

Ethical issues in the companies' buying practice

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Ethics is a critical element of business relationship. This is often narrowed down to corruption in the context of purchasing management, however it is a much more complex problem. Since the large scale research projects of the 1990s only a few studies have been devoted to investigate this topic. This paper aims to identify current ethical issues in purchasing and examines perceptions on ethical issues. A literature review, which helped in the questionnaire development, will be provided and the survey results will be presented. Results suggest that although the awareness of environmental and social aspects has grown, the perceptions of the existence of ethical issues have not changed in the last decades. An important message is that the hypernorms of multinational companies help to standardise ethical issues and link them to CSR and environmental aspects. Perceptions of ethical issues are likely to be affected by communication and professional knowledge weaknesses as well.

Keywords: ethics, purchasing, ethical issues, survey.

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Introduction

Business ethics is a wide-spread research field as its theoretical importance and practical relevance to the well-being of a society is well known. Some of the more important questions of this field are: 1) the internationality of business ethics, 2) the occurrence of different ethical issues related to different company stakeholders and/or functions, and 3) the process of ethical decision making. Our paper focuses on the second

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question in a specific field and will investigate ethical issues in purchasing and supplier relationship management. In an economy the purchasing volume of the largest companies represent a substantial buying power, which is concentrated in much fewer hands than in customer markets. The volume of public procurement is also significant. As a consequence, a relatively small number of companies and public entities would be capable of significantly influencing the ethical climate of business in a country. In order to put our study in proper context, we briefly take a look at all three previously mentioned questions.

1) One of the recently emerging challenges is the international business ethics, and with it the relativity or universality of certain ethical norms or issues. This comes from the increasingly international and global scope of businesses, as multinational companies face exposure to occasionally very different national cultures (Tan–Ko 2014). Theories that try to deal with these issues were already formulated in the 80s-90s (e.g. Donaldson 1989; Donaldson–Dunfee 1994) and eventually led to the thinking and research about hypernorms – norms that can be applicable at the global level for companies (Donaldson–Dunfee 1999a). As Donaldson and Dunfee (1999a) did not provide a formulation process, the development and testing of these hypernorms are still ongoing. Herold and Stehr (2010) identified 35 possible hypernorms derived from corporate codes of ethics and finally proposed 16 norms in five different areas: responsibility for employees, customers, suppliers, environment and society. Out of these 16 norms only one was specifically related to suppliers, namely that a company must pay its suppliers according to the terms of price and date agreed. This might indicate that the purchasing function of a company is more susceptible to national cultural effects and/or the field is still under-researched in this issue compared to other stakeholders of the firm.

2) As the study of Herold and Stehr (2010) indicates, different stakeholders and corporate functions may experience different ethical issues and problems. Contrasting with hypernorms, unethical behavioural patterns in these situations can be viewed as illegitimate

norms (Donaldson–Dunfee 1999b). As ethics is a critical element of supplier relationship management, research on ethical issues of purchasing has received considerable attention in management literature in the 1990s (e.g. Cooper et al. 1997; Carter 2000; Forker–Janson 1990). The following chapter provides an overview of these issues. These scholars have emphasized the importance of purchasing ethics, and the studies also provided a comprehensive picture on the key ethical issues as well as on their implications for business, values driving decisions in questionable purchasing situation (Plank et al. 1994) and approaches to enforce ethical behaviour (Handfield–Baumer 2006; Husser et al. 2014). According to our knowledge, after these studies no one has addressed this topic specifically, though the growing internalization – especially the recognition of low cost countries as suppliers – also raised a whole set of new ethical/social/environmental issues. These elements forced companies to ensure higher visibility and integrity with ethical rules and made them develop strict internal regulations and broader structures (education, codes etc.) to control their employees. All these may indicate that the potential ethical issues are more visible to purchasing and sales people and that the new ethical issues appeared during the last decades.

3) Occurring ethical issues will trigger the decision-making process of the affected individuals. This topic is not very well covered in the context of purchasing professionals, though it would be important to observe how people think it is related to what they do (Ho 2012). Ho (2012) provides a review of relevant studies. Nonetheless the examination of this question would overstep the boundaries of our paper, hence we do not go into details.

