SOCIALLY RESPONSIBLE BUYING IN APPAREL INDUSTRY

Dissertation

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By

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ABSTRACT

The apparel industry has been criticized for its involvement in socially irresponsible practices around the world. Since buying/sourcing connects the production and the consumption of apparel products, socially responsible buying/sourcing (SRB) has been suggested as a solution to improve industry-wide social responsibility. Although apparel businesses have asked for suggestions to implement SRB, no study has examined SRB in the industry. This study examines how socially responsible buying/sourcing decisions are processed by individual buying/sourcing professionals and suggests effective ways to implement SRB in a business organization. Three areas of social responsibility considered in this study include environment, employment/human rights, and consumer safety.

An exploratory model of the socially responsible buying process was developed using key determinants identified from the literature review. One hundred fifty-eight responses from buying/sourcing professionals in US based apparel/shoe companies whose annual sales exceeded 100 million were analyzed. The model was analyzed using a Structural Equation Modeling approach. Since the model was exploratory, model modifications were conducted to suggest a better model for future research. Determinants of SRB included moral philosophies (idealism and relativism), attitudes toward ethics and social responsibility, personal environment, and organizational
control systems. The results revealed that attitudes toward ethics and social responsibility were a strong predictor of SRB. Personal moral philosophies, idealism and relativism, influenced SRB through attitudes toward ethics and social responsibility. Idealism and relativism were found to be stable and were not affected by organizational variables. Organizational variables, personal environment and organizational control systems, were found to influence SRB differently. While organizational control systems influenced SRB through attitudes toward ethics and social responsibility, personal environments influenced SRB directly, as well as indirectly through attitudes toward ethics and social responsibility. The results are discussed in terms of attitude theories and organizational behaviors. Suggestions for the apparel industry and future research are also discussed.
Dedicated to my parents for their unending love and support
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CHAPTER 1

INTRODUCTION

As people have become more conscious of their social environment and welfare since early in the 1980s, consumers’ expectations for corporate social responsibility have increased as well (Carlson, Grove, & Kangun, 1993; Drumwright, 1994). They seem to expect business people to behave in a manner that corresponds with their expectations. For example, more than 75% of consumers claim that they would switch brands and retailers to support a worthy cause (Verschoor, 1997). Fifty-one percent of individuals in a management position indicated in a study that they perceived organizations’ social responsibility positively affected their market share (Owens & Scherer, 1993). Fifty percent of consumers in a nation-wide survey responded that they would not buy, regardless of discount, from a company that was not socially responsible. Forty-seven percent of consumers would be much more likely to buy products from a socially responsible company if the products and services offered were the same as competing companies’ (Gildea, 1994-1995). The survey also found that 35% of the respondents indicated that they always or frequently avoid buying a product or service from a company that is perceived as unethical. According to the Cone/Roper Benchmark National Survey on Cause-Related Marketing (1994), 84% of Americans
agree that they have a more positive image of products or companies that do something “to make the world a better place” (p. 1). This indicates a change in people’s attitudes toward businesses’ responsibilities to society. In the survey, 20% of the respondents who remembered that they had purchased socially responsible products indicated that the purchases were in the apparel and footwear category. It is clear that the socially responsible actions of a business affect its economic performance, as well as change consumers’ choices and buying decisions.

During the last decade, several US apparel manufacturers and retailers that acted in a socially irresponsible manner have frequently received negative attention in the national news. US apparel manufacturers and retailers who have been involved in business practices such as sweatshops and child labor, especially in third world countries are considered socially irresponsible. The apparel industry has been struggling with a loss of competitiveness and profit due to the rising costs of labor and trade imbalances. Companies in the industry started to search for cheap labor sources to survive competition. They frequently looked towards third world countries where cheap labor sources were available and US law was not enforced. However, in their desperation they chose to ignore the human rights of workers, and consequently overlooked the desires of the consumers. Once they began receiving negative publicity from the media and pressure from consumers, human rights groups and government alike, it became apparent that when dealing with consumer products they were also dealing with consumers and their values and belief systems. The perception of a company by its consumers directly correlates with its economic performance.
Therefore, it became critical that every member of the industry reconsider its business strategies for buying/sourcing of products (Ramey & Berrett, 1996).

Retailers and apparel manufacturers who are not directly involved in production through the use of contractors or agents do not appear to be responsible for the production of products; yet, they play an important role in the supply chain. Emphasizing the international scope of apparel businesses, Littrell and Dickson (1999) stated that social responsibility involves a system-wide range of business practices where manufacturers, retailers, and consumers make decisions based on how their actions affect ‘others’ within the marketplace. Accordingly, all levels of intermediaries who are involved in the supply chain, from production to consumption, need to work together to improve industry wide social responsibility. Therefore, buying/sourcing of merchandise, which is one of the most important business decisions for apparel businesses, became critical to fundamentally improve the social responsibility of the apparel industry.

Responding to recent social trends, companies are striving to become more socially responsible in their business practices and are struggling to develop strategies that facilitate socially responsible buying (Drumwright, 1994; Shrivastava, 1995). It is believed that being a socially responsible business is costly. However, a socially responsible business may actually improve the company’s economic performance in the long run. The reason seems to be that social responsibility of a business affects consumer perceptions of the company’s image and encourages consumer loyalty. For example, since institutional investors realized that individual investors were unwilling to pay a premium for corporate behavior that was described as socially irresponsible,
they have begun to use social screens when allocating funds (Pava & Krausz, 1996). Verschoor (1998) found that companies who adhered to ethical behavior towards their stakeholders or emphasized compliance with a code of conduct (26.8% of the 500 largest US companies in the study) achieved higher financial performance than the companies who did not.

Given the current climate of social responsibility, politicians, social activists, scholars, employees, consumer groups, and legal experts are attempting to determine the appropriate parameters of corporate social performance and how they should be incorporated into business operations (Verschoor, 1997). Like other businesses, companies in the apparel industry have found it difficult to integrate the concept of ethics and social responsibility into their business practices, including buying/sourcing. Littrell and Dickson (1999) emphasized that ‘day-to-day actions within a business as related to a wide range of business activities such as product sourcing, employee treatment, and working conditions’ were important components to improving social responsibility (p.3). Therefore, to reduce the gap between the concept and the practice, apparel companies need to apply the concept of social responsibility to their ‘everyday’ decisions and develop effective strategies to influence buying/sourcing decision-makers.

Robin and Reidenbach (1987) suggest that an organizational culture that encourages socially responsible decision-making by employees is fundamental to be a socially responsible business. Business organizations are adopting such programs/systems as rewards and codes of conduct to guide ethical and socially responsible business decisions. Such programs, called corporate control systems, have
been found to be influential in improving ethical corporate culture, and thus ethical
to attitudes and ethical decisions (e.g., McCabe, Trevino, & Butterfield, 1996;
Singhapakdi & Vitell, 1990, Weaver & Ferrell, 1977). Sources of personal influence in
an organization, such as top-management and peers, have also been found to be
effective in developing an ethical and socially responsible organizational culture (Fritz,
Arnett, & Conkel, 1999; Weaver, Cochran, & Trevino, 1999a; Zey-Ferrell & Ferrell,
1982). In response to the need for effective and efficient ways to implement socially
responsible buying, studies need to be conducted to examine how such organizational
factors influence an ethical and socially responsible organizational culture.

This study explores the influence of organizational factors on the process of
socially responsible buying/sourcing. Socially responsible buying in this study is
defined as a system-wide consideration of causes and impacts of the buying/sourcing
decisions on all constituents of society, which includes considerations of environment,
fair employment and human rights, and consumer safety.

This study is important for two reasons. First, social responsibility in businesses
has primarily been studied in the area of corporate social performance. Researchers
have used corporate social performance as a measure for businesses' achievement and
studied variations in corporate strategies to improve corporate social performance (e.g.,
Oncill, Saunders, & McCarthy, 1989) and its relationship with financial performance
(e.g., McGuire, Sundgren, & Schneeweis, 1988). However, studies in the corporate
social performance area consider the business as a unit of analysis and thus fail to
capture the individual decision makers' effect on social responsibility of the businesses.
Focusing on individual and organizational culture, Drumwright (1994) qualitatively
studied environmentally responsible buying and found individuals play important roles. Therefore, this study focuses on the individual decision making process of socially responsible buying.

Second, since businesses are a constituent of society with considerable influences on society, Hopkins (1997) calls for research efforts to develop an ethical framework for socially responsible decision making in businesses. The definition of social responsibility in business emphasizes the ethical and voluntary components of corporate social responsibility beyond the legal and economic obligations to society (Carroll, 1979; Jones, 1980). Therefore, incorporating an ethical decision making framework to study socially responsible buying, will contribute to the theory development in socially responsible decision making area.

**Purpose of the Study**

Academic studies that deal with socially responsible buying/sourcing in the apparel industry have not been conducted, although companies in the industry apparently seek suggestions for improving socially responsible buying/sourcing. The purpose of the study is to explore the process of socially responsible buying by: 1) identifying major determinants of socially responsible buying, and 2) examining the relationships among individual moral philosophies, attitudes, organizational variables, and socially responsible buying. Specifically, this study examines socially responsible buying in the apparel industry. A structural equation modeling (SEM) approach is used to capture causal relationships among the variables, with the aim of providing reliable
information on how socially responsible buying occurs in an organization. Information from this study will provide the basis for practical suggestions to the companies in the apparel industry and enable their suppliers to better understand their customers’ buying/sourcing criteria in terms of social responsibility. Since this study is an initiative study in the area of socially responsible decision-making, it will also provide valuable suggestions for future research.

The objectives of the study are:

- To investigate socially responsible buying in the apparel industry.
- To develop and test an exploratory model of socially responsible buying by researching the relationships among personal moral philosophies, attitudes toward business ethics and social responsibility, and organizational factors (personal environment and organizational control systems) and their effects on socially responsible buying.
- To suggest a better model for future research.
Definition of terms

- **Attitudes toward ethics and social responsibility**: Perceived importance of business ethics and social responsibility for business effectiveness.

- **Personal moral philosophies**: Individuals’ bases and ways of reasoning in terms of ethical values and norms. In this study, idealism and relativism are considered.
  - **Idealism**: The degree to which ‘an individual reflects universal moral rules’ when he/she makes moral judgments (Forsyth, 1980, p. 175)
  - **Relativism**: The degree to which ‘an individual assumes the desirable consequences can, with the right action, always be obtained’ (Forsyth, 1980, p. 176).

- **Organizational Control Systems**: Formal programs that are aimed at standardizing employee behavior within the domains of ethics and social responsibility as well as legal compliance (Weaver, Trevino, & Cochran, 1999a)

- **Socially Responsible Buying (SRB)**: A system-wide consideration of causes and impacts of the buying/sourcing decisions on all constituents of society, which includes considerations of environment, fair employment and human rights, and consumer safety.
CHAPTER 2

LITERATURE REVIEW

The following topics are discussed in this chapter: 1) social influence and social responsibility, 2) social responsibility issues in the apparel industry, 3) definitions and theoretical explanations of business ethics and social responsibility, and 4) the process of socially responsible decision-making. Finally, a set of research hypotheses is proposed.

Definition of Social Responsibility

Social Influences on Business

The concept of corporate social responsibility can be viewed as a contract with society. This notion suggests that businesses should consider and care about the impacts of organizational actions on a variety of stakeholders (i.e., customers, employees, local community, government agencies, and public interest groups) (Freeman, 1984; Wang & Dewhirst, 1992). As a social institution, every business organization is affected by its environment. It has been suggested that organizational structure and systems are influenced by interaction with the environment (e.g.,...
regulations, publicity), with knowledge from the interaction being used to develop new
goals, norms, expectations, and structure (Bennis & Nanus, 1985).

Government pressure for regulation is a key environmental factor, and is a
significant influence on business organizations (Banerjee, 1998; DiMaggio & Powell,
1983; Salanick, 1979; Weaver et al., 1999a). Regulations require social institutions to
conform to standards of legitimate behavior and some regulations are based on ethical
values and expectations (Suchman, 1995). Organizational ethical and socially
responsible guidelines are commonly influenced by regulations enacted by government
(Weaver et al., 1999a). Since government pressures include legal constraints and
guidelines, with penalties attached to illegal behaviors, they have significant effects on
survival of businesses. Since the apparel industry has suffered from problems in terms
of social responsibility, government involvement has increased significantly. For
example, Codes of Conduct and Principles of Monitoring, which were announced by the
US Department of Labor in 1996, have been a basis for the voluntary development of
organizational codes of conduct and adoption of monitoring programs by apparel
companies.

Social responsibility may require companies to consider more than their legal
responsibilities. Drumwright (1994) found that general public concern about social
issues was a primary consideration of business decision makers, especially top-
management. Negative publicity and exposure by the media can cause changes in
corporate policies regarding social responsibility by setting norms and standards in
society (White, 1997). Weaver et al. (1999a) also found that exposure from the media
significantly affects the scope of ethics programs in business organizations. Banerjee
(1998) suggested that responding to public concerns is one of the most important inputs of environmental learning in organizations and thus directly influences business organizations’ strategies and structures. Keeping track of public concerns is one way to consider the needs of all stakeholders and contribute to a positive corporate image. Because corporate image and reputation have been important considerations of business organizations, the possible loss of reputation has led companies to move toward socially responsible compliance with such external standards as publicity (Wang & Dewhirst, 1992).

As the social trend over business ethics and corporate social responsibility has emphasized and affected corporate image, business organizations and their employees became conscious of ethics and social responsibility in their decision making. For example, Lill, Gross, and Perterson (1986) content analyzed longitudinal data on magazine advertisers’ inclusion of social responsibility themes in their advertisements between 1967 and 1984. They found that companies increasingly reflect social responsibility issues in their advertisements and considered such issues related to advertising ethics. Such issues included consumerism, health and safety, equal opportunity, and environmental issues.

Public opinion seems to significantly influence behaviors of business organizations by influencing consumers, interest groups, and government’s consequent actions (Elabach & Sutton, 1992). For example, the trendsetter list released by the Department of Labor was developed primarily to generate publicity and was effective in encouraging companies to move quickly toward improving improper labor conditions in their factories (“Secretary Reich releases...” 1996). Such social pressure has
significantly motivated business organizations to implement social responsibility in their decision making.

Definition of Social Responsibility

Corporate social responsibility is defined as “the obligation of both business and society to take proper legal, moral-ethical, and philanthropic actions that will protect and improve the welfare of both society and business as a whole” (Anderson, 1989, p. 9). Whereas the traditional thought was that the obligation of a business is to provide goods and services and thus improve our standard of living, the definition emphasizes social obligations and business morality as basic components of social responsibility in business. It suggests that businesses have an implicit contract with society to help improve social welfare. Johnson (1971) defined social responsibility in business as ‘the pursuit of socioeconomic goals through the elaboration of social norms in prescribed business roles’ (p. 51). While such early definitions of corporate social responsibility emphasize economic and legal obligations of businesses as primary, the concept of social responsibility gradually emphasizes individual business decision makers’ voluntary ethical responsibility on social welfare. For example, Carroll (1979) asserted that social responsibility involves ‘responsibilities to produce goods and services that society wants at first, and then it should extend to the ethical responsibility that represents behaviors and ethical norms beyond legal requirements’ (p. 500).

In terms of what constitutes corporate social responsibility, Jones (1980) defined corporate social responsibility as an obligation to all constituent groups in society such as customers, employees, suppliers, and neighboring communities, which is ‘beyond the
traditional duty to shareholders’ (pp. 59-60). Littrell and Dickson (1999) also emphasized that social responsibility extends to other constituent groups, and stated that social responsibility involves a system-wide range of practices for conducting business in which manufacturers, retailers, and consumers make decisions based on how their actions affect ‘others’ within the marketplace system (p.3). Their definition of social responsibility emphasizes day-to-day actions within a business as related to product sourcing, employee treatment, and working conditions. Focusing on participants in an alternative system of trade, Littrell and Dickson (1999) specify that socially responsible participants consider the effects of their decisions on whether: 1) natural resources and cultural traditions are preserved; 2) workplaces are safe and conducive to interpersonal exchange of opinions; 3) workers are paid fairly so they can meet subsistence needs, educate their children, care for family health, and contribute to community growth; and 4) enterprises are sustainable across time and as customer preferences change (p. 3).

Littrell and Dickson’s definition of social responsibility suggests that even though companies are not directly involved in production, which is common in the apparel industry, they should consider the impact of production in their product sourcing. It would be important to select socially responsible suppliers and to purchase socially responsible products, as these represent common day-to-day activities for them. Since the issues relevant to social responsibility are different across industries (Anderson, 1989), the development and implementation of comprehensive strategies to be a socially responsible business should be compatible with characteristics of each industry. Accordingly, the next section discusses relevant social responsibility issues in the apparel industry.
Social Responsibility in the Apparel Industry

Social responsibility covers various areas: employment welfare, customer satisfaction, community involvement (Carroll, 1991; Littrell & Dickson, 1999) and environmental protection (Drumwright, 1994). Drumwright (1994) noted that socially responsible buying opportunities are related to social issues that are closest to the organization’s core businesses; thus, the identification of core issues of ethics and social responsibility in the apparel industry is essential for this study to formulate the dimensions of socially responsible apparel buying. The next section will discuss issues of socially responsible buying in the apparel industry. Even though major attention has been paid to labor and environmental issues, the considerations of social responsibility are not limited to these issues alone.

Generally, social responsibility in business can be mirrored by socially responsible investments. According to social screening criteria, which have been used by socially responsible investing firms (e.g., Domini Social Equity Fund and Calvert Social Investment Fund), a company is evaluated in terms of four broad categories of criteria: 1) the environment, 2) workplace issues, 3) product safety and impact, and 4) international operation and human rights. Based on this categorization, issues in the apparel industry are discussed in this section. Considering the apparel industry’s situation, in which companies are commonly involved in international contracts, the workplace issues and international operation and human rights issues can be converged into one category entitled employment. The issues in the industry are discussed under three categories: 1) employment, 2) environment, and 3) product and consumer safety.
Employment

Background

Littrell and Dickson (1999) emphasized labor related issues of social responsibility in the apparel industry. Their definition of socially responsible businesses include business participants considering the effects of their decisions on whether workplaces are safe and allow interpersonal exchange of opinions, and whether workers are paid fairly so they can meet subsistence needs including education of their children and family health (p. 3). Social investment firms consider whether a company follows regulations such as Equal Employment Opportunity Commission and the National Labor Relations Board. They evaluate companies based upon the treatment of their employees: 1) fair labor practices; 2) occupational safety and health regulations; and 3) equal opportunity standards concerning pay, promotion, and tenure in terms of employees’ race, religion, gender, age, sexual orientation, HIV/AIDS status or physical ability (http://www.calvertgroup.com/investor/ind-sri-about-socialcriteria.html).

In this decade, socially irresponsible labor practices of the apparel industry have been seriously considered. U.S. apparel manufacturers have been reported as maintaining sweatshops domestically and internationally. For example, in El Monte, CA, Thai and Hispanic garment workers who were illegal immigrants were found living behind barbed wire and spiked fences and being forced to work excessive hours for as little as $2 an hour against their will (White, 1995). In San Salvador, sewing workers were found in stadium-sized factories in Maquiladoras making 56 cents an hour stitching up to 800 shirts a day (Herbert, 1995). Consequently, because of sweatshop publicity, there has been pressure for apparel manufacturers and retailers to be more
ethical and socially responsible. For example, The Gap, a San Francisco-based retail chain, has been accused of sexual harassment and violent repression of union organization at a contracting factory in El Salvador. The company was denounced by a group of union and human rights activists who pressured The Gap to withdraw its business from El Salvador factories (Ramey, 1995).

A primary reason for not using fair employment in the production of apparel is that it increases financial costs for employment and thus lowers profits. Unfair employment is more likely to happen in the apparel industry than some other industries since competitive pressure to lower production costs has been accelerated due to increased imports by domestic apparel makers and retailers. However, since social irresponsibility in apparel industry has been criticized by the public, it may be more feasible for apparel companies to implement codes of conduct for fair labor than to regain consumer loyalty lost by bad publicity: Consumer product companies are more likely to respond to trends in consumer consciousness than other businesses such as manufacturers because they deal directly with consumers; thus, they are more sensitive to the consumers' needs for socially responsible products.

**Actions toward fair employment**

*Government.* The U.S. government has been a powerful force against unfair labor practices in the apparel industry, both in US and in third world countries. Domestic labor and wage regulations in the U.S. fall under the Fair Labor Act (FLA) of 1938. The FLA has been amended continuously and other regulations related to employment include such areas as minimum wages, overtime pay, and child labor prohibitions. Other regulations related to fair employment include the Equal Pay Act in
1963, the Civil Rights Act in 1964, the Age Discrimination Act in 1967, and the Mandatory Retirement Act in 1978, and their amendments (Anderson, 1989). Responding to the apparel industry issues, President Clinton recently introduced the Apparel Industry Partnership Code of Conduct, which emphasizes external and internal monitoring of labor practices, especially for factories in third world countries (Verschoor, 1997). The Department of Labor is committed to eradicating unfair employment in the U.S. and third world countries, which is apparent in the apparel industry, and to forcing the industry into compliance with U.S. labor laws. By encouraging manufacturers to be aware of which contractors consistently violate the law and to formally monitor their contractors for compliance with minimum wage and overtime laws, the government is bringing positive changes for workers in the industry (U.S. Department of Labor, 1997). In addition, by generating publicity, such as that stemming from the release of a trendsetter list, the Department of Labor intends to eliminate, or at least to improve, unfair employment in the industry by forcing the image-conscious apparel companies to be socially responsible in their production.

