firm and its cooperative and competitive interests with customers, suppliers, investors, governments, political groups, communities, and so on. The issue of ethical behavior regarding stakeholders appears to be a fruitful area for the application of a social network perspective. Our propositions are intended to be applied to stakeholders outside the organization, as well as individuals within the organization.

Prescriptions for the mitigation of unethical behavior in organizations generally have followed the emphasis of previous research, focusing on selection of ethical individuals, ethics training, restructuring of reward systems, and development of codes of conduct and ethical climates and cultures. An awareness of the social structure of organizations perhaps may provide an additional useful deterrent to unethical behavior. As Krackhardt and Hanson (1993) have shown, an understanding of the informal networks in a company is essential for effective communication, coordination, and performance. Identifying those employees in highly central positions in the network may aid managers in

transmitting and diffusing organizational values, norms, or codes of ethics. For example, Krackhardt (1992) has illustrated how a lack of knowledge of the informal employee network resulted in a failed attempt at union organization. The union supported and was represented by employees who were sympathetic but who were not central to the informal friendship networks in the organization. These union-supporting employees failed to have much effect on the attitudes of other employees.

Analysis of interaction patterns can identify structural holes in the network as well as cliques of densely connected subgroups, where distinct cultures and norms may flourish. In both cases encouraging cross-functional links through formal and informal activities may close structural holes and promote interaction across subgroups. Management can identify social isolates and integrate them into mainstream interaction patterns, either by informally seeking to develop ties with them or formally assigning them to core projects. These links can be established via participation in ethics training programs or task forces responsible for designing or implementing codes of conduct. Widespread participation in ethics programs may also increase the constraints of surveillance and loss of reputation. Employees not only develop relationships in such programs but also recognize that others are aware of ethical considerations. In addition, promoting open horizontal as well as vertical communication channels may foster a more dense network.

These prescriptions are consistent with forecasts of a "network organization" of the future (e.g., Baker, 1993; Miles & Snow, 1986; Nohria & Eccles, 1993a). In light of rapid, global changes in the environment, bureaucratic and vertically integrated organizations are being replaced by small, flexible organizations that quickly adapt to changes in technologies, customers, and competitors. The ability to broker synergistic relationships across temporary interdepartmental and interorganizational teams (across structural holes) may increase opportunities for unethical behavior. Thus, the focus on relationships and unethical behavior may become even more important in the future and will require a consideration of not only apples and barrels but the relationships among the apples as well.

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