This paper aims to investigate current ethical challenges in purchasing and supplier relationship management in Hungary through the identification of key ethical issues faced by purchasers and the recognition of potentially new ethical issues. Our paper also intends to investigate whether the shift of focus in purchasing literature from ethics to CSR issues was parallel with the perceived presence of ethical and CSR dilemmas by practitioners.

As a first step a list of ethically questionable practices (issues) was created with the help of the literature review. Therefore, codes of conduct were analysed in order to find ethical issues that are new to the list based on the literature. With the help of an expert group (involving purchasing managers) a questionnaire was developed to measure the perceived presence of the listed ethical issues and to identify potential relations among ethical issues. The terminology of Cooper et al. (1997) is followed, hence the term ‘ethical issue’ marks ethical conflicts, unethical behaviours, ethical dilemmas, or situations which may give rise to ethical dilemmas. In the results and discussion section, beside descriptive statistics, we also applied ANOVA to compare the perceptions of purchasers and non-purchasers, as well as of respondents exposed or not exposed to public procurement. We used factor analysis to identify major groups of ethical problems that can be derived from individual ethical issues. The last chapter concludes the article and provides suggestions for further research.

Ethical issues in purchasing – a review of the most important studies

Ethical issues have been the subject of increased academic interest. Four studies which tried to provide a comprehensive picture of ethical issues and not just focusing on one or a few, are highlighted.

Forker and Janson (1990) identified eight purchasing ethical issues: 1) exaggerating a buyer’s or a supplier’s problem to achieve a desired outcome, 2) giving preferential treatment to purchasers or suppliers that top management prefers, 3) allowing personalities to influence buying/selling transactions, 4) engaging in the practice of reciprocity, 5) offer/acceptance of free gifts, meals and trips, 6) seeking/giving information on competitors’ quotes, 7) gaining competitive information unfairly, and 8) showing bias against salespeople who circumvent the purchasing department.

Cooper et al. (1997) formulated 44 ethical issues and tested their importance as purchasers perceived them through a survey. Based on the answers given mainly by American purchasers the following three

problems were ranked the highest: showing partiality toward suppliers preferred by upper management, allowing personalities to improperly influence the buying decision, and failure to provide prompt, honest responses to customer inquiries and requests. The ten most important ethical problems also consisted of the following (though in a slightly different order based on professional qualification): lack of knowledge or skills to competently perform one's duties; failure to provide products and services of the highest quality in the eyes of the internal/external customers; receiving gifts or entertainment that influence or appear to influence purchasing decisions; or failure to identify the customer's needs and to recommend products and services that meet those needs. A later study (Cooper et al. 2000) focused on intercultural differences and resulted in a different ranking of the 44 ethical problems when USA vs India were taken into account.

The study of Carter (2000) draws a general picture as the result of the joint research by CAPS (Center for Advanced Purchasing Research) and NAPM (National Association of Purchasing Management, USA). On one hand, based on the detailed review of the literature he summarizes the possible types of unethical activities in 21 points. On the other hand, in an empirical analysis he investigates the perception and appearance of these problems in practice among American purchasers and foreign suppliers. The study also describes an interesting classification of activities that can be considered problematic. One dimension is called 'deceitful practices', which includes behaviours such as gaining advantage by using obscure contractual conditions. The other dimension ('subtle practices') indicates such behaviours when e.g. the purchaser prefers a particular supplier.

In his later studies (Carter 2005; Carter-Jennings 2000, 2004) ethics is the part of social responsibility. The results of these studies played a big role in creating the NAPM/ISM code of conduct, hence seriously shaped the practice of the American companies.

The studies of Cooper et al. (1997, 2000) and Carter (2000) provided the most comprehensive sets of ethical issues, which were a

good source to prepare a full picture of the previous results. As current literature fails to provide additional support, we relied on them during our empirical research.

During the last decade only a few articles on ethics in purchasing were published. Most of these articles were focusing on determinants of ethical behaviour e.g. the differences between public and private sector procurement (Hawkins et al. 2011) or other contextual aspects (Saini 2010; Blome–Paulraj 2013; Husser et al. 2014).

Methodology

In order to be able to build a comprehensive picture of the perceived importance of ethical issues, two important phases were completed. First, the update of the collected ethical issues was done and then a questionnaire was developed.