**Consumers.** The consumer movement toward social responsibility also plays a great role in improving working conditions in the apparel industry. American consumers state that they are prepared to pay a few dollars more for garments made under good working conditions (AMCHAM, 1997). Socially conscious consumers are asking not only about product quality and cost, but also about who made the products and under what conditions. A survey assessing socially responsible consumer purchasing reported that 64% of respondents would like to see a label on clothing which would help them choose a product in a socially responsible manner (Dickson, 1999).
Seventy-four percent of the respondents supported banning products manufactured by child labor. Seventy-one percent of them also believe that governmental regulations protecting garment workers in the clothing industry should be increased. Overall, 44% of the respondents said they were concerned with the labor issues affecting workers in the U.S. apparel industry. Although 60% of the respondents reported that they did not have much knowledge about the industry issue, the survey indicated that consumers had intentions to fix the pervasive labor problems in the apparel industry.

Businesses. Social responsibility requires the apparel businesses' ethical and moral rights and responsibilities to go beyond their legal responsibilities to the employee. In this respect, it has been suggested that publicity and exposure from the media could cause changes and shifts in the corporate policies through which norms and standards in society could be set and could cause the corporations to be more ethically and socially responsible (White, 1997). Developing and implementing a code of conduct which covers the use of child, prison and forced labor, wages, hours of work, discrimination, harassment and general working conditions has been suggested as the important starting point for moving toward fair employment (AMCHAM, 1997). Thirty-three percent of “America’s most admired companies” are reported to have a corporate code of ethics (Verschoor, 1997). Such codes let the decision makers in an apparel business communicate internally and externally which standards and norms need to be considered in their decision making. Moreover, they are also developing codes of conduct for their suppliers, which seek to set acceptable standards with respect to working conditions and wages for their suppliers' workers and which require systematic monitoring and enforcing of these standards (Coats, 1996). Codes of
conduct for suppliers specify which labor practices should be included in evaluating whether a supplier is socially responsible.

Another strongly suggested practice for being socially responsible in employment is implementing a monitoring program. Many apparel and footwear manufacturers, such as Reebok who have been accused of violating labor regulations in various locations, have developed their own monitoring programs to detect labor abuse in the factories. For example, Liz Claiborne has a regular visitation program through which company representatives can meet factory owners and insist on worker rights being protected (Ramey & Barrett, 1996). However, developing a monitoring program requires a cooperative effort between employers and employees, meaning that employees’ concerns should be included in it (Rolnick, 1996).

Monitoring programs for U.S. apparel companies seem essential for combating unfair labor practices because of the structure of the industry. Since companies in the apparel industry commonly contract production rather than establish production facilities (Bureau of International Labor Affairs, 1996), it is hard for them to monitor the production. Coats (1996) suggested that the use of contracting and outsourcing requires an external commitment through communication: manufacturers, retailers, or licensors must effectively communicate with contractors to help them set up and monitor compliance with basic human rights principals. The reward for contractor compliance would be increased client business and decreased costs for violations (Welt & Sorell, 1996).
Environment

Background

Another notable stream of social needs is toward the environment. Researchers noted that the protection of the natural environment and maintenance of ecological sustainability have become primary concerns of our society (Shrivastava, 1995). Littrell and Dickson (1999) also emphasized that environmental concerns should also be incorporated in business decision making. This is a criterion of a socially responsible business by which natural resources are preserved. It is believed that better quality of life can be achieved by minimizing environmental impact through the control of resource management, from raw materials acquisition to waste management (Prince & Denison, 1992). Environmental responsibility has been suggested to be involved in the whole process of production resource management (i.e., raw materials acquisition) to waste management and distribution (Drumwright, 1994; Prince & Denison, 1992). In this respect, environmental responsibility is not limited to the concerns of production; rather, it is a consideration that continues throughout the life of the product, including its distribution and use.

As a minimum environmental standard, a company is required to comply with federal, state, and local environmental regulations. Some companies further develop proenvironmental technologies (e.g., development of dyes or fabrics that use non-toxic ingredients) and designs (e.g., recycling program) to improve environmental performance (http://www.calvertgroup.com/investor/ind-sri-about-socialcriteria.html).

To meet environmental standards and be proactive requires significant investments. Wally and Whitehead (1994) reported that companies that have
committed to using fewer raw materials and more recycled items have found their costs increase dramatically and have little chance of economic payback. Doherty (1996) reported that some companies that have practiced reverse logistics were motivated to meet government regulation or pressure from environmental agencies—not for economic gains\(^1\). However, in contrast to the general belief that becoming environmentally responsible requires considerable investments, some cases suggest potential profits. Environmental consciousness can be a business opportunity since attitudes about environmental issues have changed dramatically in the apparel industry in this decade (Benner, 1997). Moreover, Wu and Dunn (1995) pointed out that in the long run more profits can be gained to offset added costs from adopting new and expensive environmentally responsible practices.

**Actions toward environmental responsibility**

Since the environmental impact is greatest from the production process, environmental concerns have been primarily focused on developing environmentally friendly products. Recently, some apparel manufacturers have developed an environmentally friendly production process to decrease the toll on the environment by using recycled materials and eliminating harmful chemicals. For example, Levi, Strauss and Co.’s line of naturally colored cotton jeans for men and women, called Levi’s Naturals, was distributed nationwide in 1992 (Moore, 1992). Esprit’s E-collection line of clothes for women was also manufactured with naturally grown and colored cotton, that uses low-impact dyes and chemical-free finishes (Moore, 1992). Additionally,

\(^1\) Reverse logistics refers to the logistics activities carried out in recycling, waste disposal and management of hazardous materials (Stock, 1992).
many apparel companies such as Patagonia, Wickers Sportswear, and Eastern Mountain Sports are adding recycled products to their lines, selling jackets, thermal underwear, sweaters and shoes made from recycled polyester ("Apparel makers...", 1994).

However, environmentally friendly production is not the only concern. People are also demanding environmentally friendly distribution with reusable packages that reduce waste but require considerable investment. Apparel manufacturers have tried to reduce packaging and use recyclable materials. Esprit is leading the way when it comes to environmentally responsible packaging. Working with suppliers, Esprit increased to 100% the recycled material in its boxes, with about 95% of that coming from material used by consumers before being discarded. Esprit also uses natural fiber twine instead of plastic barbs to attach its tags, which are made of recycled paper. The Activewear Co. uses unbleached brown boxes, instead of white ones, which reduces the amount of dioxin released into the water supply (Moore, 1992). In addition, establishing environmentally responsible practices by involving a company's suppliers and contractors has also been suggested (Bonner, 1997). Esprit has announced to all of its contractors that it did not want tissue papers folded between blouses or plastic hooks, which were used to keep them in place (Moore, 1992). Esprit also conducts a periodic "environmental audit" with a volunteer team of employees (Moore, 1992).

With "green" consumers asking for more environmentally friendly products, apparel companies are moving toward being environmentally friendly businesses, and these efforts have provided positive results. Realizing the seriousness of consumer environmentalism, some companies began demanding environmentally friendly products from socially responsible suppliers. Decisions such as whether to buy from
low-cost suppliers or from more expensive but environmentally responsible suppliers are the core decisions for those who want to conserve the environment. Buying only the necessary amount of goods to minimize the potential of spoilage or obsolescence, which could reduce the environmental impact, is also an aspect of environmental concern in buying decisions (Stock, 1992). Moreover, even retailers are developing programs with their suppliers for environmental buying. For example, Wal-Mart has challenged its vendors to provide more environmentally safe products and has an extensive recycling program sponsored by several vendors (“Wal-Mart’s green challenge,” 1992). Sears, Roebuck and Co. has implemented a program that will reduce materials used in product packaging and increase the use of recycled materials, and its more than 2,300 suppliers agreed to the plan (Moore, 1992).

Product and Consumer Safety

Background

As apparel products are closely related to people’s everyday lives, the production processes and distribution of apparel products can affect consumers’ health and welfare. Since the 1970s, regulations on behalf of consumers have covered comprehensive problems in business-consumer relations. One example is the Federal Trade Commission Act (FTC), which was first enacted in 1914 and has been amended several times. Under the FTC, labeling, invoicing, and advertising of all textile fiber products should specify the type and the source of materials (e.g., fiber content and country of origin) to assure the products to be distributed and treated properly. However, ethics and social responsibility in business also require businesses’ voluntary
consideration of their consumers. Certain harmful consequences to consumers can result from products’ contents or production processes. For example, flammability of children’s wear and sleepwear, has been an issue of consumer safety in the apparel industry ("Government orders recall...," 1994; Ostroff & Schwartz, 1987). The problem associated with clothing flammability is more significant for vulnerable consumers, such as the elderly or children. Even though there is a Federal Flammability Law, flammable clothing is continuously found on the market. When they are exposed by the law, these products have been subject to recall. Consumer protection is not limited to flammability; rather, the term refers to a broader consideration of consumer relations related to consumption of products made of harmful materials and mislabeled.

Actions toward consumer protection

U.S. clothing manufacturers are now careful to meet regulations regarding clothing flammability. Most of the flammability violations are found in imported clothing ("Government orders recall...," 1994). Retailers as well as producers consider the flammability standard in their business decisions. Victoria Secret stores recalled their terrycloth robes, which were found not to meet federal flammability standards in 1992 ("Recalls & Alerts," 1994). When rayon and rayon-and-cotton blend skirts whose fabric was imported from India were found to be hazardous and violating flammability standards, Nordstrom compiled a list of vendors who manufactured the skirts in question, and K-mart immediately removed all skirts matching the report’s description even though their vendors were not in the report (Jeannin, 1994). Some manufacturers are voluntarily considering other issues of consumer safety in their production, beyond clothing flammability ("Government orders recall...," 1994). For example, children’s
wear manufacturers, such as Mighty Mac, Bugle Boy, Hush Puppies, Weebok, Winning Goal-NHI, Billy the Kid, Barbie for Girls, Barney the Dinosaur, Mickey and Co., Nike Inc., Oshkosh B'Gosh Inc., Walt Disney, Co., decided to remove drawstrings from their products since they can be dangerous if they are caught on playground equipment, escalators, fences, and other items. The drawstrings were replaced with encased elastic or cotton ribbing, which increased the production costs (Hill, 1994).

Brand related counterfeits which have long been present in the apparel industry are also related to consumer protection. Counterfeit products of highly recognizable brands such as Levi Strauss are sold on the streets, and companies as well as the public are hurt by this trade in illicit goods. Even though label conscious consumers may be satisfied with the counterfeit products, the counterfeit goods affect society’s quality of life in general. Both the cost of policing the product imitations and the loss of jobs are significant (“Imitation is the most dangerous flattery,” 1985).

Apparel Buying and Social Responsibility

Apparel buying and sourcing

Apparel companies buy and manufacture garments for resale using 1) retailing form and/or 2) manufacturing form. For the former case, retailers select merchandise from selected vendors or from trade shows according to their customer definition and trend analysis. Buying from selected manufacturers is the most typical for large retailers because it enables them to ensure their orders are placed and it shortens lead-time, which is important for fashion products. Department stores (e.g., J.C. Penney) and specialty retail store chains (e.g., American Eagle) are typical examples of this
form. However, because buying from manufacturers typically involves very large order quantities, many small retailers use wholesalers, enabling them to buy small quantities of multiple brands of merchandise. A wholesaler purchases products from various manufacturers in large quantities and sells them in small quantities at higher unit prices to smaller retailers.

For the manufacturing form, apparel companies own brands and/or stores where products are sold and the products are manufactured by contractor(s) either directly or through agencies or brokers. Companies can order styles designed by the contractor(s), or sometimes they design styles themselves and place production orders with contractors or selected manufacturers. These tasks are typical for private label merchandise sold by department stores (e.g., Morgan Taylor label by Macy’s), specialty retailers (e.g., The Gap), and apparel manufacturers (e.g., Liz Claiborne). In many cases, third-party buying agencies or brokers mediate among retailers, manufacturers, contractors, and wholesalers. When buying through such third party agencies or brokers, companies can save time ordering and contracting (e.g., select multi-brands with one contract or arrange multiple production processes with one contract). Small manufacturers and contractors in third world countries commonly use agencies or brokers to sell production capacity to US companies efficiently.

Generally, apparel buying includes selection of suppliers and selection of merchandise (Hirschman, 1981; Shim & Kotsiopoulos, 1991). Selecting the most appropriate source of supply has long been regarded as one of the most important functions of buying/sourcing. As a seller, a company provides goods and services desired by end consumers. Company buyers select resources based on their evaluations
of whether the resources can satisfy the needs of their customers and their companies. Buying and sourcing decisions include supplier-related and consumer-related issues, and issues related to satisfying their organizational objectives. A buyer or sourcing professional needs to procure goods based on an understanding of his/her customers and organizational objectives, and negotiate with suppliers for maximum profits. The buyers’ and sourcing professionals’ role is more difficult in fashion businesses than in other types of businesses because of the environmental pressure and the time constraints of the fashion business (Bohdanowicz & Clamp, 1994). Compared to consumer buying, buying for a company involves larger sums of money, more technical and economic considerations, and interaction with more members in the company (Fairhurst & Fiorito, 1990). That is, buyers and sourcing professionals need to communicate with other members in their organization as well as understand external environments. Thus, buying/sourcing decisions are influenced by organizational contexts and environmental (e.g., social) contexts, as well as by buyers’ individual abilities and characteristics.

Primarily, the selection of suppliers is related to the buyers’ perceptions of who can help their sales and profits increase (Wingate & Friedlander, 1978). However, since businesses are one of the constituents of our society, the environment surrounding business decisions affects their decisions. In addition to explicit criteria (e.g., price, service, delivery, and quality), Sheth (1973) suggested a set of implicit criteria that affect supplier selection including the competitive environment of the industry, the relative marketing effort of suppliers, and the suppliers’ corporate image, which is influenced by their reputation and products. Based on Sheth’s (1973) model of
industrial buying behavior, the buying decisions involve environmental and situational forces.

Companies’ role to improve social responsibility in the industry

Responding to a socially responsible market, the fundamental solutions seem to fall to the companies who are intermediaries between production and consumption. Coats (1996) argued that it is essential to establish fundamental principles for the working conditions and the basic rights of workers who produce their goods to which companies can be held accountable. Focusing on social responsibility especially in international channel relationships, Littrell and Dickson (1999) stated that social responsibility involves a system-wide range of practices for conducting business in which manufacturers, retailers, and consumers make decisions, and consider whether their business actions affect ‘others’ within the marketplace system (p.3). In other words, every constituent in the marketplace system needs to consider the impacts of its decisions, ranging from product sourcing, employee treatment, and working conditions to product distribution and consumption. Their definition of social responsibility suggests that even though companies whose stores carry consumer goods, such as apparel, are not involved in production, they should consider the impact of the production on consumers during their product sourcing and distribution practices. It would be important to select socially responsible suppliers and to purchase socially responsible products as these represent common day-to-day activities.

The literature on business ethics (e.g., Ferrell & Grasham, 1985 Hunt & Vittell, 1986) suggests that organizational factors affect ethical judgments of decision-makers. It has been found that organizational factors influencing ethical decision-making
include reference groups, rewards and sanctions, codes of conduct, type of ethical conflict/decision, organization effects, industry, business competitiveness, peer group influence, top-management influence, and the existence of opportunities for socially responsible/ irresponsible or ethical/unethical action (Ferrell & Gresham, 1985; Ford & Richardson, 1994; Singhapakdi, Kraft, Vitell, & Rallapalli, 1995). Such factors determine individuals’ perceptions regarding the ethical content of the problems to be solved and the consequences and, thus, influence ethical judgments that are presumably positively-related to the actual behaviors. Similarly, such influential organizational factors can be effective to improve their employee’s ethical and socially responsible buying, and it is companies’ role to implement them strategically and systematically in the organization.

As such, socially responsible buying decisions are likely influenced by factors related to the organizational variables as well as individual variables. Though many researchers have addressed the issues of social responsibility in business organizations and offered conceptual propositions and suggestions, there are few academic studies that empirically support the propositions.

**Socially responsible buying (SRB)**

Fundamentally, a consumer product firm’s primary goal is to serve its customers with products and services, and that is achieved by selective purchasing from multiple suppliers of product alternatives. However, socially responsible buying/sourcing may become an essential practice in apparel firms as a response to socially responsible trends. Even though most companies in the apparel industry are not very involved in production, implicit in their social contract with society is the responsibility to account
for not only the quality and price of the products but also any issues surrounding their production and use (Jamison, 1996).

Drumwright (1994) stated that the socially responsible buying concept has ‘a broad, evolving, and ever more rigorous meaning’, because socially responsible buying considers a broad range of buying criteria involving a broad view of social welfare (p. 6). However, she also noted that socially responsible buying (e.g., selecting socially responsible suppliers) is difficult due to the limited number of socially responsible suppliers. This situation may lead to the buying firms’ loss of competitiveness in the short term, but their promise of proactive support for and participation in the suppliers’ efforts can be considered a long-term investment toward social responsibility. In this respect, Drumwright (1994) found that there were substantial risk perceptions among employees in using a socially responsible buying concept. She suggested that creating a climate conducive to risk practicing and moving toward further SRB is an essential requirement of top-management to encourage SRB in the organization. That is, organizational culture may reduce perceived risks by providing an organizational commitment to facilitate social responsibility and create a risk-taking environment in an organization.

Even though there is a large body of literature on business ethics and social responsibility, a relatively small amount of research is related to purchasing ethics. However, one comprehensive exploratory study on the function of socially responsible buying provides a clue that socially responsible purchasing has emerged in the buying function in some firms (e.g., Drumwright, 1994). Focusing on environmentally responsible buying, Drumwright (1994) formulated a classification of companies with
socially responsible buying habits in an industrial buying context. She conducted in-depth interviews with 63 industrial buyers from 10 organizations, which produce industrial and consumer products and services, and the data gathered were qualitatively analyzed. Type I companies, called the ‘founder’s ideals’ type, are driven by the founder’s entrepreneurial ideals. Policy entrepreneurship is encouraged, and altruism and innovation are intricately woven into the corporate culture. Type II companies, the ‘symbolism’ type, are more resistant to socially responsible behavior but are implementing it because of the potential for adverse public perception. Type II companies usually become aware of issues in public relations through a middle manager in some external relations function. Type III companies, the ‘opportunity’ type, have already been the target of consumer activism and are behaving reactively. In this type, a ‘policy entrepreneur’ is not easily observable. Type IV companies, the ‘restraint’ type, usually are not very proactive, and are not likely to be involved in socially responsible buying unless they are awakened to the negative results caused by their suppliers.

Drumwright (1994) believes that type IV companies have the potential to become type I, and some type III can become type I. However, since the economic benefits of social responsibility remain a competitive struggle, companies are not quickly moving toward an improved stance. Since she used qualitative methods with a small number of subjects who were limited to industrial buyers, the results may not be generally applied to buying. Another limitation of the study is that the content of socially responsible buying deals only with ‘environmental concern’ in the buying process. However, Drumwright’s (1994) study provides some ideas about the concept of
socially responsible buying and how buyers process contextual information and apply in buying decisions.

Summary of Social Responsibility Issues in the Apparel Industry

This section provided brief descriptions of issues of social responsibility in the apparel industry (i.e., employment, environment, and product and consumer safety), and reviewed the apparel buying process. Employment has been a 'hot issue' in the industry for the last decade and has not been solved yet. Government, social groups, and consumers have pressured the companies involved in socially irresponsible employment practices, and the media exposure and the social pressure made companies aware of the importance of the workers and workplace considerations. Environmental issues are already important considerations for all industries due to their immediate impacts on human life and extensive government regulations. Apparel companies are developing new technologies to reduce environmental impacts of the apparel products, both in the production process and distribution process. Product and consumer safety issues are also important for apparel products, as they are consumer products closely connected to consumer health issues. Issues such as flammability and faulty labeling have appeared in the apparel industry, and, due to federal regulations, producers as well as retailers are now careful to review the impact of their products on human health and safety. Regardless of the issues, producers alone cannot solve these problems. For a higher level of an industry-wide social responsibility, socially responsible buying/sourcing seems necessary as it connects production and consumption. As little research has been devoted to this topic and there seems to be a demand for information.

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about how socially responsible buying is facilitated, this study explores the process of socially responsible buying.

The next section discusses what factors may impact the socially responsible buying process based on theoretical and empirical evidence. Relevant research hypotheses for this study also are generated. The literature supporting the hypotheses is primarily from business ethics theory literature, which is the theoretical background of this study, and relevant empirical findings in the field.

**Overview of Business Ethics Theories**

**Theories of Business Ethics**

The concept of social responsibility has traditionally been treated as a special type of business ethics. Recently, some researchers who investigate social responsibility using the ethics and moral philosophy theories claim that social responsibility and ethics should be considered separate concepts (Hunt, Kiecker, & Chonko, 1990; Hunt, Wood, & Chonko, 1989; Robin & Reidenbach, 1987). Ethics concerns the carefully thought-out conduct related rules and moral philosophy held by individuals and the organizations they comprise. Social responsibility concerns the social contract existing between business and the society in which it operates (a set of generally accepted relationships, obligations, and duties regarding the impact of the business on society) (Robin & Reidenbach, 1987).