The update of the ethical issues list

As studies on the changes of purchasing ethical issues are missing, we first relied on the secondary data analysis of purchasing and supplier codes of conduct to identify new issues. Many authors argue that the existence of a purchasing code of conduct, its standardized form and recommendations significantly influence ethical behaviour (Plank et al. 1994; Turner et al. 1995; Smeltzer–Jenning 1998; Handfield–Baumer 2006), though in itself a code of conduct is not able to solve all ethical problems. Besides giving guidance inside the company, external communication of the code of conduct towards the suppliers is also very important (Carter 2000; Saini 2010). Encouraged by these results, the public code of conduct was considered a source to update the sets of ethical issues discussed by Cooper et al. (1997) and Carter (2000).

We searched the Internet for codes of conduct that could be accessed publicly. As it was difficult to find a sufficient number of purchasing codes of conduct, supplier codes of conduct were also included in the sample. A total of 32 codes of conduct were identified, all of them published by multinationals firms (four of them were

Hungarian subsidiaries of multinationals). The codes of conduct were analysed by their structure and content. The list of companies is included in Appendix 1.

The review of the 32 codes of conduct indicated the increased role of sustainability issues in line with the publications mentioned above: the role of green and social responsibility issues was frequently highlighted. New ethical issues identified in the purchasing codes of conduct were the following (with the number of occurrence in brackets):

- on-time payment to the supplier (1);
- preparation of a contract based settlement with the supplier (1);
- buyers will not urge suppliers to support non-profit goals (1);
- neutrality with regard to political parties and candidates (1).

Supplier codes of conduct transmit expected ethical standards. By comparing their content to the lists of Cooper et al. (1997) and Carter (2000), the following new issues were found (with the number of occurrence in brackets):

- suppliers must create programs to ensure scouting and tackling ethical problems (3);
- suppliers must respect and protect the intellectual property rights (2);
- the supplier is not allowed to use the logo of the company (2);
- the supplier should pay off its suppliers (1).

These results indicate that only a few new ethical issues were raised in the codes (and the numbers of occurrence were low). However, sustainability-related issues were included in almost all codes of conduct.

Questionnaire development

To identify the presence of ethical issues in practice, a questionnaire was developed. To prepare the investigation, a list of ethical issues was required. A workshop of purchasing managers (members of the Hungarian CPO [Chief Purchasing Officers'] Club) was conducted to prepare the survey list. First, the lists of Cooper et

al. (1997) and Carter (2000) were reviewed and afterwards the issues identified with the help of the codes of conduct were considered. The expert group concluded to use 29 issues from the initial list based on Cooper et al. (1997) and Carter (2000). It added five more issues identified in the codes of conduct, namely: 1) forcing reciprocal buying, 2) the negotiating process does not take the cultural norms of the negotiating parties into account, 3) inaccuracy of records and reports, 4) purchaser insists upon supplier to support non-profit goals, and 5) allowing or tolerating illegal work to reduce costs. The expert group also took care of the translation and adaptation of the English expressions into Hungarian. As a result, a total of 34 ethical issues were suggested to be investigated in the survey as relevant ethical issues. These 34 issues were then evaluated by the respondents whether they qualify as a frequent ethical problem in their purchasing practice, measured on a 1-5 Likert scale (1 – not frequent problem, 5 – very frequent problem). The questionnaire can be found in Appendix 2.

The questionnaire was distributed electronically and on paper. The respondents were members of the Hungarian CPO Club, participants of postgraduate courses in purchasing and logistics organized by Corvinus University of Budapest, and members of an expanded professional mail list. A total of 106 responses were collected and only two responses had missing data. As the survey was anonymous, the representativity of the sample could not be established, though it represents a good basis for analysis as it allows us to compare the opinion of purchasers and purchasing managers, as well as public and company buyers' experience.

Results and discussion

In this part the survey results will be discussed, highlighting the differences of perception across the subgroups of the sample. Out of the 34 issues, Table 1 shows those which were felt as the most frequent problems by the respondents.