Researchers, however, have found empirically that ethics and social responsibility operate using the same decision making processes, and both are based on cognitive moral reasoning (Hunt, Kiecker, & Chonko, 1990; Goolsby & Hunt, 1992;
Wood, Chonko, & Hunt, 1986). For example, Goolsby and Hunt (1992) found that individuals exhibiting high levels of cognitive moral development tended to be more aware of the importance of social responsibility in business and were less likely to behave in a socially irresponsible way than individuals exhibiting low levels of cognitive moral development. They explained that individuals high in cognitive moral development (e.g., high in idealism) have higher cognitive ability to integrate the legitimate interests of diverse publics, and thus are more likely to recognize the ‘social contract’, the importance of ‘multiple stakeholders’, and socially responsible behaviors in organizations.

Whereas the social responsibility of business may vary across societies whose expectations for business institutions are various and changing, business ethics may provide a fundamental explanation of the individuals’ ethical and socially responsible decision making process. It is reasonable to assume that socially responsible business decisions would be ethical decisions, in which the rules and philosophies related to the impact of the business on society are considered. Since theories of ethical decision making have been developed to understand how these philosophies are influenced and are applied to ethical decision-making situations, they may provide a foundation for understanding socially responsible buying, reflecting the values and expectations of contemporary society. Thus, this study is based on business ethics theories. The following discussion includes a review of business ethics theories, studies related to moral development, moral philosophies, and ethical business decision making models.
Cognitive moral development

One of the theoretical explanations of ethical decision making in business has been the cognitive moral development theory (Kohlberg, 1969). Kohlberg’s moral development theory was based on the children’s cognitive development literature (Piaget, 1932). According to Piaget, children’s moral development is comprised of two stages: 1) absolute and immutable rules governed by adult authority, and 2) rules that are a product of group interaction and choices. Adopting Piaget’s theory, Kohlberg (1969) outlined six stages of cognitive moral development that are applicable to adults. According to Kohlberg (1969), individuals ‘sequentially’ go through six moral reasoning stages of development, each of which represents the degree to which individuals are able to understand moral obligations. That is, individuals develop reasoning abilities and do not vacillate and/or regress among the developmental stages, and individuals in the same stage are hypothesized to show similar types of reasoning and decisions.

The cognitive moral development theory was valuable because it was based on actual longitudinal data collected, using qualitative analysis of verbal responses to moral dilemmas confronted by individuals. However, the theory was criticized because it did not allow a variation of the stages, by claiming that individuals hold the same moral development during the specified period by age (Gilligan, 1982; Fraedrich, Thorns, & Ferrell, 1994). Because ethics is closely related to values, where the values are the results of perceptual learning processes (Tylor, 1975), and individuals are experiencing various, different learning sources (e.g., peers and work situations as well as parents and teachers), it is reasonable to expect variations of the values across
individuals. In this respect, Gilligan (1982) argued that individual moral reasoning should be studied in a specific context. The most critical assumption of the moral development theory is that there is an absolute moral truth and individuals in the most advanced moral reasoning stage, universal ethical principles, do the most right and ethical behaviors (Fraedrich, Thorne, & Ferrell, 1994). Accordingly, the theory also has been criticized for the bias toward absolute moral philosophies, because it focuses on ‘rightness’ and justice and ignores other types of moral principles (Fraedrich et al., 1994; Gilligan, 1982).

Moral philosophies

In business situations, the moral development theory has been found to be inappropriate for explaining ethical decision making. Rather, various moral philosophies, beyond absolute ‘rightness’, held by individuals have been found to be related to ethical judgments and decision making. Moral philosophies, additionally, account for relational and situational moral judgment rules commonly used by individuals making business decisions. Researchers in the business ethical decision making field have focused on individual moral philosophies as guiding norms and rules in determining ethical judgments. Individuals apply prescribed ethical rules during their ethical reasoning, and such rules, which come from various sources such as work and family, form moral philosophies as ethical prescriptions (Barry, 1979).

To predict ethical behaviors in businesses, business ethics researchers have explored various moral philosophies that have been developed for centuries in the field of ethics. Moral philosophies describe values and principles of conduct, which guide and justify individuals’ decisions (Fraedrich & Ferrell, 1992a). In the business ethics
field, moral philosophies have been viewed and categorized in various ways. Fraedrich and Ferrell (1992a) divided them into five categories: 1) act utilitarianism, 2) rule utilitarianism, 3) egoism, 4) act deontology, and 5) rule deontology. Fritzsehe and Becker (1984), utilized three categories: 1) utilitarianism, either act or rule utilitarian, 2) principles of rights, and 3) principles of justice.

Utilitarianism defines ‘rightness’ in terms of ‘the greatest for the greatest number of people’ (Frankena, 1973, p.14-15, sited in Fraedrich & Ferrell, 1992a). Utilitarianism can be divided into two types: act utilitarianism and rule utilitarianism. The former emphasizes consequences of action for the greatest good whereas the latter emphasizes preset rules, which strictly define action. Egoism defines ‘rightness’ in terms of consequences for the individual and egoism-oriented individuals choose an alternative that produces the maximum amount of good for oneself (Fraedrich & Ferrell, 1992a, p. 246). These three types of moral philosophies, act utilitarianism, rule utilitarianism, and egoism, comprise a teleological perspective of ethics, which focuses on situational, relative ethical values. On the other hand, the deontological perspective of moral philosophies focuses on the nature of acts (methods and intentions) rather than the consequences or end results. Rule deontology determines the ‘rightness’ of a behavior in terms of a set of predetermined rules, whereas act deontology determines the ‘rightness’ based on ‘properness’ developed through experiences.

Reidenbach and Robin (1996) used language from the five moral philosophies found in the ethics field (i.e., deontology, theories of justice, utilitarianism, egoism, and relativism) as a basis for developing a multidimensional scale for ethical judgment. They found three dimensions as a result of a scale validation process: 1) moral equity,
2) relativism, and 3) contractualism. The moral equity dimension represents a broad based ‘notion of good and bad’, and it is a basic fundamental decision rule for evaluating moral content in terms of individuals’ inherent ‘fairness’, ‘justice’, ‘goodness’, and ‘rightness’ (p. 645). The relativism dimension represents beliefs that what is ethical is formed by ‘guidelines, requirements, and parameters inherent in social and cultural systems’ (p. 646). The contractualism dimension represents ‘notions of implied obligation, contracts, duties, and rules’, which are based on social contracts between business and society (p. 646). Among them, the moral equity dimension was found to play the most significant role in predicting ethical behavioral intentions.

Even though names and scopes vary, moral philosophies are the bases of two broadly categorized ethical judgments, deontology and teleology. The deontological perspective of ethics claims the existence of absolute, universal norms, and focuses on the intentions and methodologies to reach an action. The teleological perspective of ethics declares that there are no absolute ‘rights’ for actions and accepts the relativistic, situational variations in determining what is ethical. Robin and Reidenbach (1987) pointed out that among businesses, especially US businesses that are strongly rooted in capitalism, a teleological perspective with cost/benefit analyses is primarily used in business decisions. Fritzsche and Becker (1984) found empirically that responses of business managers to a series of vignettes were primarily ‘utilitarian’ rather than principled in rights and justice.

In operationalizing moral philosophies incorporating both the deontological and the teleological perspective of ethics, researchers have found that idealism and relativism well represent business people’s moral philosophies related to business
ethical decision making (e.g., Al-Khatib, Dobie, & Vitell, 1995; Barry, 1979; Etheredge, 1999; Hunt & Vitell, 1986; Reidenbach & Robin, 1990; Singhapakdi, Vitell, Rallapalli, & Kraft, 1996; Singhapakdi, Vitell, Rao, & Kurtz, 1999; Vitell, Rallapalli, & Singhapakdi, 1993; Vitell & Singhapakdi, 1993). According to Forsyth’s conceptualization, idealism reflects the belief that ethical judgment is morally absolute in terms of moral principles, norms, or laws. Relativism reflects the belief that all moral standards are relative to a society and situation and what is considered ethical depends on the nature of the situation and circumstances. In other words, idealistic individuals tend to believe that harming others is always universally bad and should always be avoided (Forsyth, 1992). Relativistic individuals tend not to agree with universal moral rules in making moral judgments and are more likely to rely on the situational circumstances (Forsyth, 1992). It has been generally shown that more idealistic marketers tend to have higher deontological norms and more ethical consequential judgment than do less idealistic ones, and that more relativistic marketers tend to have lower deontological norms (Vitell, Rallapalli, & Singhapakdi, 1993; Vitell & Singhapakdi, 1993).

**Ethical decision making models**

Concepts from theories of cognitive moral development and moral philosophies have been used to construct ethical decision making models. Cognitive moral development, in particular, has been adopted in many ethics models (Trevino, 1986; Ferrell, Gresham, & Fraedrich, 1989) and was suggested as a key construct for ethics research (Goolsby & Hunt, 1992). Adopting Kohlberg’s theory, ethical decision models (e.g., Ferrell et al., 1989; Trevino, 1986) posit that an individual’s moral development
stage determines an input for ethical justification and ethical evaluation, and consequent actions. However, unlike Kohlberg’s deontological emphasis on absolute ‘rightness’ and justice, business ethics theories incorporate the teleological perspective of moral judgments. Business ethics researchers have added business disciplines to understand and explain ethical decision making in business organizations (e.g., relativism, capitalism).

Combining deontological and teleological perspectives, Hunt and Vitell (1986) developed a general theory of marketing ethics in which the marketers’ ethical judgment was depicted as a function of both deontological and teleological evaluations. When an individual confronts a situation that possesses an ethical dilemma, he forms a set of possible alternatives or actions for the given ethical problem and judges the best alternative in terms of the two evaluation processes. Deontological evaluation would reflect a process in which a marketer determines what is the most ethical by applying a set of deontological norms (e.g., individual beliefs on fair employment) to possible alternatives. Teleological evaluation is a process in which one evaluates an evoked set of alternatives based on the outcome likely to be produced by each alternative. The outcome related factors include probabilities of consequences, desirability of consequences, and importance of stakeholders. The model also posits that intentions intervene in the relationship between ethical judgment and behavior (Hunt & Vitell, 1986). That is, the ethical judgments do not exactly predict the actual behaviors. This may occur because of the independent influence of teleological evaluation on intentions (i.e., considering the consequences of an action). The incongruence between ethical judgments and intentions would determine feelings of guilt. Situational constraints such
as the opportunity of taking action also create incongruence. Finally, the theory posits that the evaluation of the selected behavior influences the individual’s learning facility, which affects future ethical judgments and behaviors.

The Hunt and Vittell model (1986) also proposes that the decision-maker’s personal experiences and cultural norms determine his ethical judgments. It has been found that society’s ethical/moral climate significantly influences ethical decisions (Brenner & Molander, 1977). Personal experiences affecting ethical judgments could have various dimensions. This is supported by studies that found that individual differences such as values, attitudes, and intentions that individuals have formed through socialization, education, and experience significantly affected the ethical decision making (Ford & Richardson, 1994). The theory also emphasizes the impact of industry and organizational norms on individual decision-maker’s ethical judgments. This is consistent with Ferrell and Gresham’s (1985) proposal that individual decision making would be influenced by organizational factors such as significant others (e.g., peers and superiors) and existence of opportunities for ethical behaviors (e.g., rewards and codes of ethics).

Ferrell and Gresham (1985) developed a contingency model of ethical decision making, emphasizing the situational nature of ethical decision making. The model includes three broad categories of variables as factors of individual ethical decision making: 1) knowledge, values, attitudes, and intentions as ‘individual factors’ variables, 2) differential association and role-set configuration as ‘significant others’ variables, and 3) professional codes, corporate policy, and reward/punishment as ‘opportunity’ variables. The core process of the ethical decision making in this model was captured
as a sequence of ‘ethical issues/dilemma’→‘individual decision making’→‘behavior-evaluation of the behavior’. Whereas Hunt and Vitell (1986) generally focused on an individual’s evaluations and cognitive judgmental processes of ethical decision making with non-specific issues, Ferrell and Gresham posited that ethical decision making was issue dependent and focused on situational variables such as significant others and opportunistic factors (which are viewed as interactive factors between individuals and organizational variables) as well as individual factors. In other words, Ferrell and Gresham considered situational variables to hold the same levels of influence as individual inferences such as values and attitudes.

Synthesizing both models, Ferrell, Gresham, and Fraedrich (1989) developed an integrated model of ethical decision making in business. Adapting Kohlberg’s (1969) moral development to incorporate individual cognitive perspective of decision making, they proposed a process of ethical decision making: Awareness (ethical issues)-Cognition (stages of cognitive moral development)-Moral evaluation (deontological and teleological judgments)-Determination (intentions)-Action (ethical/unethical behavior). The concept of organizational culture was introduced as a main situational factor, along with opportunity and individual moderators, as a moderator of each stage of the ethical decision making process except action stage. That is, organizational factors as well as individual factors determine intentions as well as how ethical issues are perceived and cognitively processed.

The difference between Hunt and Vitell’s theory, Ferrell and Gresham’s (1985), and Ferrell, Gresham, and Fraedrich’s (1989) model is in the focus of ethical reasoning. In other words, the latter two models emphasize individuals’ interaction with
organizational environment in making ethical decisions in the organization whereas the former focuses on the individual decision making process. Similar to Ferrell et al. (1989), Jones (1991) who also proposed an issue contingent model emphasized the different reactions of individuals depending on issues involved in the cognitive process of ethical decision making. He conceptualized the interactive nature of the individual cognitive process in relation to organizational factors. According to Jones, the ethical decision process involves a sequence of Recognition of moral issues-Moral judgment-Moral Intent Establishment-Moral behavior engagement. ‘Moral intensity,’ which determines whether the issues or dilemmas are considered to be solved, was considered as a factor that influences all the elements of the ethical decision making process (Jones, 1991). Group dynamics, authority factors, and socialization process were also incorporated into the model as moderators of moral intensity and the process of ethical decision making, emphasizing the learning facilities of individuals. Thus, in Jones’ model, moral intensity can be seen as an interactive factor between environmental and individual factors because the components of the moral intensity depict individuals’ acceptance of the issues related to social and situational settings.

Trevino (1986) proposed an interactionist model of ethical decision making, emphasizing interfaces among individual and situational variables on individual moral development and ethical behavior. According to Trevino, ethical decision making by an individual in an organization depends on the interactions among individual and situational components. She included more extended situational and organizational variables as well as individual variables: Situational variables such as organizational culture (i.e., normative structure, referent others, obedience to authority, responsibility
for consequences), immediate job context (i.e., reinforcement, other pressures), and characteristics of the work (i.e., role taking, resolution of moral conflict); individual variables such as cognitive moral development stage, ego strength, field dependence, and locus of control. Situational variables and individual variables were considered moderators of the effects of cognitive moral development on ethical behavior. Similar to Ferrell et al. (1989) and Jones (1991), Trevino’s (1986) model emphasizes the interaction between organizational variables and individual variables in affecting ethical decision-making.

Though the theories and models are slightly different from each other, it is apparent that the organizational factors (e.g., social or industry climate) interact with personal variables and influence ethical decision making in business organizations. As reviewed, ethical and socially responsible decision making in business situations have been attended to by researchers who have developed various models explaining the process of ethical decision making. According to these models, external and organizational factors as well as individual factors appear to influence marketers’ ethical and socially responsible decision-making. Moreover, the organizational variables interact with individual variables. That is, individuals’ understanding and acceptance of the organizational variables affect ethical decision making and relate to individual moral philosophies. Specific arguments and discussion of the variables are provided in the research hypotheses section. Moving to the focus of this study, which is socially responsible apparel buying, the current status of social responsibility in the apparel industry needs to be discussed to understand the dimensions of social responsibility in that context.
Socially Responsible Decision Making

As reviewed in the first section of this literature review, business ethics literature provides the theoretical bases for building the model of socially responsible buying process. This section lists variables related to ethical and socially responsible decision making, and discusses their origins and utilizations in business ethics literature and how each of them is related to this study. The section is organized as: 1) personal moral philosophies, 2) attitudes toward ethics and social responsibility, and 3) organizational factors (personal environment, organizational control systems).

Moral Philosophies: Idealism and Relativism

Idealism and relativism

Business ethics researchers have focused on cognitive, individual decision making related to ethics in business. Kohlberg’s moral development model has been a basis for the development of business ethics research and researchers have gradually recognized that teleological as well as deontological perspectives should be incorporated into ethical decision making models (Fraedrich et al., 1994). By adding situational and opportunistic, organizational variables to the Kohlberg’s (1969) cognitive moral development, the ethical decision making models (i.e., Ferrell et al., 1989; Jones, 1991; Trevino, 1986) encompass the teleological perspectives of ethics. The ethical decision models conceptualized deontological and teleological evaluations made by individuals as determinants of ethical judgments and consequent decisions. The two streams of ethics judgments, deontology and teleology, are conceptually based on different uses of norms and values, both of which form individual moral
philosophies for ethical reasoning. The former is focused on absolute principles while the latter is focused on the consequences of actions.

Personal moral philosophies of idealism and relativism that capture both deontological and teleological perspectives of ethical judgments bases have been used to measure individual differences in predicting ethical perception and behaviors (Singhapakdi et al., 1986; Singhapakdi Vitell, & Franke, 1999; Singhapakdi, Vitell, Rao, & Kurtz, 1999; Etheredge, 1999). According to Forsyth’s (1980) conceptualization, idealism reflects the beliefs that ethical judgments are morally absolute in terms of moral principles, norms, or laws. Relativism reflects the belief that all moral standards are relative to a society and culture and the moral judgment and actions depend on the nature of the situations and circumstances (Forsyth, 1980).

Following the conceptualization, idealistic individuals generally believe that morally right behavior leads to good or positive consequences and relativistic individuals tend to reject the notion that absolute or universal moral principles exist (Forsyth, 1980). These two philosophies are not discrete, opposite ends; rather they exist together.

**Idealism, relativism, and ethical decision making**

The degrees of idealism and relativism that an individual holds have been found to differ across individuals. Singhapakdi, Vitell, Rao, and Kurtz (1999) studied professional marketers and consumers and found that the idealism score for the marketer group was significantly lower than the consumer group; and the relativism score for the marketer group was higher than the consumer group. There were no significant differences between marketer and consumer groups in perceived ethical problems. The differences of the degrees of idealism and relativism have been found to
be sources of variance in ethical perceptions and behaviors (or intentions). More idealistic decision makers tended to perceive ethics and social responsibility as being more important for organizational effectiveness than less idealistic ones; whereas, more relativistic ones showed lower scores on the perceived importance of ethics and social responsibility for business effectiveness than less relativistic ones (Singhapakdi et al., 1995; Singhapakdi et al., 1996).

It has been found that idealistic individuals tend to be more ethical in decision making than relativistic ones. More idealistic individuals showed a tendency to engage in unethical behaviors in lesser degree than less idealistic ones (Al-Khatib et al., 1995). Vitell and Singhapakdi (1993) also found that more idealistic marketers who tended to show higher deontological norms made more ethical judgments than less idealistic ones. Vitell, Rallapalli, and Singhapakdi, (1993) studied the relationship between marketing norms and personal moral philosophies. The results from the study were: 1) scores for marketing related norms were positively correlated with idealism and negatively correlated with relativism and 2) more relativistic marketers tended to have lower marketing norms. The marketing related norm scale in the study was based on the professional codes (AMA codes of conduct) that provide standards for the marketing practitioners. The results indicate that absolute ethical norms are more likely related to idealism. Similarly, Vitell and Singhapakdi (1993) found that more idealistic marketers tend to have higher deontological norms and consequent judgment than less idealistic ones.

On the other hand, some researchers have found that personal moral philosophies are affected by organizational, situational factors. Drumwright (1994)
found that there were people who initiated socially responsible buying and that their political influence over other employees was powerful in resolving ethical dilemmas and raising ethical norms. She also found that top-management's commitment, which was non-coercive, positively, significantly influenced socially responsible buying practices. On the other hand, Fraedrich and Ferrell (1992a) investigated individuals' consistency in ethical judgments in work situations (betraying a trust, bribery) and non-work situations (personal income tax invasion). They found that most individuals, especially egoists and utilitarianists were inconsistent in their ethical judgments in work and non-work situations. This indicates that individuals' ethical judgments are likely to be affected by organizational, situational variables.

**Attitudes toward Business Ethics and Social Responsibility**

**Attitudes toward ethics and social responsibility**

Along with personal moral philosophies, attitudes toward ethics and social responsibility have been discussed to explain ethical decision making and/or determination of ethicalness of certain behaviors. The attitudes toward ethics and social responsibility and the moral philosophies are different in nature. The former measures attitudes toward business ethics and social responsibility for business and the latter measures personal disciplines in ethical judgments. Attitudes toward business ethics reflect 'the subjective assessment by a given individual with respect to sets of premises which make up various business philosophies' (Prebie & Reichel, 1988, p. 942). That is, attitudes reflect underlying philosophies regarding business ethics attached by individuals. Accordingly, attitudes toward ethics and social responsibility have been
studied with close connection to personal moral philosophies and have been used to
determine ethical judgments and behavioral intentions. Appendix E discusses various
attitudinal scales in the business ethics literature.

Relationships with ethical behavior

Empirical researchers seem to focus on decision outcomes (e.g., ethical
dependents, behavioral intentions) and attitudinal determinants as a mirror of the process
of ethical judgments. As behavioral research generally accepts the attitude→behavior
relationship, attitudes toward ethics and social responsibility (i.e., perceived importance
of ethics and social responsibility for business effectiveness) has been studied and found
to be a predictor of ethical decisions. Hunt, Kiecker, and Chonko (1990) and Wood,
Chonko, and Hunt (1986) found that socially responsible behaviors of business decision
makers were driven by socially responsible attitudes that were different across
individuals. The correlation between socially responsible attitudes and behavioral
scales was very high (r=.91). Singhapakdi (1999) presented three unethical scenarios to
American Marketing Association members and found that perceived importance of
ethics and social responsibility was significantly related to perceived ethical problems
and ethical intentions. The greater the importance attributed to ethics and social
responsibility, the more the scenarios were perceived unethical and the greater the
intention to behave ethically.

In summary, moral philosophies, idealism and relativism, are the bases of ethical
reasoning and determine ethical evaluation. Idealism and relativism are considered
personality traits and are affected by environments such as organizational culture.
Attitudes toward business ethics and social responsibility are operationalized as the
perceived importance of ethics and social responsibility for business effectiveness. Attitudes toward business ethics and social responsibility are influenced by personality traits related to ethics, idealism and relativism.

Organizational Factors

Organizational culture

To better explain ethical and socially responsible decision making (SRB), organizational factors seem very important since the decisions are made in business contexts. Business ethics theories have considered organizational factors to better explain ethical decision making in business (Ferrell & Gresham, 1985; Ferrell et al., 1989; Hunt & Vitell, 1986; Jones, 1991; Trevino, 1986). That is, factors related to work or organizations influence ethical and socially responsible decision making in business organizations. A body of research has mentioned organizational culture in determining employees’ ethical decision making (Dubinsky & Loken, 1989; Key, 1999; Schwepker, Ferrell, & Ingram, 1997; Singhapakdi et al., 1999; Trevino, 1986; Vitell et al., 1993), where organizational culture in general is defined as ‘the assumptions, beliefs, goals, knowledge and values that are shared by organizational members’ in common (Sathe, 1985, p. 35).

Organizational culture provides employees with the specific roles they are expected to play and the norms to be followed within the context of the organization (Deshpande & Webster, 1989). In the business ethics realm, it has been suggested that organizational culture influences individuals’ ethical decisions by setting organization-
wide norms to be applied in decision making providing a committed context for ethical behaviors (Ferrell & Gresham, 1985; Hunt & Vitell, 1986).

Since organizational culture provides an immediate environment in which employees act within standards and norms, organizational culture has been studied in relation to individual moral reasoning and ethical decisions/behaviors. Kohlberg (1984) proposed that the ‘socio-moral atmosphere’ of an organization has a significant impact on the ethical decision making of individuals in the organization (p. 263). According to him, individuals’ moral reasonings that determine identification of ethical problems and solutions is influenced by organizational ethical climate, where organizational climate is conceptualized as a dimension of organizational culture. Specifically, Singhapakdi et al. (1999) found that corporate ethical values raised idealistic moral philosophy among employees and thus influenced employees’ ethical decision making. Organizational culture has a power of influence over employees in terms of the learning capacity of individuals. Trevino and Nelson (1995) suggested that organizational culture is built on accumulated shared norms and values and affects employees by socializing them to the culture. Murphy and Lacznik (1981) argued that the ethical behaviors of marketers would be more likely to improve when the organizational culture changed.

On the other hand, individuals involved in the ‘socialization process’ in an organization learn organizational values and adapt their individual values from organizational values (Key, 1999). However, since organizational culture dictates shared norms and values, individuals may be forced to change their norms and values to conform to the shared norms and values. Schwepker, Ferrell, and Ingram (1997) proposed that ethical conflicts that interrupt ethical behaviors might arise from
incongruence between individual ethical values and organizational values. They empirically found that salespersons’ ethical conflicts were negatively associated with the perceived ethical climate of the organization. That is, if the organization that an individual is affiliated with provides an ethical and socially responsible culture, the ethical performance of employees would be increased. Harris (1990) found that respondents from an intangible good/service firm frequently felt that they were pressured to modify their ethical values to the organizational values to achieve organizational goals. He also found that individuals who had been in the company for a longer period of time were more likely to be influenced by the organizational ethical values than ones who had shorter tenure.

**Operationalization of organizational culture**

Organizational culture is an internal construct taking an intangible, and conceptual form and, thus, is hard to measure directly (Jose & Thibodeaux, 1999; Key, 1999; Knouse & Giacalone, 1992; Trevino, Butterfield, & McCabe, 1995). Researchers have explored specific aspects of organizational culture, such as ethical values and ethical climates. Schwepker et al. (1997) and Harris (1990) operationalized corporate ethical culture as corporate ethical values. Singhapakdi, Vitell, and Franke (1999) studied the effect of corporate ethical values on ethical decision making. Their conceptualization of corporate ethical values was a composite of personal values and ethical standards and programs that a corporation was committed to. Hunt et al. (1989) operationalized corporate ethical value using: 1) the extent to which employees perceive that superior managers are acting ethically in the organization, as a component of corporate culture, 2) the extent to which employees perceive that managers are
concerned about the issues of ethics in their organization, and 3) the extent to which ethical behavior is rewarded in the organization.

Ethical climate has also been studied as a reflection of ethical culture. In definition, the ethical climate describes the psychological internalization of organizational practices and procedures to the standards of ethical behaviors in the response to ethical dilemmas (Knouse & Giacalone, 1992). According to Victor and Cullen (1987), ethical climate provides guidance on what to do in ethical situations and thus can predict ethical decisions. Their ethical climate scale reflected shared behavioral norms and standards affected by organizational control systems and reactions of other employees, based on a belief that employees are affected by organizational control systems through a socialization process (Victor & Cullen, 1987).

Among the efforts to build a reliable measurement of ‘organizational culture’, Trevino, Butterfield, and McCabe (1995) attempted to add multidimensionality and interactions among elements to the organizational culture measurement. They developed and tested the organizational culture scale focusing on reflecting the extent to which an organization attempts to influence employees’ behavior through a ‘variety of cultural system’. They compared their organizational culture scale with the Victor and Cullen’s (1987) organizational climate scale and found that the organizational culture scale achieved higher validity in describing the extent to which the organization had influence over its members’ behavior through various cultural systems than did organizational climate scale (cited in Key, 1999).

Another tendency is to explore the effect of organizational ethical culture by using objective, practical indicators of organizational culture. Singhapakdi (1993)
studied the effect of organizational culture on employees' perceived ethical problems and alternative choice decisions, where organizational culture was varied in scenarios depicting ethical or unethical culture by manipulating the existence of codes of ethics. Similarly, Ford and Richardson (1994) used existence and enforcement of codes of conduct and ethical training programs as indicators of ethical culture. Such operationalization of corporate culture focuses on the organizational control systems for ethical behavior of employees, while the organizational ethical climate and culture focuses on employees' internalization of the organization's ethical environment by operationalizing various aspects of the abstract concept of the organizational culture.

However, organizational beliefs, values, and norms, which form organizational culture, have been suggested as being formed by both 1) individual members such as top-management and peers, and 2) the reinforcing effects of the organization (Sathe, 1985; Schein, 1983; Schwartz & Davis, 1981). Ferrell and Gresham's (1985) and Trevino's (1986) ethical decision making models also emphasized that the interactions with other people in the organization (e.g., peers, top managements) provide an opportunity to behave ethically by sharing norms in an organization, in addition to organizational policies, codes, and rules. Therefore, the operationalization of organizational culture that only includes organizational control systems may not be appropriate. Specific theoretical explanations and research findings from business ethics studies will be discussed in the following section along with relevant variables.

Personal (organizational) environment

Focusing on the organizational beliefs, values, and norms that are affected by individuals in an organization (Sathe, 1985; Schein, 1983; Schwartz & Davis, 1981),
top-management’s commitment (e.g., Weaver et al., 1999a; Zey-Ferrell & Ferrell, 1982) and peer influence (Fritz, Arnett, & Conkel, 1999; Zey-Ferrell & Ferrell, 1982) have been studied as factors of ethical decision making. Ethical decision making models (Ferrell & Gresham, 1985; Trevino, 1986) emphasized interactions with other people in the organization (e.g., peers, top managements) as a source of shared norms in an organization, in addition to other organizational factors such as organizational policies, codes, and rules. Organizational justice theory also emphasizes the effects of personal environment on shaping perceptions of fairness based on mutual values and norms (Greenberg, 1987). Such effects of personal environment on ethical behaviors can be explained by an individual’s socialization process. Interactions between individuals in an organization lead them to change their attitudes and behavior through social information processing (Salancik & Pfeffer, 1978). Because of the human learning capability, individuals observe others’ behaviors and internalize them into their own as a mean of conformation (Fritz, Arnett, & Conkel, 1999).

Top-management commitment…. Traditional organizational studies emphasize the importance of top-management in increasing organizational performance (Lowe, 1979; Skinner, 1969). Literature on strategic leadership suggests that values and commitment of top-management influence organizational strategic actions and performance (Finkelstein & Hambrick, 1990; Hambrick & Mason, 1984). Ethics researchers also stress that top management’s commitment to social responsibility affects the nature and scope of a firm's social responsibility (Hunt & Auster, 1990; Robin & Reidenbach, 1987), and it seems to be an essential requirement to practice socially responsible buying (Drumwright, 1994). One of the major responsibilities of
Top-management is control of corporate behavior including employees’ ethical decision making (Hunt et al., 1989). Trevino’s (1986) and Jones’ (1991) ethical decision making models, included an ‘authority’ factor. Top-management creates scopes and contents for value systems in an organization and its commitment to them influences organizational outcomes, because top-management has the status and power to influence employees’ behaviors (Finkelstein & Hambrick, 1990; Hambrick & Mason, 1984).

Jose and Thibodeaux (1999) found that managers in business organizations perceived implicit forms of top-management support to be more effective than the explicit forms which include an ethics officer and ethics codes. Drumwright (1994) found that it was top-management who made key decisions and created a risk-taking organizational culture for employees to take the opportunities for socially responsible buying, encouraging employees to learn and expand their capabilities for socially responsible buying. Drumwright (1994) also found that top-management’s invisible support rather than coercion affected employees’ socially responsible buying efforts. Zey-Ferrell and Ferrell (1982) found that perceived top-management beliefs on ethics significantly affected corporate advertisers’ standards of ethical behaviors. Chonko and Hunt (1985) found that actions of top managers were likely to reduce the employees’ perceived ethical problems and ethical decisions. Thus, it seems that top-management plays an important role in creating a value-oriented, abstract form of organizational culture.

Top-management also seems important to make organizational control systems effective. Ferrell and Gresham (1985) emphasized the importance of top-management’s
role due to its power and demand for compliance to the control systems. Sims (2000) suggested that top-management take a leading role in changing organizational culture by moving toward a more ethical one, involving building and modifying informal and formal systems that support ethical behaviors. Trevino and Nelson (1995) also pointed out the importance of top-management taking a role for successful implementation of ethical programs, such as codes of ethics. Longenecker (1985) emphasized top-management’s role in clarifying sanctions for violations of stated codes or policies. Weaver et al. (1999a) found that top-management’s awareness and top-management’s commitment to ethics, in addition to government and media attention factors, significantly related to the scope of ethics programs. Lindsay, Lindsay, and Irvine (1996) found that senior or executive officers played the most important role in designing and implementing codes of ethics in 73.3% of the companies they studied. Jose and Thibodeaux (1999) found that the top-management’s commitment to ethics significantly affected the types of ethical control systems in an organization, and companies with highly committed top-management were more likely to create value-oriented than coercive ethical control systems. Chonko and Hunt (1985) found that the effect of codes of ethics was significant only when top-management committed to certain values. Internal monitoring for fair employment has been found to be more effective when top-management is involved in the program. For example, Levi Strauss chairperson’s involvement in its internal monitoring program for foreign contractors made it much more effective than before (Ramey & Barrett, 1996).

Peers... Social information processing theory (Salancik & Pfeffer, 1978) suggests that interaction with co-workers in an organization influences their beliefs,
attitudes, and behaviors by exchanging salient, credible, and relevant social information about a subject or situation, and leads to similar and common attitudes and behavior. Organizational justice theory also points out individuals’ tendency to adjust their perceptions regarding fairness within a work group (Greenberg, 1987). Individuals in an organization try to follow shared, common behaviors that they consider ethical. They frequently contact and talk to their peers about job content and these include standards of ethics in the organization. Ford and Richardson (1994) found that organizational ethical standards such as codes of ethics could affect ethical behavior through talking to peers. Similarly, Fritz et al. (1999) studied employees’ awareness of organizational ethical standards and found that awareness of ethical standards of an organization was predicted by discussion with peers along with managerial adherence to and organizational compliance with those standards. Even though the study surveyed the members of a single large service-providing organization, it provides intraorganizational insight to organizational factors. Zey-Ferrell and Ferrell (1982) found that ad agency executives’ ethical/unethical behavior was predicted by the behaviors of peers. Finally, Drumwright (1994) found that there were individuals who initiated socially responsible buying. Co-workers’ interactions with them tended to release their conflicts and dilemmas associated with social responsibility considerations in the buying function.

**Organizational control systems**

Organizational control systems for ethical behavior are defined as ‘formal programs that are aimed at standardizing employee behavior within the domains of ethics and legal compliance’ (Weaver et al., 1999a). According to Ferrell et al. (1989),
the organizational culture for ethical behaviors can be built when a company enacts and enforces codes of ethics, policies, and directives that specify, discourage, monitor, and correct unethical behavior. McDonald and Zepp (1989) suggested specific organizational factors that can influence the ethical behavior of employees: codes of ethics and policy statements, leadership, specialists such as ethics officers and ethics committees, and reward plans with realistic performance measurements. According to them, these should be incorporated into the strategic plan for all activities of the organization and thus effectively form an organization-wide ethical culture.

Lindsay, Lindsay, and Irvine (1996) surveyed 171 Canadian firms and found 49.1% of the companies had at least one ‘ethics related corporate control mechanism’ such as codes of conduct, whistleblowing systems, ethical committees, judiciary boards, employee training, ethics focused corporate governance and reward systems. Such organizational control systems have been studied and found to be positively influence ethical decisions (e.g., Hegarty & Sims, 1979; Newstorm & Rush, 1975; Singhapakdi & Vitell, 1990, 1991; Singhapakdi et al., 1995; Weaver & Ferrell, 1977).

Policy or codes of conduct....Organizational behavior literature suggests that formal codes or policy statements enhance organizational members’ standardized behaviors and thus increase efficiency (Lowe, 1979; Skinner, 1969). An organization’s concern about social responsibility and business ethics, which is presented in a defined statement and codes, seems to have great influence on employees’ ethical decision-making. Singhapakdi and Vitell (1990) posit that codes indicate the ethical climate of an organization and can be a measure of the organization’s consensus or norms regarding ethical behavior. Ferrell et al. (1989) proposed that codes of ethics take a
significant role in establishing perceived opportunity for ethical decision making.

Dubinsky and Gwin (1981) and Hunt and Auster (1990) proposed that establishing
written policies and communicating them would be an effective way to develop high
ethical standards among employees by increasing employees’ awareness and
knowledge. In fact, such formal codes have been found to be the most common form of
organizational control systems for organizational ethics (Sweeney & Siers, 1990;
Lindsay, Lindsay, & Irvine, 1996).

Empirical ethics research notes that the corporate ethics codes reinforce ethical
organizational culture and are prime factors in encouraging on employee’s ethical
business activities within an organization (Akaah, 1992; Ferrell & Gresham, 1985; Ford
& Richardson, 1994; Hartnett, 1993; Lacziak & Inderrieden, 1987; Turner, Taylor, &
Hartley, 1995; Winbush & Shepard, 1994). Weaver, Trevino, and Cochran (1999b)
explained that formally stated ethics codes standardize behaviors and expectations for
other members in the organization under specific conditions. Formal codes or policy
for ethical behaviors have been found to raise employees’ awareness of issues (Kaye,
1991; Trevino & Youngblood, 1990) and this is more effective when they are enforced
(Allen & Davis, 1993). Singhapakdi and Vittell (1990) found that ethics codes
increased perceived ethical problems among employees and affected choice of ethical
alternative actions. Similarly, Hegarty and Sims (1979), McCabe et al. (1996), Ferrell
and Skinner (1988), and Weaver and Ferrell (1977) found that the existence of codes of
ethics and their enforcement in the organization were positively related to the level of
employees’ beliefs towards ethical behaviors and actual ethical behaviors.
Educational program…. Researchers have suggested that education programs are necessary to raise employees' awareness and understanding of issues and foster their motivations to act in a socially responsible way (Hunt & Auster, 1990; Jose & Thibodeaux, 1999; Tucker, Meyer, & Westerman, 1996; Welt & Sorell, 1996). It is also suggested that such changes could be lasting when associated with on-going educational programs (Bazarman & Hoffman, 1999). Even stated formal codes of conduct, which address business ethics and social responsibility, are necessary for dissemination throughout an organization for effectiveness (Tucker, Meyer, & Westerman, 1996). Empirically, Weeks and Nantel (1992) found that codes that were effectively communicated (i.e., understood) were positively related to choice of an ethical alternative. However, a Landmark survey on ethics policies and programs in US corporations indicates that ethics training and educational programs are not common in retail and wholesale industries (ERC, 1990).

Welt and Sorell (1996) also remarked that apparel buyers practice socially responsible buying if they acknowledge the social impact of their buying and suggested corporate educational and awareness programs for buying personnel that will improve socially responsible buying. They suggested contents of such programs include teaching employees to effectively communicate internally, training on how to conduct business with their contractors, and encouragement to report abuses. Dean (1992) suggested that educational programs reinforce corporate standards of ethics (e.g., codes of conduct) so that employees could see and understand how those could be used for specific situations. Such programs seem more effective when they provide specific
information that can be applied to a problem area and give direction to a desirable outcome.

Special department/specialists.... Employing specialists that provide legal, technical, and customer relations information and consultation in terms of ethics and social responsibility seems to be important to foster socially responsible decision making in a business organization. Prince and Denison (1992) suggested that it is necessary for a company to have members who are absolutely responsible for the company’s environmental education and management and for its auditing. Hunt and Auster (1990) empirically found that having strong involvement of legal counsel is an essential component in determining proactive environmental companies. The effect of having ethics specialists can be explained by perceived expertise of the specialists. Researchers have found that opinions of other members in an organization were an important factor in organizational buying decisions and that perceived expertise of the other members could boost the use of other members’ opinions on buying tasks (Kohli, 1989; Speckman, 1979; Thomas, 1982). The effect of expertise of other organizational members on one’s buying decision is more likely to occur when the purchasing situation is perceived as highly uncertain and risky (Kohli, 1989). Drumwright (1994) also found that the strong influence of policy entrepreneurs in achieving socially responsible buying seemed due to their expert power.

Vendor auditing/monitoring program.... Drumwright (1994) suggested that developing vendor audits that encompass socially responsible criteria would substantially increase socially responsible buying. Since social responsibility problems in the apparel industry have been raised, the US government introduced an Apparel
Industry Partnership Code of Conduct emphasizing external and internal monitoring of labor practices of contractors as well as their own factories (U.S. Department of Labor, 1997; Verschoor, 1997). Because the apparel industry often uses contractors in third world countries, it is helpful to develop auditing/monitoring programs to keep informed and control behaviors of these factory contractors. The auditing/monitoring programs can be established internally or utilize specialists external to the businesses (Rainey & Barrett, 1996). External monitoring has been encouraged because through it companies can more objectively evaluate the conditions of the contractors and keep track of industrial changes in standards and other information.

Hunt and Auster (1990) found that proactive environmental companies had a strong environmental auditing program that also covers vendor related issues such as acquisition of materials. Information searching is an important input of organizational decision making, especially when the decision situation is uncertain (e.g., new supplier evaluation) (Kohli, 1989; Sheth, 1973). Drumwright (1994) found that even those who support socially responsible buying recognized substantial risks associated with socially responsible buying due to potential misjudgments and subsequent damages to their career. Well-established, reliable, empirical information regarding suppliers and their products gained through vendor auditing/monitoring programs seems to reduce the perceived risks associated with socially responsible decision making related to sourcing.

**Reward system** .... Organizational ethical culture works in sanctioned or unsanctioned ways (Knouse & Giacalone, 1992). According to Knouse and Giacalone (1992), reinforced organizational norms and values (e.g., forced codes) through sanctions can effectively raise employees’ awareness and thus increase the tendency of
ethical behaviors. Reward systems have been suggested to shape and maintain behaviors of employees providing a solution for the ethical ambivalence confronted by employees (Hunt et al., 1989; Jansen & Von Glinow, 1985). Researchers have considered reward systems as a motivational reinforcement for ethical behavior in an organization, while punishments associated with unethical behaviors have been considered discouraging of unethical behaviors (e.g., Ferrell & Gresham, 1985; Ford & Richardson, 1994; Posner & Schmidt 1987; Velasquez, 1990). That is, positive and negative consequences associated with rewards/punishments are considerations in the ethical decision making process. Organizational studies have agreed that expectations of rewards and punishment have a strong effect on individual behavior in an organization (Lowe, 1979; Skinner, 1969). It is generally stated that a company can encourage ethical behavior by rewarding ethical acts that have positive consequences for the company while discouraging unethical behavior by punishing unethical acts that have negative consequences (Jansen & Von Glinow, 1985; Trevino & Nelson, 1995).