Table 1. Top purchasing ethical issues according to the respondents

Purchasing ethical issue	Mean	Standard deviation	Coefficient of variance
Showing partiality toward suppliers preferred by upper management	3.26	1.20	0.37
Writing specifications that favour a particular supplier	3.04	1.00	0.33
Allowing personalities to improperly influence the buying decision	3.01	1.19	0.39
Unfairly using the firm's purchasing clout to gain concessions from suppliers or others	2.97	1.25	0.42
Using less competitive prices or terms for buyers who purchase exclusively from the supplier	2.80	1.23	0.44
Lack of knowledge or skills to competently perform one's duties	2.77	1.21	0.44
Failure to provide prompt, honest responses to customer inquiries and requests	2.71	1.10	0.41
Failure to identify the customer's needs and recommend products and services that meet those needs	2.68	1.04	0.39
Failure to be objective with others in business dealings	2.57	1.13	0.44
Allowing a supplier to rebid after the closing date	2.56	1.24	0.49

Source: own research

It is worth comparing this ranking with the survey of Cooper et al. (1997). According to both analyses the most important issue was showing partiality toward suppliers preferred by upper management. If we take a look at the other issues, only a handful overlapped in the top places, namely the lack of professional knowledge or skill and the failure to identify the customer's needs. The issues from the bottom of the list (i.e. the least problematic ones) are shown in Table 2.

The issues at the bottom of the list are not frequent based on respondents' opinion. It is worth mentioning that the issues related to sustainability can be found here. We would like to highlight the following issue: "Allowing or tolerating illegal work in order to reduce costs". This is actually at the bottom of the ranking, but just made it there. Also, the standard deviation of the responses is high compared to other items: i.e. according to the majority of the respondents, this item is not problematic, though this opinion is far from being unanimous. It is also interesting that out of the five items added by the expert group to

Table 2. Least frequent purchasing ethical issues according to the respondents

Purchasing ethical issues	Mean	Standard deviation	Coefficient of variance
False or misleading representation of demand or interest in discussions with suppliers or others	1.98	1.09	0.55
Abuse of expense accounts	1.98	1.03	0.52
Allowing or tolerating illegal work in order to reduce costs	1.96	1.27	0.65
Unauthorised payments	1.92	1.05	0.55
Making disparaging remarks about suppliers, their products, or their employees or agents	1.84	0.94	0.51
Purchaser insists upon supplier to support non-profit goals	1.79	0.93	0.52
Conflicts of interest that involve working for a competitor, customer or supplier without prior management approval	1.73	0.90	0.52
Utilizing improper hazardous materials or procedures to reduce costs	1.62	0.95	0.58
Negotiating process does not take the cultural norms of the negotiating parties into account	1.49	0.77	0.52
Discriminating against small, disadvantaged, and minority-owned businesses in the supply base	1.46	0.92	0.63

Source: own research

the initial list based on Cooper et al. (1997) and Carter (2000), three items are at the bottom of the list.

Respondents missed many issues from the questionnaire. This is curious, because based on our earlier experience, the Hungarian purchasing experts are usually not open to answer these types of questions. These issues were the following:

- tolerating ‘grey employment’ (the employee officially earns only the minimum wage and gets the rest of the wage illegally);
- evaluation of product testing is distorted by subjective factors (not by the purchaser);
- the extension of the content during the negotiating rounds;
- generating fake competition in order to improve conditions of the actual supplier (make other would-be-suppliers compete unnecessarily);
- obligatory prescription of contractual conditions;
- ensuring transparency during the process (by using electronic tools);

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- evaluating aspects are known beforehand (in case of not public procurement);
 - the value of given word (oral statement) in business relationships;
 - environment and working conditions;
 - by creating ethical codes of conduct the multinational company wants to reduce its risks, but it is not interested in the ethical behaviour of the supplier. After accepting and signing the code of conduct, responsibility can be deflected onto the supplier.

Looking at the list one can feel the conflict among purchasing, the internal customer and the seller: they are not aware of the tools and way of thinking of the others.

Differences in the opinion of purchasers and non-purchasers

Out of the 106 respondents 81 were CPOs or purchasers. Their opinion was compared to the answers of 25 non-purchaser respondents in other positions through ANOVA. There is a pattern: the opinion of the purchasers (especially CPOs) is much more favourable. With the exception of seven issues they consider every other as less problematic. The biggest differences are shown in Table 3.

These differences reflect two problems. First, though the existence of double ethical standards seemed to decrease in corporate codes of conduct (Vörösmarty–Dobos 2011), in reality it still survives in some other aspects (e.g. the big difference in accepting gifts). The other problem is a communication problem. It can be assumed that in a buyer-supplier relationship the suppliers or the internal customers usually do not understand the way purchasing works and the methods it is using. It can be also assumed that the purchaser does not pay enough attention whether his or her requests were properly understood.