According to Hunt and Vitell (1986) and Trevino (1986), the experience of positive feedback from an organization would influence individual decisions and affect ethical judgments. Jansen and Von Glinow (1985) noted that the values of reward systems that reward ethical behaviors could possibly cause a conflict with individual values and thus will not promote employees' ethical behaviors. In this respect, Drumwright (1994) suggested building a reward system incorporating social responsibility to improve the lack of socially responsible buying efforts among buying personnel. Rewards, especially monetary rewards, have been found to positively influence ethical decisions (Hegarty & Sims, 1977; Hunt & Vasquez-Parraga, 1993;
Trevino & Youngblood, 1990). For example, Hunt et al. (1993) found that managers in sales organizations were more likely to report unethical behaviors of salespeople and more severely disciplined them when rewarded than not rewarded for the reporting.

Punishment system... Reward systems specifically for ethical behaviors, however, have been reported to be uncommon or nonexistent among companies (Lindsay, et al., 1996). Lindsay et al. (1996) surveyed Canadian firms and found 49.1% of the companies had at least one ‘ethics related corporate mechanism’ and 12% of them used an ethics focused reward system. They also found that only one company responded that ethics compliance was a part of the performance review of employees and there were no companies who responded to having a ‘formal’ reward system for ethical behaviors of employees. Rather, policy that penalizes unethical behaviors was found in 8 out of the 10 companies. This indicates that companies are more likely to use negative reinforcements to decrease unethical behaviors of their employees rather than positive reinforcements to increase ethical behaviors. Decision-makers might behave ethically when they expect negative feedback for unethical behaviors, such as punishment on economic loss. The effects of negative reinforcement such as penalty and/or sanctions have also been reported as significant.

In Lacznia and Inderrieden’s (1987) quasi-experiment, possible dismissal for an unethical behavior was found to affect employees’ ethical judgments. More specifically, subjects who received a sanction message along with the president’s endorsement letter and code of ethics were more likely to disapprove unethical scenarios than subjects who received only the endorsement letter or subjects who received the endorsement letter and the codes of ethics, but no sanction message.
Drumright (1994) found that buying professionals were more likely affected by economically oriented performance measures, which were predominant in all companies, than employees from other functions. She also explained that this was a possible reason that buying professionals were found not to be active in socially responsible buying efforts.

**Summary of determinants of ethical and socially responsible decision making**

The literature review identified several focal variables that are related to socially responsible buying decisions. Personal moral philosophies, idealism and relativism, were found to be the foundation of the ethical decision making process, as they have been found to influence ethical perceptions and behaviors. The attitudinal element of ethical decision making has been found to directly influence behavior. It also has been found related to idealism and relativism. Various organizational factors have been found significant in raising ethical perceptions and behaviors in the organization, creating and/or enhancing an organizational ethical and socially responsible culture. They can be categorized into: 1) personal environment and 2) organizational control systems. The personal environment includes the environment formed by top-management and peers. Organizational control systems that are related to socially responsible buying include: formal buying policies or statements, educational programs, vendor monitoring programs, special departments or specialists, reward systems, and punishment systems.

As ethical theories generally accept the cognitive process of ethical decision making, organizational influences along with personal moral philosophies and attitudes
should be antecedents of socially responsible buying. Idealism and relativism provide
the basis for moral reasoning, and attitudes toward ethics and social responsibility for
business is a precondition for ethical decision making. Based on ethical decision
theories in the business ethics fields and empirical findings associated with such
variables, a series of hypotheses and a model of socially responsible buying are
discussed in the remainder of the chapter.

Research Hypotheses and Model Generation

The objectives of this study include: 1) to investigate socially responsible
buying in the apparel industry; 2) to examine the relationships among idealism,
relativism, attitudes toward business ethics and social responsibility, organizational
factors (personal environment and organizational control systems), and socially
responsible buying; and 3) to develop and test a model of socially responsible buying.
This section reviews the relationships among the variables to generate testable research
hypotheses and to build a model of socially responsible buying.

Drawing from ethical decision making models in the business ethics field
(Ferrell & Gresham, 1985; Ferrell, Gresham, & Fraedrich, 1989; Hunt & Vitell, 1986),
a model of socially responsible buying is proposed, where socially responsible buying is
considered as the dependent variable. Characteristics of individual decision makers,
idealism, relativism, and attitudes toward ethics and social responsibility are proposed
to influence the buying decision. In addition, characteristics of the decision making
environment, personal environment and organizational control systems are also
proposed to influence the decision. The result from the study will provide an
exploratory theoretical basis for socially responsible buying along with an empirical investigation of the current status of socially responsible buying in the apparel industry.

The Relationships between Idealism/Relativism and Attitudes toward Ethics and Social Responsibility

Idealism and relativism, focused on philosophical assumptions that guide ethical judgment, have been found to be closely related to attitudes and consequent ethical behaviors. More idealistic decision makers have been found to have a more positive attitude toward ethics and social responsibility than less idealistic ones. More relativistic decision makers have been found to have lower scores on the perceived importance of ethics and social responsibility than less relativistic ones (Singhapakdi et al., 1995; 1996). Attitudes toward ethics and social responsibility have been found to be related to idealism and relativism, yet the causal relationships have not been clearly investigated. According to the conceptualization of ethical judgments, philosophical norms and rules (i.e., moral philosophies) have been suggested to predetermine guidelines that govern perceptions of ethical situations and behaviors (Hunt & Vitell, 1986). Attitudinal theories also suggest a strong effect of beliefs on attitudes (Bonninger, Krosnick, & Brent, 1995; Fishbein & Ajzen, 1975). Therefore, we may hypothesize that moral philosophies, idealism and relativism influence the perceived importance of ethics and social responsibility. Therefore, the following hypotheses were developed.

\[ H1: \text{Idealism influences attitudes toward ethics and social responsibility.} \]

\[ H2: \text{Relativism influences attitudes toward ethics and social responsibility.} \]
The Relationship between Attitudes toward Ethics and Social Responsibility and SRB

Attitudes toward business ethics and social responsibility (i.e., perceived importance of ethics and social responsibility for business effectiveness) has been studied and found to be a direct, strong predictor of ethical decisions (Hunt et al., 1990; Singhapakdi, 1999; Wood et al., 1986). For example, Singhapakdi (1999) found that perceived importance of ethics and social responsibility significantly predicted ethical behavioral intentions. Thus, it can be hypothesized that attitudes toward ethics and social responsibility will positively influence decisions, SRB in this study.

\[ H3: \text{Attitudes toward ethics and social responsibility influence SRB.} \]

The Relationship between Idealism/Relativism and SRB

In terms of relationships of idealism and relativism with behavior, Al-Khatib, Dobie, and Vitell (1995) found that more idealistic individuals showed a tendency to engage in unethical behaviors to a greater degree than less idealistic ones. Vitell and Singhapakdi (1993) found that more idealistic marketers tended to have higher deontological norms and consequent behavioral judgments than less idealistic ones. It seems that idealism and relativism have relationships with behaviors as well as attitudes. However, even though idealism and relativism have been shown to be significant determinants of ethical and socially responsible decisions/behaviors, whether those relationships are direct or indirect has not been clearly established in previous studies.
Based on Fishbein and Ajzen's theory (1975; Ajzen & Fishbein, 1980), it can be predicted that the extent to which an individual's attitudes toward ethics and social responsibility directly influences buying behavior (i.e., SRB) depends on that individual's beliefs and evaluations about the organizational factors that affect the buying decisions (e.g., organizational control systems). According to Forsyth (1980), idealism reflects the beliefs that ethical judgments and actions follow morally absolute moral principles, norms, or laws, while relativism reflects the belief that all moral standards are relative and thus the moral judgment and actions depend on situations and circumstances. In other words, idealism and relativism can be considered as beliefs that affect attitudes toward ethics and social responsibility and thus SRB. Accordingly, it is reasonable to assume that idealism indirectly influences SRB through attitudes toward ethics and social responsibility. Similarly, relativism is expected to indirectly influence SRB by directly influencing attitudes toward ethics and social responsibility. This rationale is the basis for the next two hypotheses.

**H4:** Idealism influences socially responsible buying (SRB) indirectly through attitudes toward ethics and social responsibility.

**H5:** Relativism influences SRB indirectly through attitudes toward ethics and social responsibility.

**The Effects of Personal Environment on SRB**

Peers (Fritz, Arnett, & Conkel, 1999; Zey-Ferrell & Ferrell, 1982) and top-management's commitment (e.g., Weaver et al., 1999a; Zey-Ferrell & Ferrell, 1982) have been studied as factors in ethical decision making. They provide employees an
opportunity to behave ethically by sharing norms in an organization (Ferrell & Gresham, 1985; Trevino, 1986). Due to the socialization process, individuals try to follow shared, common behaviors that are considered as ethical in an organization.

It has been found that talking to peers about ethical standards influenced ethical behaviors (Ford & Richardson, 1994; Fritz, Arnett, & Conkel, 1999) and that ethical/unethical behaviors of peers influence one’s ethical/unethical behavior (Zey-Ferrell & Ferrell, 1982). Actions of top managers were likely to reduce the employees’ perceived ethical problems and consequent ethical decisions (Chonko & Hunt, 1985) and ethical behavior (Finkelstein & Hambrick, 1990 Weaver et al., 1999a). It seems clear that the personal environment influences behavior; yet, its direct and indirect effects on socially responsible buying need to be considered.

It has been suggested that top management’s commitment to ethics and social responsibility has a direct powerful influence over employees’ ethical behaviors (Drumwright, 1994; Finkelstein & Hambrick, 1990; Hunt & Auster, 1990; Robin & Reidenbach, 1987). Top-management is believed to control corporate behavior, including employees’ ethical decision making (Hunt et al., 1989). Burkhardt (1994) found that individuals in an organization tended to change their behavior by copying co-workers behavior, especially when the situation is uncertain and the content of an issue is beyond their knowledge (e.g., technology adoption). Drumwright (1994) found there were individuals who initiated and disseminated socially responsible buying efforts, which is an innovative concept in business, in an organization (i.e., policy entrepreneurs) and others in the organization tended to follow them. Accordingly, personal environment was hypothesized to have a direct effect on SRB.
H6: Personal environment influences SRB.

In addition, as a rational decision maker, an individual buying/sourcing professional will process personal environment information which affects beliefs and attitudes. Organizational culture is built with shared norms and values and affects employees by socializing them to those norms and values (Trevino & Nelson, 1995), and interaction with other people in the organization (e.g., peers, top management) is an important source of shared norms in an organization (Ferrell & Gresham, 1985; Trevino, 1986). It has been found that ethical norms and values positively affect idealistic moral philosophies among employees and their ethical decision making (Singhapakdi, Vitell, & Franke, 1999). Top-management’s commitment has been found to promote corporate ethical values in the organization (Hunt, Wood, & Chonko, 1989), by reducing employees’ perceived ethical problems (Chonko & Huat, 1985) and by raising employees’ standards of ethical behaviors (Zey-Ferrell & Ferrell, 1982). Jose and Thibodeaux (1999) found that employees were more likely to behave ethically in an organization where top-management created ‘value-oriented’ ethical control systems, than where top-management created coercive ethical control systems. Thus, the personal environment seems to influence reasoning associated with idealism. Accordingly, even though there has been no exact findings regarding the effect of personal environment on idealism and relativism, it is hypothesized that personal environment positively influences idealism. This hypothesis also includes an indirect effect of personal environment on attitudes toward ethics and social responsibility and SRB through idealism.
**H7: Personal environment influences idealism.**

The Effects of Organizational Control Systems on SRB

Organizational control systems for ethical behavior consist of formal programs that are aimed at standardizing employee behavior within the domains of ethics and legal compliance’ (Weaver et al., 1999a). Organizational control systems such as code of ethics, ethics officers, and reward systems have been found to positively influence ethical judgments and behaviors (e.g., Hegarty & Sims, 1979; Hunt & Vasquez-Parraga, 1993; Newstorm & Rush, 1975; Singhapakdi & Vitell, 1990, 1991; Singhapakdi, Kraft, Vitell, & Rallapalli, 1995; Trevino & Youngblood, 1990; Weaver & Ferrell, 1977). Corporate ethics policies or codes reinforce ethical organizational culture and thus encourage the employee’s ethical behaviors (Akaah, 1992; Ferrell & Gresham, 1985; Ford & Richardson, 1994; Hartnett, 1993; Laczniak & Inderrieden, 1987; Singapakdi & Vitell, 1990; Turner, Tayor, & Hartley, 1995; Wimbush & Shepard, 1994). As such, organizational control systems were designed to affect employees’ behavior by directly addressing objective, standardized guidelines. The findings from previous research suggest the positive effect of the organizational control systems on ethical and socially responsible behaviors. Therefore, it was hypothesized that organizational control systems directly influence SRB. This hypothesis also includes an indirect effect of the organizational control systems on SRB through attitudes toward ethics and social responsibility.

**H8: Organizational control systems will influence socially responsible buying.**
On the other hand, Fraedrich and Ferrell (1992b) found that most of the business respondents in their study failed to hold the same moral philosophies in work and non-work situations and suggested that situational factors related to the business environment affect moral philosophies of business people. It seems that there are some associations between the organizational control systems and ethical behaviors. Ethics theories have emphasized the importance of the existence of opportunities to behave ethically and organizational control systems provide such opportunities (Ferrell & Gresham, 1985; Ferrell et al., 1989; Trevino, 1986). Individuals are able to process information associated with organizational control systems to decide whether they provide such opportunities. For an empirical example, Trevino and Youngblood (1990) found that rewards associated with ethical behaviors influenced ethical decision making through perceived outcome desirability. While rewards for ethical behaviors provide effective motivational reinforcement for ethical behaviors in an organization, punishments for unethical behaviors discourage unethical behaviors via fear of possible dismissal (e.g., Ferrell & Gresham, 1985; Ford & Richardson, 1994; Posner & Schmidt 1987; Velasquez, 1990). Vendor audit programs that provide information regarding suppliers and their products were found to substantially increase socially responsible buying by reducing the perceived risks associated with the buying tasks (Drumwright, 1994). These types of opportunities are discussed as being closely related to the teleological perspective of ethical judgments since an individual’s perception regarding probability and desirability of consequences from his/her actions are the inputs of teleological reasoning (Ferrell & Gresham, 1985; Hunt & Vitell, 1986). As relativism
has been discussed in relation to teleological perspective of ethical judgments, it can be hypothesized that organizational control systems influence relativism.

\[ H9: \text{Organizational control systems influence relativism.} \]

A Model of Socially Responsible Buying

Previous discussion generated research hypotheses for socially responsible buying, which is the main interest of this study. Idealism, relativism, and attitudes toward ethics and social responsibility were discussed as primary components that predict SRB. The study examines the relationships among these latent constructs: (1) The effects of idealism and relativism on attitudes toward ethics and social responsibility, and (2) the effects of attitudes toward ethics and social responsibility on SRB. These two hypotheses led to two more hypotheses regarding the indirect effects of idealism and relativism on SRB (i.e., Hypothesis 4 and 5). However, these two indirect relationships are not specified as paths in the model since Hypothesis 1 and 3 imposes Hypothesis 4, and Hypothesis 2 and 3 imposes Hypothesis 5.

Two organizational variables were also considered as independent variables (i.e., personal environment and organizational control systems). These two organizational variables were hypothesized to influence idealism and relativism. Specifically, personal environment was hypothesized to influence idealism, while organizational control systems were hypothesized to influence relativism. In addition, both were hypothesized to influence SRB directly. Figure 1 shows the hypothesized relationships graphically.
Note. H4 is a composite of H1 and H3. H5 is a composite of H2 and H3

Figure 1. Model of socially responsible buying
CHAPTER 3

METHOD

Sample and Data Collection

This study employs survey methodology using a structured questionnaire for data collection. Before data collection began, human subject exemption was approved by the Behavioral and Social Science Human Subject Institutional Review Board at the Ohio State University (Protocol # 00E0319, Appendix A)

Sampling Procedure

The sample for the study consists of buying/sourcing professionals for apparel/shoe products in US based companies whose primary businesses focus on apparel/shoe products with annual sales over $100 million. It includes buying/sourcing professionals who are working for several types of companies such as department store chains (e.g., JC Penney, Inc.), and specialty apparel manufacturers who operate retail stores and contract for production (e.g., Liz Claiborne, Inc.).

There are reasons that mail-surveys of buying/sourcing professionals are difficult: 1) buying/sourcing professionals frequently change their affiliations; 2) the function and title of buying/sourcing professionals vary across companies depending on
channel structure or form of business; and 3) companies typically prohibit their employees from responding to external surveys for security purposes. Considering these challenges, a special procedure for data collection was used. To obtain reliable lists of buying/sourcing professionals and to get company permission to conduct a survey of their buying/sourcing employees, pre-contacts with human resources executives or buying/sourcing executives from one hundred companies in apparel/shoe businesses were made. The companies were selected from Hoovers Online Company Directory under the categories of ‘Retailing: Clothing, Shoe & Accessory’ and ‘Non-durable Consumer Products: Clothing’. Fifty-two companies agreed to participate and provided lists of the buying/sourcing professionals in their companies. A total of 891 questionnaires were mailed.

Each questionnaire was addressed with each buying/sourcing professional’s name and address and was sent with a personalized cover letter asking the recipient to participate. The letter addressed how the industry will benefit from the study (see Appendix B). Return postage was also included with each questionnaire. A postcard reminder was sent two weeks after the initial mailing, following Dillman’s (1978) survey design. For buyers who did not respond to either the first questionnaire or the second reminder, telephone contacts were attempted two weeks after the reminder mailing. Following telephone contacts, an additional 142 questionnaires were re-mailed to those who asked. The reasons for re-mailing included: 1) respondents had never received first mailed questionnaire or 2) they had lost or misplaced the questionnaire.

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Instrument

Design of Instrument

The instrument was contained in a 6-page letter size booklet. Using pilot tests with 11 buying professionals and faculty members, the organization and content of the questionnaire were revised. The format and order of the questions was revised to make the questionnaire easy to follow and help respondents feel comfortable as they got started. Inappropriate and abstract wordings of the questions were replaced with easy words for better understanding. ‘Not applicable’ answer was added for SRB scale items to capture possible inappropriate items. The first section of the questionnaire contained demographic questions. This section assessed age, sex, professional and buying experience, annual sales of the company, products bought, store types at which the products were sold, and sourcing type. It was followed by the items measuring attitudes toward ethics and social responsibility, idealism and relativism, organizational control systems and personal-influence, and SRB. The last page of the questionnaire was used for the address. Respondent were asked to fold the booklet into thirds, with postage and return address outside and put it in the mail.

Measures

Personal moral philosophies: Idealism and relativism

Personal moral philosophies were measured by Forsyth’s (1980) Ethics Positioning Questionnaire (EPQ), which consists of two constructs (idealism and relativism). Each of the two scales consists of 10 statements reflecting the philosophical concept. The idealism scale was designed to measure the degree to which
one believes that ethical judgments are morally absolute in terms of moral principles, norms, or laws. Relativism measures the degree of one’s belief that all moral standards are relative to a society and situations (Forsyth, 1980). A 7-point Likert type scale ranging from 1 (strongly disagree) to 7 (strongly agree) was used. An example of the idealism scale items is ‘a person should make certain that their actions never intentionally harm another even to a small degree’ (see Appendix C for a complete list of the items). An example of the relativism scale items is ‘what is ethical varies from one situation and society to another’ (Forsyth, 1980) (see Appendix C). Both scales have acceptable reliability (.80 and .73 Cronbach’s alpha, respectively).

**Attitudes toward ethics and social responsibility**

The attitudes toward business ethics and social responsibility can be assessed by a scale that measures the perceived role of ethics and social responsibility (PRESOR) developed by Singhapakdi, Vitell, Rallapalli, and Kraft (1996). It has been suggested that the PRESOR scale is valuable for researchers interested in exploring decision making in situations involving ethical issues within an organization (Singhapakdi et al., 1996). The PRESOR scale, as originally developed, was composed of 16 statements related to the extent to which one believes that ethics and social responsibility are crucial in achieving organizational effectiveness (e.g., being ethical and socially responsible is the most important thing a firm can do), with a 7-point Likert-type scale ranging from 1 (strongly disagree) to 7 (strongly agree). The PRESOR scale has achieved reasonable reliability and validity. In the development stage, the scale was found to represent three dimensions (i.e., social responsibility and profitability, long-term gains, and short-term gains), comprised of 13 items that achieved appropriate
factor loadings. Those three factors also achieved Cronbach’s alphas of .71, .57, and .64, which were considered acceptable for exploratory research (Singhapakdi et al., 1996). In a later study, Singhapakdi (1999) used the scale and obtained a different factor structure, where 14 items loaded into three dimensions that were similar to the previous clusters. The dimensions were 1) good ethics is good business, 2) profits are not paramount, and 3) quality and communication. Cronbach’s alphas for the dimensions obtained were .72, .69, and .61, which were slightly better than the former, but not satisfactory for an existing scale.

However, Etheredge (1999) conducted a confirmatory factor analysis of the PRESOR scale and rejected the three-factor structure, finding instead a two-factor structure. In his study, he claimed that the three factor structure of PRESOR was statistically and substantively unacceptable and proposed a two-factor model, which was statistically significant and meaningful in factor loadings of the items on the two dimensions. Using an exploratory factor analysis, he achieved .75 and .73 reliabilities for nine items loaded on the two factors. The factors were labeled as ‘the importance of ethics and social responsibility’ (5 items) and ‘subordination of ethics and social responsibility’ (4 items). The two dimensions were tested in terms of predictive validity with idealism and relativism, and construct validity with other attitudinal scales, such as Attitude toward Business Ethics Questionnaire (ATBEQ, Preble & Reichel, 1988), and achieved reasonable validities.²

² See Appendix E for discussion of attitudinal scales found in business ethics field.
In this study, 13 items were measured and tested on both the three-factor structure by Singhapakdi et al. (1996) and the two-factor structure by Etheredge (1999). For a complete list of the scale items, see Appendix C.

**Socially responsible buying (SRB)**

Since there is no existing scale for measuring socially responsible buying (SRB), a scale was developed in this study incorporating various aspects of the social responsibility of businesses (see Appendix C). The scale was designed to measure the extent to which socially responsible buying criteria were used. Following Churchill’s (1979) scale development process, multiple items for the scale were developed to capture the domain of the construct, socially responsible buying criteria, and the extent to which each criterion is considered in buying decisions. Multiple-item measures are more reliable and less error laden than single item measures (Nunnally, 1967, p. 192). To develop appropriate and reliable socially responsible buying criteria, the social screening criteria that have been used by socially responsible investing firms when they evaluate companies as funding targets (e.g., Domini Social Equity Fund and Calvert Social Investment Fund) were used. The social screening criteria have been developed by Kinder, Lydenberg, Domini, and Company (KLD, 1993) and have been used in corporate social performance research (Graves & Waddock, 1994; Johnson & Greening, 1999). The corporate social performance measurement has five dimensions: 1) community, 2) women and minorities, 3) employee relations, 4) environment, and 5) product quality (Johnson & Greening, 1999). Because the measure was developed to uniformly measure corporate social performance across a wide range of companies with consistency in incorporating important social issues (Graves & Waddock, 1994), the
dimensions may differ in this study’s purpose and sample. Therefore, the
dimensionality of the socially responsible buying criteria was reconsidered and re-
assessed in this study’s context.

Twenty-one items were developed for socially responsible buying
considerations appropriate for apparel buying. Items were selected to tap three
dimensions from the social screening criteria categorization: 1) environment, 2) the
employment and human rights, and 3) consumer safety. The environment dimension
covers the extent to which products and producers comply with criteria of
environmental regulations and producers’ environmentally proactive practices. The
employment and human rights dimension covers the extent to which producers meet
and maintain equal opportunity and human rights standards and provide a safe and
healthy workplace in a proactive manner. Lastly, the consumer safety dimension covers
the extent to which products are safe for consumers’ use and the extent to which
producers provide consumers quality of life and are responsive to product safety issues.

The scale uses a 7-point Likert type format with endpoints ranging from 1
(strongly disagree) to 7 (strongly agree). Additionally, to capture inappropriate items
for apparel buying, a space for a ‘not applicable’ answer was also provided along with
the 7-point scale for each SRB scale item. The assessment of reliability and validity of
the scale is discussed later. See Appendix C for a list of the items.

Organizational factors

Measurements for the organizational factors that have been discussed, peer
influence, top-management’s commitment, and organizational control systems, were
developed for this study. They are discussed here under the headings of the latent variables, personal environment and organizational control systems.

The personal environment measure consists of two dimensions (i.e., measurement variables), peer influence and top-management’s commitment. The peer influence measure consists of 7 items: six items tap perceived ethicalness and social responsibility of peers and the extent to which SRB is frequently communicated with peers. The last item taps overall perceived ethicalness and social responsibility of peers in terms of buying decisions. Top-management’s commitment measure consists of 7 items: Six items tap the extent to which top-management supports non-economic buying criteria and has created a committed, conductive climate for SRB without coercion. The last item assesses overall perception of top-management’s commitment to SRB.

The organizational control systems were measured by the number of organizational control systems residing in the organizations. This type of measure has been used to measure the scope of organizational control systems in an organization in the business ethics field (Hunt & Auster, 1990; Weaver et al., 1999a). Table 1 shows the measurement of each variable, its source, and its related hypotheses.
<table>
<thead>
<tr>
<th>Measurement</th>
<th>Content</th>
<th>Source</th>
<th>Related Hypothesis</th>
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<tr>
<td><strong>Dependent Variable</strong></td>
<td></td>
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<tr>
<td>SRB</td>
<td>Social responsibility considerations during buying decisions</td>
<td>21-Item scale: developed for this study</td>
<td>H3, H4, H5, H7, H9</td>
</tr>
<tr>
<td>Idealism</td>
<td>The degree to which one believes that ethical judgments are morally absolute</td>
<td>10 items, EPQ scale (Forsyth, 1980)</td>
<td>H1, H4, H6</td>
</tr>
<tr>
<td>Relativism</td>
<td>The degree to which one believes that all moral standards are relative and the moral judgment depend on the situations</td>
<td>10 items, EPQ scale (Forsyth, 1980)</td>
<td>H2, H4, H8</td>
</tr>
<tr>
<td>Attitudes toward ethics and social responsibility</td>
<td>Perceived importance of ethics and social responsibility for business</td>
<td>13 item PRESOR scale: Singhapakdi et al. (1996)</td>
<td>H1, H2, H3</td>
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<tr>
<td><strong>Independent Variables of SRB Process</strong></td>
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<tr>
<td>Top-management</td>
<td>Perceived top-management’s commitment to socially responsible buying and perceived ethicalness and social responsibility of its behaviors</td>
<td>7-items developed in this study</td>
<td>H6, H7</td>
</tr>
<tr>
<td>Peers</td>
<td>Perceptions of peers’ ethical and socially responsible buying, perceived ethicalness and social responsibility, and the frequency of communication with peers</td>
<td>7-items developed in this study</td>
<td>H6, H7</td>
</tr>
<tr>
<td>Organizational Control Systems</td>
<td>The number of organizational control systems for SRB</td>
<td></td>
<td>H8, H9</td>
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</tbody>
</table>

**Note:** Personal environment scale consists of top-management and peers dimensions. Items are shown in Appendix C.

Table 1. Measures and sources of the measures
Data Analysis

The data were analyzed using SPSS (Statistical Package for Social Science) software package version 9.0, CEFA (Comprehensive Exploratory Factor Analysis) (Browne, Cudeck, Tateneni, & Mels, 1999), and LISREL (Linear Structural Relation) version 8.2 (Jöreskog & Sörbom, 1993). SPSS was used for descriptive statistics and data management. CEFA was used for exploratory factor analyses, and LISREL was used for confirmatory factor analyses and structural equation model test.

Structural Equation Modeling

A Structural Equation Modeling (SEM) approach was used for the model test. SEM is a useful for two reasons. First, in the behavioral sciences, the phenomena of interest are often abstract and cannot be observed or measured directly (i.e., latent variables). Such unobservable or immeasurable variables are typically indirectly assessed by measuring observable phenomena that are connected to the variables of interest (Byrne, 1998). In other words, a latent variable can be assessed by measuring observable indicators to represent the latent variable. SEM enables researchers to examine the unobservable variables using a confirmatory factor model (i.e., measurement model) while accounting for measurement errors of the indicators.

Second, researchers in behavioral sciences are also interested in relationships among the latent variables, especially cause-effect relationships. SEM’s structural model enables researchers to construct a model that specifies hypothesized relationships among the latent variables and test 1) the model and 2) direct or indirect cause-effect paths (Byrne, 1998). This can be done simultaneously with multiple latent variables,
letting researchers test a hypothesized model to determine the extent to which it is consistent with the data (Byrne, 1998). SEM is able to estimate direct, indirect, and total effects in complex causal patterns among the variables at the same time. Although there are many SEM programs on the market, they use similar procedures. LISREL was the first program for SEM and is most popular for use by scholars (Austin & Calderón, 1996).

SEM enables researchers to fit a theoretical model to data, using the concepts of correlation, regression, factor analysis, and path analysis. While factor analytic models do not consider the interfactor regression structure, SEM’s structural model defines the relationships among the latent variables (unobserved), with directional paths. While multiple regressions and path analyses assume non-errors in observed variables, SEM includes both correlations among variables and correlations among their error terms in the model, assuming that the correlation between two sets of variables is independent of their error terms. Thus, it encompasses practical errors from measurements of latent variables, reflecting truer variation in the data than correlation (Lord & Novick, 1968).

**Reliabilities and Validities of Measurements**

Structural equation models can be divided into two submodels: 1) a measurement model and 2) structural model. The first step of the data analysis is assessing reliabilities of the indicators (measurements) of latent variables in the model, which is called the ‘measurement model’ test. The measurement model is a definition of a latent variable(s) (underlying construct that observed variables measure) using
observed variables and an assessment of validity and reliability of the measures (Jöreskog & Sörbom, 1989). Factor analysis is used in this process.

The measurement model (factor-analytic model) can be exploratory or confirmatory. Exploratory factor analysis (EFA) is used when the links between observed and latent variables are uncertain, while confirmatory factor analysis (CFA) is used when the underlying latent variable structure is known. The statistical procedure difference between EFA and CFA is in factor loadings, which represent the measurements’ relationship to the latent construct(s). In EFA, factor loadings are allowed on other factors as well as the factor designated. In CFA, the measurements are freely loaded on the designated factor but loadings on other factors are restricted to zero. The factor loadings are based on the strength of (standardized partial) regression, with a method of unweighted least-square estimation, between observed (measured) variables and latent variables. However, they do not include regression structure among latent variables (i.e., factors).

The measurements (indicators) of personal environment and SRB, which were developed for the study, were factor analyzed in exploratory approach using CEFA (Comprehensive Exploratory Factor Analysis) (Browne et al., 1999) program. Using criteria of .50, the items with factor loadings less than .50 or items with factor loadings .50 or more on more than one factor were deleted. Reliability coefficients (Cronbach’s alpha) of the scales were checked and reported in the results.

The measures that were adopted, attitudes toward ethics and social responsibility (PRESOR, Singhaṇakdi et al., 1996), and the measures that were refined by exploratory factor analyses were factor analyzed with the confirmatory approach using LISREL 8.2
(Jöreskog & Sörbom, 1993). This process is also an examination of construct validity (i.e., composite reliability) of the latent constructs, which examines valid construct representation of the measurements. Through confirmatory factor analyses, the scales can be examined in terms of whether or not each construct has appropriate factor representation for the items included in the scales by sorting and eliminating items that are poor measures of the underlying construct.

Model Test

Followed by exploratory and confirmatory factor analyses for refinement and verifications of measurements, the correlation matrix of the measurements was analyzed using maximum likelihood fitting function of LISREL 8.2 (Jöreskog & Sörbom, 1993) to estimate model parameters. To examine the extent to which the hypothesized model adequately describes the data, measures of the overall fit of the model, such as chi-square statistics, Goodness-of-Fit Index (GFI), Adjusted Goodness-of-Fit Index (AGFI), Root Mean Square Error of Approximation (RMSEA), and Root Mean Squared Residuals (RMSR), were assessed. The chi-square statistic provides the test of the adequacy of the hypothesized model in terms of its ability to reflect variance and covariance of the data. A chi-square test tests the null hypothesis that there is no difference between the covariance matrices of the measurement model and the proposed hypothetical model. A smaller chi-square value means a better fit of the model. Because of its sensitivity to the sample size, the chi-square has been suggested to be an index of ‘badness’ rather than ‘goodness’ of the model fit (Jöreskog & Sörbom, 1993; McCallum, Browne, & Sugawara, 1996).
GFI is an absolute reduction of fit, indicating the difference between the fit of the hypothesized model and that of no model (i.e., no relationships among variables). It measures how well the model accounts for relative amount of variances and covariances. AGFI is GFI adjusted by degrees of freedom. Values of GFI and AGFI close to 1 indicate better fit. Kline (1998) suggested a less strict criterion of goodness-of-fit as GFI > .90, while Jöreskog and Sörbom (1989) suggested that a model is a good fit to data when GFI > .95 and AGFI > .90.

RMSEA accounts for the discrepancy between the model and the model in the population. It indicates ‘how well the model, with unknown but optimally chosen parameter values, fits the population covariance matrix if it were available’ (Browne & Cudeck, 1993, pp. 137-138). A RMSEA value less than .08 is considered to be a reasonable error of approximation in the population (Browne & Cudeck, 1993). RMSR is a measure of the average residual variances and covariances (Jöreskog & Sörbom, 1989). A small RMSR, from a possible range of $1 \geq$ RMSR $\geq 0$, indicates that the model fits the data well (Byrne, 1998). A RMSR value can be interpreted as the amount of variance that is not explained by the model.

The typical use of SEM is testing a theoretical model using observed data, and the various goodness-of-fit criteria determine whether the model explains the data well. Through post-hoc analysis, however, LISREL (and other SEM) also enables researchers to suggest a statistically better fitting model by respecifying the model structure (e.g., by changing parameters previously constrained to zero to freely estimated) (Breckler, 1990; MacCallum et al., 1992, 1993), as long as the model respecifications are theoretically justified. Such a ‘model generating’ framework can be used when the
model is exploratory and/or when researchers are interested in suggesting a better fitting model that reflects sample data (Jöreskog, 1993). Accordingly, as defined in the study objectives, a better fitting model was suggested using LISREL modification indices produced as a result of the model test.
CHAPTER 4

ANALYSIS AND RESULTS

This chapter consists of the sample description, reliabilities and validities of the measurements, the test of the proposed model, and model modifications to suggest a better fitting model. Statistical packages used include SPSS version 9.0 for descriptive analyses and data preparation, CEFA for exploratory factor analyses, and LISREL 8.2 for confirmatory factor analyses and structural equation modeling.

Sample Description

A total of 164 completed questionnaires were returned, resulting in a response rate of 18.4%. The number of responses from each company that participated is shown in Table 2. The greatest number of responses from one company was 22. Employees from 52 companies received questionnaires. Responses were received from employees of 46 of the companies. After careful review of the returned questionnaires, six were determined to be unusable because of significant missing values. A total of 158 questionnaires received from 42 companies were deemed usable and were included in the analysis for the study.

Table 3 summarizes the demographic profile of the sample. Among 158 respondents, 104 (65.8%) were female and 54 (34.2%) were male. The average age of
154 respondents was 40. Most of the respondents (n=130, 82.3%) had a Bachelors degree, and held a buyer position (n=102, 64.9%) including assistant buyer, buyer, or senior buyer. The average years of buying/sourcing professional experience was 14 years. Most respondents had 10-30 years of buying/sourcing experience (n=79, 50%). For the buying/sourcing experience with the current company, the average was 8 years. Most of the respondents were involved in apparel buying/sourcing (n=124, 78.5%). Overall, most of the respondents were well educated and had many years of experience in buying/sourcing.

Table 4 summarizes the characteristics of the companies with which the respondents were affiliated. Out of 158 questionnaires, 122 respondents completed the sales volume question. Average sales volume for the sample was $3.1 billion. Most companies' sales were between $200 million and $5 billion (n= 81, 51.3%). Sixty-two respondents (39.2%) indicated that the products they buy/source were sold at department stores, while 41 (25.9%) indicated specialty stores. Overall, companies in the sample were relatively large, and their products were sold primarily through retail store chains. Fifty-eight respondents (36.7%) indicated that they designed their products and used contractors to make them. Sixty-one respondents (38.6%) indicated that they typically purchased from a group of selected manufacturers. Ten respondents (6.3%) indicated that they did not have fixed suppliers and selected products from tradeshows every season. Nine respondents (5.7%) indicated that they used contractors who provided appropriate products for them. Three respondents (1.9%) indicated they used wholesalers.
<table>
<thead>
<tr>
<th>Company</th>
<th>Responses</th>
<th>Company</th>
<th>Responses</th>
<th>Company</th>
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<td>4 (1)</td>
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<td>Company 48</td>
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<td>Company 33</td>
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<td>Company 36</td>
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</table>

*Note.* Excluded responses due to significant missing values are shown in parentheses.

Table 2. Responses from each company participated
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<tr>
<th>Variable</th>
<th>Description</th>
<th>Mean (SD)</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
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<td>104</td>
<td>65.8</td>
<td>65.8</td>
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</tr>
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<td>34.2</td>
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<td></td>
<td>158</td>
<td>100.0</td>
<td>100.0</td>
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</tr>
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<td><strong>Age</strong></td>
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<td></td>
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<td>30 or younger</td>
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<td>31</td>
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<td>20.1</td>
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<td>(9.58)</td>
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<td>39.0</td>
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<td>82.3</td>
<td>83.9</td>
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<tr>
<td>Masters</td>
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<td>9.0</td>
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<tr>
<td>Total</td>
<td></td>
<td>155</td>
<td>98.1</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td><strong>Title</strong></td>
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<td></td>
<td></td>
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<td>18.7</td>
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<td>12.3</td>
<td></td>
</tr>
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<td>3.2</td>
<td>3.2</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>155</td>
<td>98.1</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td><strong>Buying/sourcing Experience</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 1 year</td>
<td></td>
<td>13.52</td>
<td>7</td>
<td>4.4</td>
<td>4.7</td>
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<tr>
<td>1- less than 5 years</td>
<td></td>
<td>(9.29)</td>
<td>23</td>
<td>14.6</td>
<td>15.3</td>
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<tr>
<td>5- less than 10 years</td>
<td></td>
<td>34</td>
<td>21.5</td>
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</tr>
<tr>
<td>10-less than 20 years</td>
<td></td>
<td>40</td>
<td>25.3</td>
<td>26.7</td>
<td></td>
</tr>
<tr>
<td>20-less than 30 years</td>
<td></td>
<td>39</td>
<td>24.7</td>
<td>26.0</td>
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</tr>
<tr>
<td>30 or more</td>
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<td>7</td>
<td>4.4</td>
<td>4.7</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>150</td>
<td>94.9</td>
<td>100.0</td>
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<td><strong>Buying/sourcing experience for the company</strong></td>
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<td></td>
</tr>
<tr>
<td>Less than 1 year</td>
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<td>7.69</td>
<td>12</td>
<td>7.6</td>
<td>7.8</td>
</tr>
<tr>
<td>1- less than 5 years</td>
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<td>(6.20)</td>
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</tr>
<tr>
<td>5- less than 10 years</td>
<td></td>
<td>40</td>
<td>25.3</td>
<td>26.0</td>
<td></td>
</tr>
<tr>
<td>10-less than 20 years</td>
<td></td>
<td>38</td>
<td>24.1</td>
<td>24.7</td>
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<tr>
<td>20 or more</td>
<td></td>
<td>12</td>
<td>7.6</td>
<td>7.8</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>154</td>
<td>97.5</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td><strong>Product type of Buying/Sourcing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apparel</td>
<td></td>
<td>124</td>
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<td>79.5</td>
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<td>Accessories</td>
<td></td>
<td>4</td>
<td>2.5</td>
<td>2.6</td>
<td></td>
</tr>
<tr>
<td>Footwear</td>
<td></td>
<td>9</td>
<td>5.7</td>
<td>5.8</td>
<td></td>
</tr>
<tr>
<td>Other Product</td>
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<td>3</td>
<td>1.9</td>
<td>1.9</td>
<td></td>
</tr>
<tr>
<td>Combinations</td>
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<td>16</td>
<td>10.1</td>
<td>1.3</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>156</td>
<td>98.7</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Note. Buying experiences were asked both in years and months. Valid percent is based on the total number of responses.

Table 3. Demographic profile of the respondents
<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
<th>Mean (SD)</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Volume</td>
<td>Less than 200Mil</td>
<td>3.1BIL</td>
<td>31</td>
<td>19.6</td>
<td>25.4</td>
</tr>
<tr>
<td></td>
<td>201Mil-1Bil</td>
<td></td>
<td>34</td>
<td>21.5</td>
<td>27.9</td>
</tr>
<tr>
<td></td>
<td>1.1Bil-2.5Bil</td>
<td></td>
<td>21</td>
<td>13.3</td>
<td>17.2</td>
</tr>
<tr>
<td></td>
<td>2.6Bil-5Bil</td>
<td></td>
<td>26</td>
<td>16.5</td>
<td>21.3</td>
</tr>
<tr>
<td></td>
<td>5.1Bil-10Bil</td>
<td></td>
<td>2</td>
<td>1.3</td>
<td>1.6</td>
</tr>
<tr>
<td></td>
<td>10.1Bil-30Bil</td>
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<td>6</td>
<td>3.8</td>
<td>4.9</td>
</tr>
<tr>
<td></td>
<td>More than 30Bil</td>
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<td>2</td>
<td>1.3</td>
<td>1.6</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td>122</td>
<td>77.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Store Type that Merchandise sold at</td>
<td>Department Stores</td>
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<td>62</td>
<td>39.2</td>
<td>40.3</td>
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<tr>
<td></td>
<td>Specialty Stores</td>
<td></td>
<td>41</td>
<td>25.9</td>
<td>26.6</td>
</tr>
<tr>
<td></td>
<td>Discount Department Stores</td>
<td></td>
<td>23</td>
<td>14.6</td>
<td>14.9</td>
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<td></td>
<td>Specialty Department Stores</td>
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<td>5.7</td>
<td>5.8</td>
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<tr>
<td></td>
<td>Other</td>
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</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td>154</td>
<td>97.5</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4. Relevant company characteristics

Validation of Measurements

This study is exploratory in nature and includes exploratory variables. Prior to major model-fitting tests, refinements of research variables were necessary to assess reliabilities and validities of the measurement of the variables. Measurements that were
adapted for the study were analyzed and are discussed in a confirmatory manner, while measurements that were developed for the study are discussed in an exploratory manner.