Differences in public procurement

There were 28 respondents in the sample who had exposure to public procurement. We compared their experience to the opinion of those respondents who did not have any contact with public procurement through ANOVA. Respondents with exposure to public

Table 3. Differences in the opinion of purchasers and non-purchasers

Issues	Purchasers	Non-purchasers	Difference	p-value
Receiving gifts or entertainment that influence or appear to influence, purchasing decisions	2.35	3.16	-0.81	0.004
Conflicts between opportunities for personal financial gain (or other personal benefits) and proper performance of one's responsibilities	2.14	2.88	-0.74	0.002
Unfairly using the firm's purchasing clout to gain concessions from suppliers or others	2.80	3.52	-0.72	0.012
Allowing a supplier to rebid after the closing date	2.40	3.08	-0.68	0.016
Allowing only certain suppliers to bid	2.30	2.92	-0.62	0.008
Conflicts of interest involving business or financial relationships with customers or suppliers that influence or appear to influence one's ability to carry out his or her responsibilities	2.10	2.72	-0.62	0.014
Misuse of sensitive information belonging to suppliers or others	1.90	2.48	-0.58	0.019
Forcing reciprocal buying	2.14	2.72	-0.58	0.030
Abuse of expense accounts	1.85	2.42	-0.57	0.018
Lack of knowledge or skills to competently perform one's duties	2.64	3.20	-0.56	0.044
Negotiating process does not take the cultural norms of the negotiating parties into account	1.37	1.88	-0.51	0.003

Source: own research

procurement perceived a significantly larger problem in the case of only one issue, namely „Writing specifications that favour a particular supplier” (mean of the public procurement group is higher than the rest by 0.42 points). In case of 24 issues, they thought that these aspects are less problematic in practice than respondents not related to public procurement. The difference is especially high for the issues shown in Table 4. This can be an effect of the strong legal regulation and environment.

Table 4. Responses based on public procurement exposure

Issues	Purchasing	Exposed to public procurement	Difference	p-value
Writing specifications that favour a particular supplier	2.92	3.36	-0.44	0.049
Failure to provide prompt, honest responses to customer inquiries and requests	2.83	2.36	0.47	0.050
Unauthorised payments	2.08	1.50	0.58	0.013
Allowing a supplier to rebid after the closing date	2.74	2.04	0.70	0.010

Source: own research

Factor analysis

The literature review, codes of conduct and the expert workshop proved that ethical dilemmas in purchasing are diverse. The study identified a broad set of ethical dilemmas with the 34 tested issues. To analyse the internal structure of these issues, a factor analysis was conducted. Table 5 shows that according to the KMO measure and Bartlett's test, the data are adequate for factor analysis.

Table 5. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.893
Bartlett's Test of Sphericity	Approx. Chi-Square	1071.012
	df	153
	Sig.	.000

Source: own research

Table 6 displays the number of factors and the total variance explained. The number of factors was determined by the components with an eigenvalue over 1. This criterion gave us four factors in total. We assumed that ethical issues are not independent from each other, i.e. companies who have problems with a certain type of ethical issue, are more probable to have problems with other issues as well. Therefore, we used *oblique* rotation, which allows the factors themselves to be correlated.

The meaning of the factors can be deduced from the pattern matrix after the rotation. We chose the *promax* oblique rotation with a kappa value of 4 to get the results. When one applies promax rotation, an orthogonally rotated solution is again rotated to allow correlations among the factors. By this, small and moderate loadings are driven to zero, while larger loadings decrease as well, but not to zero. Promax is also a fast and inexpensive method to use (Tabachnick–Fidell 2007). We used a cut-off value of 0.4 for item loadings. Items that loaded on multiple factors with loadings of at least 0.4 were omitted as well and the factor analysis was rerun on the remaining items. The final results are shown in Tables 6 and 7.

Table 6 contains only the components with an eigenvalue over 1. It can be seen that the four factors explain 68% of total variance, which is a good result.