**SRB (Socially Responsible Buying) Scale**

**Exploratory factor analysis of SRB scale**

The SRB scale was developed for this study. To achieve the first objective of this study, it was necessary to develop a scale to measure socially responsible buying. The complex nature of the buying/sourcing concept as revealed in the literature review suggests SRB to be a multi-dimensional measure. Because the scale was exploratory in nature, it needed to be refined for major statistical tests. The dimensions incorporated in the development of the scale were 1) environment, 2) employment and human rights, and 3) consumer safety.

To examine the dimensionality of the scale, exploratory factor analysis using CEFA was conducted. Out of 21 SRB scale items, 5 were excluded because of significant numbers of 'not applicable' answers and missing values. A total of 120 cases were included in the analysis due to listwise deletion of missing values. An exploratory factor analysis, using maximum least square estimation with direct quartimin rotation in the CEFA program examined the structure of SRB scale. Items that loaded above .5 on more than one factor and/or items that did not load at least .5 on one factor were deleted. According to these criteria, 4 more items were deleted, leaving a total of 12 items.
<table>
<thead>
<tr>
<th>Item</th>
<th>Factor 1 Environment</th>
<th>Factor 2 Employment and Human Right</th>
<th>Factor 3 Consumer Safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance with federal, state, and local environmental regulations</td>
<td>.444</td>
<td>.168</td>
<td>.225</td>
</tr>
<tr>
<td>Reducing environmental impact</td>
<td>.882</td>
<td>-.054</td>
<td>.004</td>
</tr>
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<td>Environmental performance management</td>
<td>.796</td>
<td>.150</td>
<td>-.041</td>
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<tr>
<td>Compliance with equal opportunity standards</td>
<td>.111</td>
<td>.771</td>
<td>.015</td>
</tr>
<tr>
<td>Compensating workers fairly</td>
<td>.127</td>
<td>.801</td>
<td>.001</td>
</tr>
<tr>
<td>Good labor-management relations</td>
<td>-.002</td>
<td>.930</td>
<td>-.022</td>
</tr>
<tr>
<td>Programs and benefits to support workers and their families</td>
<td>-.067</td>
<td>1.015</td>
<td>-.104</td>
</tr>
<tr>
<td>A safe and healthy workplace</td>
<td>-.097</td>
<td>.904</td>
<td>.123</td>
</tr>
<tr>
<td>Adoption of human rights standards to govern international operations</td>
<td>.151</td>
<td>.737</td>
<td>.097</td>
</tr>
<tr>
<td>Enforcement of a code of conduct to contractors</td>
<td>.302</td>
<td>.496</td>
<td>.149</td>
</tr>
<tr>
<td>More stringent workplace standards than required in host countries</td>
<td>.406</td>
<td>.449</td>
<td>.005</td>
</tr>
<tr>
<td>Combat against human rights abuses and environmental degradation in international operations</td>
<td>.229</td>
<td>.657</td>
<td>.052</td>
</tr>
<tr>
<td>Compliance with Federal Consumer Product Safety guideline.</td>
<td>-.060</td>
<td>.562</td>
<td>.410</td>
</tr>
<tr>
<td>Quality control and customer satisfaction</td>
<td>.014</td>
<td>.031</td>
<td>.886</td>
</tr>
<tr>
<td>Ability to respond promptly to correct problems with product safety issue</td>
<td>.017</td>
<td>-.065</td>
<td>1.019</td>
</tr>
<tr>
<td>Integrity in advertising and labeling</td>
<td>-.068</td>
<td>.127</td>
<td>.750</td>
</tr>
</tbody>
</table>

Note: Crawford-Ferguson Criterion: 0.532. Bold values indicate chosen items for the loaded factor. See Appendix C for complete description. Factor loadings greater than 1.0 can be obtained from rotation process and are considered appropriate (Personal communication with Michael Browne, 2001).

Table 5. Result of EFA for SRB scale
Table 5 shows the factor loadings from the exploratory factor analysis. Factor 1 consisted of 2 items and represents ‘environment’ (Cronbach’s Alpha: .85). Factor 2 consisted of 7 items and represents ‘employment and human rights’ (Cronbach’s Alpha: .96). Finally, Factor 3 consisted of 3 items and represents ‘consumer safety’ (Cronbach’s Alpha: .91). The three-factor structure was identical to the one proposed. An alpha reliability value of .70 and above has been suggested as evidence of high reliability among multiple indicators (Nunnally, 1978). The reliabilities achieved for the three dimensions of the SRB scale were relatively high as an exploratory scale, indicating that each dimension was reliable to the extent to which the items in the dimension measure the same construct.

**Convergent and discriminant validities of SRB scale**

With the twelve finalized SRB items, a confirmatory factor analysis with all twelve items was performed to examine the convergent validity of the SRB scale. Convergent validity assesses the extent to which independent measures of a construct represent the same construct. In other words, the factor loadings should be significant without significant correlations with other factors. In confirmatory factor analysis, the factor loadings are freed on the factor the items represent and restrained to be zero on other factor(s) (i.e., factor loadings of 0). Thus convergent validity is achieved when the confirmatory factor analysis model is significant and the loading coefficients on the designated factor are significant. Further examination of the scale should be undertaken using modification indices, if the examination of the factor structure is exploratory and theoretically unknown, to capture misfit of the model (Byrne, 1998). As shown in the result of the confirmatory factor analysis (see Table 6), the t-tests of factor loadings
were all significant. Chi-square ($\chi^2$) value was 75.67 (df=51, $p=.014$), GFI was .90, AGIF was .85, RMSR was .082, and RMSEA was .064, suggesting the model was acceptable but did not fit the data very well.

To capture the source of misfit of the factor model, its modification indices were examined. Item ‘a safe and healthy workplace’ in factor 2 had the highest modification indices values on the $\lambda$ parameter (i.e., Factor loadings in factor analysis) to other two factors (MI value, 8.27 with factor 1 and 9.50 with factor 3, respectively), implying that the item had significant relationships with other factors. By deleting the item, the SRB Model 2 achieved better fit ($\chi^2 = 52.81$, $df=41$, $p = .06$, GFI = .93, AGFI = .88, RMSR = .067, RMSEA = .049). The result is shown in Table 6. A chi-square difference test was performed to determine whether the SRB Model 2 achieved a significantly better fit than SRB Model 1. The test suggested the model without the item ‘a safe and healthy workplace’ (SRB Model 2) achieved significant better fit than SRB Model 1 ($\Delta\chi^2 = 22.86$, $\Delta df = 10$). The factor loadings were all significant as well. Therefore, the SRB Model 2 achieved convergent validity and was determined adequate for structural model test.

Because correlations between the factor ‘Employment and Human Rights’ and the factor ‘Environment’ and between the factor ‘Employment and Human Rights’ and the factor ‘Consumer Safety’ were significant, it was necessary to assess discriminant validity to determine the dimensionality of the SRB scale. To assess discriminant validity of the SRB scale, which measures the degree to which a dimension differs from other dimensions in the same construct, a chi-square difference test for each pair of the
<table>
<thead>
<tr>
<th>Factor Loadings</th>
<th>SRB Model 1</th>
<th></th>
<th>SRB Model 2</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SRB_ENV</td>
<td>SRB_EMP</td>
<td>SRB_COS</td>
<td>SRB_ENV</td>
</tr>
<tr>
<td>Reducing environmental impact.</td>
<td>.76*</td>
<td></td>
<td>.77*</td>
<td></td>
</tr>
<tr>
<td>Environmental performance management</td>
<td>.91*</td>
<td></td>
<td>.91*</td>
<td></td>
</tr>
<tr>
<td>Compliance with equal opportunity standards</td>
<td>.87*</td>
<td></td>
<td>.87*</td>
<td></td>
</tr>
<tr>
<td>Compensating workers fairly</td>
<td>.91*</td>
<td></td>
<td>.91*</td>
<td></td>
</tr>
<tr>
<td>Good labor-management relations</td>
<td>.91*</td>
<td></td>
<td>.90*</td>
<td></td>
</tr>
<tr>
<td>Benefits to support workers and their families</td>
<td>.93*</td>
<td></td>
<td>.93*</td>
<td></td>
</tr>
<tr>
<td>A safe and healthy workplaces</td>
<td>.90*</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Adoption of human rights standards</td>
<td>.89*</td>
<td></td>
<td>.89*</td>
<td></td>
</tr>
<tr>
<td>Combat against human rights abuses and environmental degradation</td>
<td>.85*</td>
<td></td>
<td>.86*</td>
<td></td>
</tr>
<tr>
<td>Quality control and customer satisfaction</td>
<td>.89*</td>
<td></td>
<td>.89*</td>
<td></td>
</tr>
<tr>
<td>Ability to respond promptly to correct problems with product safety issue</td>
<td>.96*</td>
<td></td>
<td>.96*</td>
<td></td>
</tr>
<tr>
<td>Integrity in advertising and labeling</td>
<td>.81*</td>
<td></td>
<td>.81*</td>
<td></td>
</tr>
</tbody>
</table>

Note. Factor loadings shown are standardized. * indicates t-value > 2.0. SRB_ENV = ‘Environment’, SRB_EMP = ‘Employment and Human Rights’, SRB_COS = ‘Consumer Safety’

Table 6. CFA of SRB scale (SRB Model 1) and revised SRB scale (SRB Model 2)
<table>
<thead>
<tr>
<th></th>
<th>SRB Model 1</th>
<th>SRB Model 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SRB_ENV</td>
<td>SRB_EMP</td>
</tr>
<tr>
<td><strong>Factor Correlations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SRB_ENV</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>SRB_EMP</td>
<td>.68*</td>
<td>1.00</td>
</tr>
<tr>
<td>SRB_COS</td>
<td>.15</td>
<td>.55*</td>
</tr>
<tr>
<td><strong>Factorial Model Fit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>( \chi^2 )</td>
<td></td>
<td>75.67 ((p=.014))</td>
</tr>
<tr>
<td>df</td>
<td></td>
<td>51</td>
</tr>
<tr>
<td>RMSR</td>
<td></td>
<td>.082</td>
</tr>
<tr>
<td>RMSEA</td>
<td></td>
<td>.064</td>
</tr>
<tr>
<td>GFI</td>
<td></td>
<td>.90</td>
</tr>
<tr>
<td>AGFI</td>
<td></td>
<td>.85</td>
</tr>
</tbody>
</table>
SRB dimensions of the SRB Model 2 was conducted. Discriminant validity of two factors can be assessed by constraining estimated inter-factor correlation parameters to 1 and performing a chi-square difference test between unconstrained and the constrained models (Jöreskog, 1971). In other words, an unconstrained model freely estimates correlations between each pair of dimensions (factors), and the constrained model constrains the correlation between each pair of dimensions to 1, which means that the factors are perfectly correlated. Therefore, a significant chi-square difference test indicates that the unconstrained model has a significantly lower chi-square value than the constrained model. When the chi-square difference test is significant, the hypothesis of perfectly correlated factors is rejected and, thus, discriminant validity is achieved (Bagozzi & Phillips, 1991; Jöreskog, 1971).

Three pairwise analyses with each pair of the three dimensions, ‘Environment’, ‘Employment and Human Right’, and ‘Consumer Safety’, were conducted. For the pair of ‘Environment’ and ‘Employment and Human Right’, the chi-square difference test was significant ($\Delta \chi^2 = 79.67 - 37.26 = 42.41; \Delta df = 20 - 19 = 1$). For the pair of ‘Environment’ and ‘Consumer Safety’, the test was significant ($\Delta \chi^2 = 58.90 - 97 = 57.93; \Delta df = 5 - 4 = 1$). For the pair of ‘Employment and Human Right’ and ‘Consumer Safety’, the test was also significant ($\Delta \chi^2 = 212.20 - 33.92 = 178.28; \Delta df = 27 - 26 = 1$). As discriminant validity of the three factors was established, the items in each dimension were summed to represent the dimension (i.e., each dimension becomes a measurement in SEM).
Attitudes toward Ethics and Social Responsibility

Confirmatory factor analysis

A confirmatory factor analysis was conducted for the attitudes toward ethics and social responsibility scale adopted for the study. Both the three-factor structure with 13 items, which was proposed by Singhapakdi et al. (1995, 1996, 1999), and the two-factor structure with 9 items, which was proposed by Etheredge (1999) were examined to verify the dimensionality of the attitudes toward ethics and social responsibility scale. First, the three-factor model was examined and the overall model fit was not acceptable ($\chi^2 = 199.01$, $df = 62$, $p = .00$, GFI = .84, AGFI = .76, RMSR = .15, RMSEA = .120). The latter two-factor model was also assessed using confirmatory factor analysis and achieved a superior, acceptable fit ($\chi^2 = 46.89$, $df = 26$, $p = .01$, GFI = .93, AGFI = .89, RMSR = .10, RMSEA = .073). Table 7 summarizes and compares the results of both confirmatory factor analyses.

Convergent and discriminant validities

The previous analysis determined that the two-factor model by Etheredge (1999) achieved acceptable fit. Convergent validity of the two dimensions of the attitudes toward ethics and social responsibility scale was established since fit indices of the two-factor model were good, and all factor loadings were significant. For discriminant validity, a chi-square difference test between the unconstrained model and the constrained model was significant ($\Delta\chi^2 = 69.42 - 46.89 = 22.53$, $\Delta df = 27 - 26 = 1$), providing evidence that the two factors represent different dimensions in the attitudes toward ethics and social responsibility scale. Therefore, the revised two-factor model
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Factor 1</td>
<td>Factor 2</td>
</tr>
<tr>
<td></td>
<td>ESR_PRF</td>
<td>ESR_LTG</td>
</tr>
<tr>
<td>Being ethical and socially responsible is the most important thing a firm can do.</td>
<td>.44*</td>
<td></td>
</tr>
<tr>
<td>The most important concern for a firm is making a profit, even if it means bending or breaking the rules.</td>
<td></td>
<td>.38*</td>
</tr>
<tr>
<td>The ethics and social responsibility of a firm is essential to its long-term profitability.</td>
<td></td>
<td>.73*</td>
</tr>
<tr>
<td>The overall effectiveness of a business can be determined to a great extent by the degree to which it is ethical and socially responsible.</td>
<td></td>
<td>.71*</td>
</tr>
<tr>
<td>To remain competitive in a global environment, business firms will have to disregard ethics and social responsibility.</td>
<td>.52*</td>
<td></td>
</tr>
<tr>
<td>Social responsibility and profitability can be compatible.</td>
<td>.53*</td>
<td></td>
</tr>
<tr>
<td>Business ethics and social responsibility are critical to the survival of business enterprise.</td>
<td></td>
<td>.72*</td>
</tr>
<tr>
<td>A firm’s first priority should be employee morale.</td>
<td>.22*</td>
<td></td>
</tr>
<tr>
<td>Business has a social responsibility beyond making profits.</td>
<td>.46*</td>
<td></td>
</tr>
</tbody>
</table>

Table 7. Confirmatory factor analyses of attitudes toward ethics and social responsibility scale
## 3-factor model proposed by Singhapakdi et al (1996)

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>If survival of a business enterprise is at stake, then you must forget about ethics and social responsibility.</em></td>
<td>.57*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficiency is much more important to a firm than whether or not the firm is seen as ethical or socially responsible.</td>
<td></td>
<td>.71*</td>
<td>.71*</td>
</tr>
<tr>
<td><em>Good ethics is often good business.</em></td>
<td>.34*</td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>If the stockholders are unhappy, nothing else matters.</em></td>
<td></td>
<td>.61*</td>
<td></td>
</tr>
</tbody>
</table>

## 2-factor model proposed by Etheredge (1999)

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor 1</th>
<th>Factor 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>.64*</td>
</tr>
</tbody>
</table>

### Factor Correlations

<table>
<thead>
<tr>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.00</td>
<td>.88*</td>
<td>.89*</td>
</tr>
<tr>
<td></td>
<td>1.00</td>
<td>.67*</td>
</tr>
</tbody>
</table>

### Factorial model fit

<table>
<thead>
<tr>
<th></th>
<th>3-factor model</th>
<th>2-factor model</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\chi^2 (p)$</td>
<td>199.01 (.000)</td>
<td>46.89 (.007)</td>
</tr>
<tr>
<td>df</td>
<td>62</td>
<td>26</td>
</tr>
<tr>
<td>RMSR</td>
<td>.150</td>
<td>.097</td>
</tr>
<tr>
<td>RMSEA</td>
<td>.120</td>
<td>.073</td>
</tr>
<tr>
<td>GFI</td>
<td>.84</td>
<td>.93</td>
</tr>
<tr>
<td>AGFI</td>
<td>.76</td>
<td>.89</td>
</tr>
</tbody>
</table>

**Note.** Factor loadings shown are standardized. ESR_PRF = ‘Social Responsibility and Profitability’; ESR_LTG = ‘Long-term Gain’; ESR_STG = ‘Short-term Gain’; IMESR = ‘Importance of Ethics and Social Responsibility’; SBESR = ‘Subordination of Ethics and Social Responsibility’.
achieved discriminant validity, indicating that the two-factor structure is valid and the
two factors differ from each other. As convergent and discriminant validities were
successfully established, the items in each factor were summed to represent the
dimensions (indicators) of the attitudes toward ethics and social responsibility for the
structural equation model test.

**Idealism and Relativism Scales**

The idealism and relativism scales each consist of 10 items and achieved high
reliability. Cronbach’s alpha for the 10-item idealism scale was .85, and .83 for the 10-
item relativism scale. The idealism and relativism scales were each designed to
measure one construct and thus scholars have used summed scores in studying them
(Al-Khatib et al., 1995; Singhapakdi et al., 1995; 1996; 1999; Vitell et al 1993). Since
reliabilities of the scales were acceptable, summed scores were used. The calculated
reliabilities were also applied in the model as measurement errors.

**Personal Environment**

**Exploratory factor analysis**

Personal environment includes top-management and peers in this study, and
correspondingly 2 subscales were developed to capture these two dimensions. Based on
the literature review on top-management and peers as factors influencing employees’
ethical and socially responsible behaviors (Drumwright, 1994; Fritz, Arnett, & Conkel,
1999; Hunt & Auster, 1990; Robin & Reidenbach, 1987; Weaver et al., 1999a; Zey-
Ferrell & Ferrell, 1982), the scale for top-management consisted of 7 items that were
designed to measure the extent to which top-management is ethical and socially
responsible and supports socially responsible buying/sourcing. The scale for peers consisted of 7 items that were designed to measure the extent to which peers are ethical and socially responsible and the extent to which respondents and peers communicate in terms of socially responsible buying. Since the scales were developed for this study, reliabilities were examined. These two 7-item scales achieved reliabilities of .82 for top management and .86 for peers.

To verify the dimensionality of the personal environment, an exploratory factor analysis of the 14 items was conducted. A method of maximum least square estimation with direct quartimin rotation with a 2-factor solution was conducted. Table 8 shows the result of the exploratory factor analysis of the personal environment items. The factor loadings clearly show the factor structure of the items, which was basis of the development of the measurements. Six items out of 14 items were deleted because they did not reach the .5 criterion. Therefore, 4 items were retained to represent the top-management dimension, and 4 items were retained to represent the peer dimension. Cronbach’s alphas for the retained items were .85 for the four top-management items and .96 for the four peer items.