Table 6. Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	8.230	45.720	45.720	8.230	45.720	45.720	6.639
2	1.710	9.498	55.218	1.710	9.498	55.218	5.729
3	1.270	7.058	62.276	1.270	7.058	62.276	5.137
4	1.043	5.796	68.072	1.043	5.796	68.072	4.163

Source: own research

The identified four factors can be interpreted as a structure of ethical dilemmas (for the respective items and the factor loadings please refer to Table 7). *The first factor is about circumventing regulation and rules.* It contains eight ethical issues. These issues mean the breaching of certain rules or regulations in order to gain financial and other benefits. *The second factor is about favouritism/partiality/bias towards certain supplier(s).* Suppliers supposed to be equality treated, differentiation is to be made on performance or on predefined and accepted values (e.g. CSR). It contains five ethical issues representing those situations when the buyer or management violates the expectation of equal treatment. *The third factor represents the lack of competence.* It consists of three ethical issues, highlighting the importance of competent job fulfilment. Purchasing staff is supposed to

have the appropriate knowledge and skills to manage the supply base and the treatment of internal requirements. *The fourth factor is about improper information gathering.* It contains two ethical issues. Information is a sensitive resource. It can allow advantages and sharing certain information about business partners, which may result in competitive disadvantages to those parties.

Table 7. Pattern Matrix

	Component			
	1	2	3	4
7. Misuse of proprietary information belonging to employers or suppliers	.721			
11. False or misleading representation of demand or interest in discussions with suppliers or others	.602			
22. Abuse of expense accounts	.680			
23. Anti-trust or trade restraints issues	.757			
24. Unauthorised payments	.738			
25. Utilizing improper hazardous materials or procedures to reduce costs	.793			
S33. Purchaser insists upon supplier to support non-profit goals	.484			
S34. Allowing or tolerating illegal work to reduce costs	.643			
C1. Writing specifications that favour a particular supplier		.790		
C4. Using less competitive prices or terms for buyers who purchase exclusively from the supplier		.872		
C3. Allowing only certain suppliers to bid		.546		
12. Conflicts between opportunities for personal financial gain (or other personal benefits) and proper performance of one's responsibilities		.506		
20. Showing partiality toward suppliers preferred by upper management		.837		
27. Lack of knowledge or skills to competently perform one's duties			.747	
28. Failure to identify the customer's needs and recommend products and services that meet those needs			.889	
29. Failure to be objective with others in business dealings			.759	
9. Improper methods of gathering information from suppliers				.857
10. Improper methods of gathering competitors' information				.884

Source: own research

Conclusions

The aim of this paper was to identify new aspects of ethical issues in purchasing and to get a glimpse of the practitioners' perception. The main conclusions of our study can be summarised as follows.

Based on the review of the codes of conduct it was possible to identify some new issues which were not covered by previous research. However, the frequency with which these dilemmas were mentioned in the codes of conduct was low. The survey results showed low frequency for these issues as well. This may indicate that the major issues remained more or less the same during the last decades, despite the major economic changes and crises.

The perception of environmental and social issues was mixed. While environmental and social issues were indicated as missing elements, the incorporated issues were not indicated as significant. This could be the effect of legal regulations (e.g. public procurement) and the compliance programs of multinational companies. As purchasing and supplier codes of conduct were developed containing CSR and green aspects beside ethical issues, the international issues of ethics, CSR and green purchasing are known and connected. A further research may investigate the role of hypernorms (drafted in purchasing and supplier codes of conduct) at the extension of ethical issues towards sustainability issues. It would also be worth investigating the standardization of ethical and sustainability issues in purchasing due to hypernorms.

The internal structure of the identified ethical issues formed four groups: 1) the circumvention of regulation and rules in order to gain financial and other benefits, 2) favoritism/partiality/bias towards certain supplier(s), 3) lack of competence and 4) improper information gathering.

Earlier research found that ethical issues can be different in international comparison. Our investigation may suggest that not only the nationality of the purchaser, but the origin of the source may also cause problems: a firm with a mostly European supplier base faces other challenges than a company with global (especially low cost

country) supplier base (e.g. child labour is surely not a problem of the EU suppliers, however many codes of conduct indicated it as a major principle).

Our investigation led us to suppose a communicational gap among management fields as well. The different fields appeared to have different perceptions of ethical issues due to their different position in the user-buyer-supplier interface. This may indicate that regulations, compliance programs and codes of conduct promoted the awareness of certain ethical issues in general, but the lack of knowledge of management practices reinforces the perception of ethical problems (this is valid for the user, the sales and the purchasing management as well).

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Appendices

Appendix 1. List of company codes of conducts

- | | |
|-----------------------------|-------------------|
| 1. IBM | 17. Richmond |
| 2. Siemens | 18. Tantaline |
| 3. Thyssenkrupp | 19. Sony |
| 4. Grundfos | 20. Sharp |
| 5. Colgate | 21. AXA |
| 6. Bayer | 22. Southwest |
| 7. Volvo | 23. Apple |
| 8. Premier Inc | 24. Arcadia Group |
| 9. DSM | 25. Philip Morris |
| 10. Sanofi-Aventis | 26. RWE |
| 11. BASF | 27. SKF |
| 12. Johnson and Johnson | 28. Fiat |
| 13. Forest Laboratories Inc | 29. McDonalds' |
| 14. HSBC | 30. Danone Group |
| 15. HP | 31. Vodafone |
| 16. Citi Group | 32. Philips |
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Appendix 2. The questionnaire of the research

1. Please indicate your current position:

a/ Purchasing director/manager

b/ Purchaser/buyer

c/ Sales

d/ Other:

2. You are involved in:

Public procurement

Partly public procurement

Purchasing (without public procurement obligation)

3. Are you the member of the Hungarian CPO club?

Yes

No

4. In your opinion/experience to what extent are the following ethical issues present in current business (purchasing) practice? Please indicate on a 1 to 5 scale (5 as very often and 1 if the item is not existing)!

1. Writing specifications that favour a particular supplier	1	2	3	4	5
2. Allowing a supplier to rebid after the closing date	1	2	3	4	5
3. Allowing only certain suppliers to bid	1	2	3	4	5
4. Using less competitive prices or terms for buyers who purchase exclusively from the supplier	1	2	3	4	5
5. Failure to provide prompt, honest responses to customer inquiries and requests	1	2	3	4	5
6. Making disparaging remarks about suppliers, their products, or their employees or agents	1	2	3	4	5
7. Misuse of proprietary information belonging to employers or suppliers	1	2	3	4	5
8. Misuse of sensitive information belonging to suppliers or others	1	2	3	4	5
9. Improper methods of gathering information from suppliers	1	2	3	4	5

10. Improper methods of gathering competitors' information	1	2	3	4	5
11. False or misleading representation of demand or interest in discussions with suppliers or others	1	2	3	4	5
12. Conflicts between opportunities for personal financial gain (or other personal benefits) and proper performance of one's responsibilities	1	2	3	4	5
13. Conflicts of interest involving business or financial relationships with customers or suppliers that influence or appear to influence one's ability to carry out his or her responsibilities	1	2	3	4	5
14. Conflicts of interest that involve working for a competitor, customer, or supplier without prior management approval	1	2	3	4	5
15. Misuse of company assets or property	1	2	3	4	5
16. Insider trading or other security trading problems	1	2	3	4	5
17. Receiving gifts or entertainment that influence or appear to influence, purchasing decisions	1	2	3	4	5
18. Allowing personalities to improperly influence the buying decision	1	2	3	4	5
19. Unfairly using the firm's purchasing clout to gain concessions from suppliers or others	1	2	3	4	5
20. Showing partiality toward suppliers preferred by upper management	1	2	3	4	5
21. Succumbing to low-balling, bait and switch, and backdoor selling practices	1	2	3	4	5
22. Abuse of expense accounts	1	2	3	4	5
23. Anti-trust or trade restraints issues	1	2	3	4	5
24. Unauthorised payments	1	2	3	4	5
25. Utilizing improper hazardous materials or procedures to reduce costs	1	2	3	4	5
26. Discriminating against small, disadvantaged and minority owned business in the supply base	1	2	3	4	5

27. Lack of knowledge or skills to competently perform one's duties	1	2	3	4	5
28. Failure to identify the customer's needs and recommend products and services that meet those needs	1	2	3	4	5
29. Failure to be objective with others in business dealings	1	2	3	4	5
30. Forcing reciprocal buying	1	2	3	4	5
31. Negotiating process does not take the cultural norms of the negotiating parties into account	1	2	3	4	5
32. Inaccuracy of records and reports	1	2	3	4	5
33. Purchaser insists supplier to support non-profit goals	1	2	3	4	5
34. Allowing or tolerating illegal work to reduce costs	1	2	3	4	5

Please indicate if any ethical issue is missing from the list!

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