Convergent and discriminantvalidities

A confirmatory factor analysis with the 8 retained items was conducted to assess convergent and discriminant validities of the personal environment construct. The fit indices suggested that two-factor model fits the data well ($\chi^2 = 36.63, df = 19, p = .001$, GFI = .95, AGFI = .90, RMSR = .063, RMSEA = .072). All factor loadings were significant. Table 9 summarizes the result of the confirmatory factor analysis of the two-factor model of personal environment, which provides evidence of convergent
<table>
<thead>
<tr>
<th>Items</th>
<th>Factor loadings</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Factor 1 Top-Management</td>
<td>Factor 2 Peers</td>
</tr>
<tr>
<td>Top-management behaves in a highly ethical and socially responsible manner</td>
<td>.093</td>
<td>.676</td>
</tr>
<tr>
<td>Top-management provides invisible, but value-oriented support for socially responsible buying</td>
<td>.121</td>
<td>.610</td>
</tr>
<tr>
<td>Top-management believes that higher financial risks are worth taking for social welfare</td>
<td>.029</td>
<td>.372</td>
</tr>
<tr>
<td>There is frequent encouragement from top-management to practice socially responsible buying</td>
<td>.012</td>
<td>.142</td>
</tr>
<tr>
<td>Top-management tends to concentrate on the profits and costs of each buying proposal</td>
<td>-.062</td>
<td>.349</td>
</tr>
<tr>
<td>Top-management creates an organizational climate conducive to employees taking the risks associated with socially responsible buying</td>
<td>-.145</td>
<td>.760</td>
</tr>
<tr>
<td>Overall, top-management is highly committed to socially responsible buying.</td>
<td>.010</td>
<td>.913</td>
</tr>
<tr>
<td>My peers are ethical and socially responsible people.</td>
<td>.983</td>
<td>-.029</td>
</tr>
<tr>
<td>My peers’ business decisions are socially responsible</td>
<td>.955</td>
<td>.027</td>
</tr>
<tr>
<td>My peers behave in a highly ethical and socially responsible manner.</td>
<td>.966</td>
<td>-.038</td>
</tr>
<tr>
<td>There is frequent encouragement of ethical and socially responsible buying from my peers.</td>
<td>.414</td>
<td>.398</td>
</tr>
<tr>
<td>I frequently talk to my peers regarding the standards in terms of ethics and social responsibility of business decisions.</td>
<td>.137</td>
<td>.378</td>
</tr>
<tr>
<td>There are some barriers in talking with my peers about ethics and social responsibility, and business decisions related to these issues</td>
<td>.268</td>
<td>.064</td>
</tr>
<tr>
<td>Overall, my peers are highly ethical and socially responsible in terms of their buying decisions.</td>
<td>.806</td>
<td>.082</td>
</tr>
</tbody>
</table>

Note. CRAWFER Criterion: 0.119. The Cronbach’s coefficients were for the items retained. Bold values indicate retained items for the loaded factor.

Table 8. Result of an exploratory factor analysis of personal environment
<table>
<thead>
<tr>
<th>Items</th>
<th>Factor 1</th>
<th>Factor 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Top-management</td>
<td>Peers</td>
</tr>
<tr>
<td>$\lambda_0$ (Factor Loadings)</td>
<td>.78*</td>
<td></td>
</tr>
<tr>
<td>Top-management behaves in a highly ethical and socially responsible manner</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Top-management provides invisible, but value-oriented support for socially responsible buying</td>
<td>.77*</td>
<td></td>
</tr>
<tr>
<td>Top-management creates an organizational climate conducive to employees taking the risks associated with socially responsible buying.</td>
<td>.68*</td>
<td></td>
</tr>
<tr>
<td>Overall, top-management is highly committed to socially responsible buying.</td>
<td>.85*</td>
<td></td>
</tr>
<tr>
<td>My peers are ethical and socially responsible people.</td>
<td></td>
<td>.97*</td>
</tr>
<tr>
<td>My peers' business decisions are socially responsible</td>
<td></td>
<td>.97*</td>
</tr>
<tr>
<td>My peers behave in a highly ethical and socially responsible manner.</td>
<td></td>
<td>.94*</td>
</tr>
<tr>
<td>Overall, my peers are highly ethical and socially responsible in terms of their buying decisions.</td>
<td></td>
<td>.85*</td>
</tr>
</tbody>
</table>

**Factor Correlations**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Top-management</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Peers</td>
<td>.58*</td>
<td>1.00</td>
</tr>
</tbody>
</table>

**Factorial Model fit**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$\chi^2$</td>
<td>36.63 ($P = .001$)</td>
<td></td>
</tr>
<tr>
<td>df</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>RMSR</td>
<td>.063</td>
<td></td>
</tr>
<tr>
<td>RMSEA</td>
<td>.072</td>
<td></td>
</tr>
<tr>
<td>GFI</td>
<td>.95</td>
<td></td>
</tr>
<tr>
<td>AGFI</td>
<td>.90</td>
<td></td>
</tr>
</tbody>
</table>

**Note.** * indicates significant t-test. Values shown are standardized.

Table 9. Confirmatory factor analysis of personal environment
validity.

A model that constrained the covariance between the top-management and the peers latent variables to 1 was compared to the unconstrained model. The chi-square difference test was significant ($\Delta \chi^2 = 255.99 - 36.63 = 219.36$, $\Delta df = 20 - 19 = 1$), showing discriminant validity of the two dimensions. As convergent and discriminant validities of the two-factor model of personal environment were established, it was concluded that the personal environment consists of two dimensions of top-management and peers.

Organizational Control Systems

About seventy-four percent of the respondents ($n=117$) indicated that their companies had a buying/sourcing policy that encompassed ethics and social responsibility, and 25.3% ($n=40$) indicated that they did not. Only 30 percent of the respondents ($n=47$) indicated that they had a specialist(s) or a department especially for social responsibility. Fifty-two percent of the respondents ($n=82$) indicated that they had a vendor monitoring program(s) that assessed social responsibility of their suppliers and the products. About eleven percent of the respondents ($n=18$) indicated that they had an educational program(s) for ethical and socially responsible buying/sourcing. About three percent of the respondents ($n=4$) indicated that they had a formal reward program for ethical and socially responsible buying/sourcing performance. About forty-three percent of the respondents ($n=68$) indicated that they had a formal punishment policy for any socially irresponsible buying/sourcing practices. Table 10 summarizes descriptive statistics of the existence of organizational control systems.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buying/sourcing Policy</td>
<td>Yes</td>
<td>117</td>
<td>74.1</td>
<td>74.5</td>
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<tr>
<td></td>
<td>No</td>
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<td>25.5</td>
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<td></td>
<td>Total</td>
<td>157</td>
<td>99.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Specialist(s) or Department</td>
<td>Yes</td>
<td>47</td>
<td>29.7</td>
<td>30.1</td>
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<td></td>
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<td>109</td>
<td>69.0</td>
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<td></td>
<td>Total</td>
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<td>Vendor monitoring</td>
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<td>82</td>
<td>51.9</td>
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<td></td>
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<td>72</td>
<td>45.6</td>
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<td></td>
<td>Total</td>
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<td>97.5</td>
<td>100.0</td>
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<tr>
<td>Educational Program(s)</td>
<td>Yes</td>
<td>18</td>
<td>11.4</td>
<td>11.5</td>
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<td></td>
<td>No</td>
<td>139</td>
<td>88.0</td>
<td>88.5</td>
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<tr>
<td></td>
<td>Total</td>
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<td>100.0</td>
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<td></td>
<td>No</td>
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<td>95.6</td>
<td>97.4</td>
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<td></td>
<td>Total</td>
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<td>100.0</td>
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<td>Punishment</td>
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<td></td>
<td>No</td>
<td>89</td>
<td>56.3</td>
<td>56.7</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>157</td>
<td>99.4</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 10. Existence of organizational control systems variables

The total number of organizational control systems was used as a research variable to indicate the extent of the organizational control systems. In other words, the number of the organizational control systems in an organization was considered to be an indicator variable of the organizational control systems latent variable of interest. Sample size was not large enough to compute polychoric correlation and asymptotic covariance matrices for structural equation model test using all six dichotomous indicators (Byrne, 1998). Thus, the number of the organizational control systems
present in an organization was used as a single indicator of the organizational control systems latent variable.

Summary of Variables

The variables of interest in this study include perceived importance of ethics and social responsibility, idealism, relativism, organizational control systems, personal environment, and socially responsible buying (SRB). These variables are latent variables and they are measured by series of scales. Table 11 summarizes the research measurements (indicators) for the latent variables.

Idealism and relativism have 10 items each and achieved high reliabilities with Cronbach’s alphas of .85 and .83. As 10 items in each scale were designed to measure one construct and have been summed for analysis in the literature, sums of each scale were used as single indicators of idealism and relativism. Since the reliabilities of the scales were known, the measurement errors of the indicators of the idealism and relativism will be included in the structural equation model test.

A confirmatory factor model with a two-factor structure of the attitudes toward ethics and social responsibility scale was successful. Cronbach’s alphas for the two factors were .76 (importance of ethics and social responsibility dimension) and .64 (subordination of ethics and social responsibility dimension). As the items in each dimension achieved unidimensionality and the factor structure achieved convergent and discriminant validities, summed scores for each dimension from the two-factor structure were used for further analysis.
Table 11. Summary of the indicators (measures) in the model

<table>
<thead>
<tr>
<th>Measurements</th>
<th>Cronbach’s alpha</th>
<th>Number of items in scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal environment: Top-management</td>
<td>.85</td>
<td>4</td>
</tr>
<tr>
<td>Personal environment: Peers</td>
<td>.96</td>
<td>4</td>
</tr>
<tr>
<td>Organizational control systems</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Idealism</td>
<td>.85</td>
<td>10</td>
</tr>
<tr>
<td>Relativism</td>
<td>.83</td>
<td>10</td>
</tr>
<tr>
<td>Importance of ethics and social responsibility</td>
<td>.76</td>
<td>5</td>
</tr>
<tr>
<td>Subordination of ethics and social responsibility</td>
<td>.64</td>
<td>4</td>
</tr>
<tr>
<td>Environment dimension of SRB</td>
<td>.85</td>
<td>2</td>
</tr>
<tr>
<td>Employment/Human Rights dimension of SRB</td>
<td>.96</td>
<td>6</td>
</tr>
<tr>
<td>Consumer Safety dimension of SRB</td>
<td>.91</td>
<td>3</td>
</tr>
</tbody>
</table>

The SRB scale was developed for this study and factor analyzed in an exploratory manner. The exploratory factor analysis suggested a three-factor structure, 1) environment, 2) employment and human rights, and 3) consumer safety. The final scale included 11 items and achieved high reliabilities, .85 for ‘Environment’, .96 for ‘Employment and Human Rights’, and .91 for ‘Consumer Safety’. As the items in each dimension achieved unidimensionality and the factor structure achieved convergent and discriminant validities, those items in each of the factors were summed to represent the three dimensions of SRB for the model test.
The scale for personal environment was also developed for the study. and an exploratory factor analysis revealed a two-factor structure consisting of the top-management dimension (4 items) and peers dimension (4 items). A confirmatory factor analysis with the 8 items was successful and achieved high reliabilities, .85 for the top-management dimension and .96 for peers dimension. The items in each dimension achieved unidimensionality and the factor structure achieved convergent and discriminant validities. The items in each dimension were summed to represent the top-management and peers measurements.

Model Test

Data Screening

Input data for the SEM test are observed variables (indicators). They include top-management, peers, organizational control systems, two dimensions of the attitudes toward ethics and social responsibility (importance of ethics and social responsibility, and subordination of ethics and social responsibility), idealism, relativism, environment dimension of SRB, employment/human rights dimension of SRB, and consumer safety dimension of SRB. The data were prepared with the PRELIS program in the LISREL software package. Total sample size after list-wise deletion of missing values was 113.

Table 12 shows the result of data screening to assess the normality assumption for the structural equation model test. The table also shows means, standard deviations, and minimum and maximum value of the variables. Normal distribution of scores is determined by the values of the skewness and kurtosis coefficients being close to zero. Skewness coefficients ranging from 2.00 to 3.00 and kurtosis coefficients ranging from
7.00 to 21.00 are considered as moderately nonnormal, and variables with skewness > 3.0 and kurtosis > 21.00 are considered extremely nonnormal (Curran, West, & Finch, 1996). Following these guidelines, the data show that none of the variables exhibit considerable skewness or kurtosis, with the mean skewness value of -.43 and the mean kurtosis value of -.17 respectively. Thus, the data were considered to follow an approximate normal distribution (Byrne, 1998).

A zero-order correlation matrix was generated for the structural equation model test and is shown in Table 13. Either the covariance matrix or the correlation matrix could be used. However, it has been suggested that the covariance matrix should be used only when all the variables are on the same scale (Cudeck, 1989). Relativism tended to load negatively with the two dimensions of the attitudes toward ethics and social responsibility and the three dimensions of SRB. The highest correlation was between the environment dimension of SRB and the employment/human rights dimension of SRB (r = .71), and the lowest correlation resided between the relativism and the idealism (r = .02).

Model Specification

The model specifications, including both structural paths and measurement model, are shown in Figure 2 graphically. The model consisted of 6 latent variables with 10 measurement variables. According to the hypothesized model shown in Chapter 3, two latent variables (i.e., personal environment, organizational control systems) were specified as exogenous latent variables (ζ) (i.e., independent latent variables), and four latent variables (i.e., idealism, relativism, attitudes toward ethics and social
<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
<th>T</th>
<th>Skewness coef</th>
<th>Kurtosis coef</th>
<th>Skewness</th>
<th>Kurtosis</th>
<th>X²</th>
<th>P</th>
<th>Skewness &amp; Kurtosis</th>
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<tr>
<td>Top-management</td>
<td>19.58</td>
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<td>48.50</td>
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<td>-.59</td>
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<td>.19</td>
<td>1.52</td>
<td>.13</td>
<td>4.02</td>
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<td>Peers</td>
<td>20.13</td>
<td>3.46</td>
<td>61.80</td>
<td>.10</td>
<td>-.50</td>
<td>.43</td>
<td>.67</td>
<td>1.16</td>
<td>.25</td>
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<td>Organizational control systems</td>
<td>2.19</td>
<td>1.38</td>
<td>16.85</td>
<td>-.15</td>
<td>-1.04</td>
<td>-.68</td>
<td>.50</td>
<td>-4.27</td>
<td>.00</td>
<td>18.72</td>
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<td>Importance of ethics and social responsibility</td>
<td>26.38</td>
<td>4.67</td>
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<td>-.59</td>
<td>-.60</td>
<td>-2.60</td>
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<td>1.54</td>
<td>.12</td>
<td>9.15</td>
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<td>70.23</td>
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<td>-.41</td>
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<td>Idealism</td>
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<td>.32</td>
<td>.75</td>
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<td>Relativism</td>
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<td>.68</td>
<td>-.35</td>
<td>.73</td>
<td>.30</td>
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<td>Environment dimension of SRB</td>
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<td>-.90</td>
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<td>.13</td>
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<tr>
<td>Consumer safety dimension of SRB</td>
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<td>.00</td>
<td>3.48</td>
<td>.00</td>
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Table 12. Preliminary data screening
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<tr>
<th>Variables</th>
<th>IMESR</th>
<th>SBESR</th>
<th>IDEAL</th>
<th>RELAT</th>
<th>SRB_ENV</th>
<th>SRB_EMP</th>
<th>SRB_COS</th>
<th>TOPM</th>
<th>PEER</th>
<th>NORGC</th>
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</thead>
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<tr>
<td>IMESR</td>
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<td></td>
</tr>
<tr>
<td>SBESR</td>
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<td>1.00</td>
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<td></td>
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<td></td>
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</tr>
<tr>
<td>IDEAL</td>
<td>.29**</td>
<td>.20*</td>
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<td></td>
<td></td>
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<tr>
<td>RELAT</td>
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<td>-.13</td>
<td>.03</td>
<td>1.00</td>
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<td></td>
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<td>.41**</td>
<td>.33**</td>
<td>-.10</td>
<td>1.00</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>SRB_EMP</td>
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<td>.39**</td>
<td>.14</td>
<td>-.17</td>
<td>.71**</td>
<td>1.00</td>
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</tr>
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<td>-.12</td>
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<tr>
<td>TOPM</td>
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<td>.07</td>
<td>.06</td>
<td>.25**</td>
<td>.22*</td>
<td>.20*</td>
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<td>-.07</td>
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<td>NORGC</td>
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<td>.36**</td>
<td>.17</td>
<td>.29**</td>
<td>.39**</td>
<td>1.00</td>
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</tbody>
</table>

Note: IMESR = 'Importance of ethics and social responsibility'; SBESR = 'Subordination of ethics and social responsibility'; IDEAL = 'Idealism'; RELAT = 'Relativism'; SRB_ENV = 'Environment dimension of SRB'; SRB_EMP = 'Employment and human rights dimension of SRB'; SRB_COS = 'Consumer safety dimension of SRB'

Table 13. Correlation matrix analyzed
responsibility, SRB) were specified as endogenous latent variables ($\eta$) (i.e., dependent latent variables). The personal environment had two indicators (top-management and peers), the organizational control systems had a single indicator (the number of the organizational control systems), the attitudes toward ethics and social responsibility had two indicators (importance of ethics and social responsibility, and subordination of ethics and social responsibility), each of the idealism and relativism had a single indicator, and SRB has three indicators (environment dimension of SRB, employment/human rights dimension of SRB, and consumer safety dimension of SRB).

Lambda ($\lambda$: path between measurement and latent variable)\(^3\) parameters were specified following the measurement specifications, and Beta ($\beta$: path between endogenous latent variables) and Gamma ($\gamma$: path between exogenous latent and endogenous latent) paths were specified following the hypothesized model. Additional LISREL notations include: $\zeta_i$ for exogenous latent variables, $\eta_i$ for endogenous latent variables, $\delta_i$ for indicators of exogenous variables, $\epsilon_j$ for indicators of endogenous variables, $\theta_0$ for error terms of indicators (measurement error) for exogenous latent variables, $\theta_{\epsilon}$ for error terms of indicators for endogenous latent variables, $\varphi_{ij}$ for correlations among exogenous latent variables, and $\psi_{ii}$ for correlations of endogenous latent variables.

To standardize the scores for latent variables, the phi ($\Phi_{ij}$) matrix (covariance matrix of exogenous latent variables) was standardized, specifying that the diagonal

\(^3\lambda\) is interpreted as factor loading in factor analysis
element of exogenous latent variables’ covariance matrix set to be 1.\(^4\) As each of
idealism and relativism has single indicator with known reliability, \(\theta_e\) of the single
indicator of each of them was fixed as 1-lower bound reliability (Cronbach’s Alpha: .85
for idealism and .83 for idealism). In other words, measurement error for idealism was
fixed to .15 and the error term for idealism was fixed to .17. Corresponding \(\lambda_r\) for the
indicators were fixed to 1 because idealism and relativism are endogenous variables.

For the organizational control systems variable, which also has a single
indicator, \(\theta_b\) for the indicator was fixed to .01 (1-reliability) and corresponding \(\lambda_r\) was
fixed to .99 (reliability).\(^5\) The measurement error for the organizational control systems
(NORGC) is assumed to be zero, since it measures the number of organizational control
systems in the organization, and does not contain psychological content but, rather, is an
existing fact. However, Hayduk (1987) suggested that fixing the error variance of a
single indicator that is considered a perfect measure should encompass possible wrong
answers or coding errors. Therefore, the reliability of the organizational control was
specified as .99 (.01 for the error term).

The preliminary measurement model test, using the four endogenous latent
variables and their measurements and freeing the correlations among the latent
variables, suggested the latent variables were not significantly correlated, except pairs

\(^4\) Two options to standardize latent variables in the model are; 1) standardize exogenous latent variable
scales, or 2) fix one \(\lambda_x\) or \(\lambda_y\) to 1 in each latent variable.

\(^5\) This specification regarding single indicator of a latent variable follows mathematical representation of
\(\lambda\) and \(\theta\): \(\text{Var}(x) = \lambda^2 \times \text{Var}(\xi) + \theta_x \times SMC = \lambda^2 \times \text{Var}(\xi)/\text{Var}(x)\). As \(\xi\)s are standardized to 1 and there is a
single indicator for the latent variable, SMC (squared multiple correlation) is interpreted as lower bound
reliability (\(\alpha\)) (Bollen, 1982). Following specifications can be calculated. When correlation matrix is
analyzed, \(\lambda_x = \sqrt{\alpha}, \theta_x = 1 - \alpha, \lambda_y = 1,\) and \(\theta_y = 1 - \alpha\). However, when covariance matrix is analyzed, the
specification should be \(\lambda_x = \sqrt{(1/\text{Var}(x))}, \theta_x = (1 - \alpha) \times \text{Var}(x), \lambda_y = 1,\) and \(\theta_y = (1 - \alpha) \times \text{Var}(y)\).
Note: Circles indicate latent variables and squares indicate indicators (observed variables) of the latent variables. Abbreviations for latent variables: PERSE (personal environment); ORGCS (organizational control systems); IDEALM (ideality), RELATM (relativism); ESR (attitudes toward ethics and social responsibility); SRB (socially responsible buying). Abbreviations for measurements: PEER (peers); TOPM (top-management); NORGCS (the number of the organizational control systems); IDEALM (ideality); RELATM (relativism); SRB_ENV (environment dimension of SRB); SRB_EMP (Employment and human rights dimension of SRB); SRB_COS (Consumer safety dimension of SRB); IMESR (importance of ethics and social responsibility); SBESR (subordination of ethics and social responsibility).

Figure 2. Model specifications of socially responsible buying
that have hypothesized paths. The preliminary measurement model test with endogenous variables and their measurements achieved good fit ($\chi^2 = 1.22$, $df = 5$, $P = .94$, RMSR = .02, GFI = 1.0, AGFI = .98), suggesting the measurements adequately represent the constructs within the model. Therefore, covariances among the error terms of the endogenous variables ($\theta_e$) were fixed to zero except diagonal elements of the $\theta_{ij}$ matrix.

Model Fit

The proposed structural model was analyzed, and the chi-square value was 83.04 ($p = 0.000$) with degrees of freedom equal to 30. The Goodness of Fit Index (GFI) was .87, and the Adjusted Goodness of Fit Index (AGFI) was .76. The Root Mean Square Error of Approximation (RMSEA) value was .13 and the Root Mean Square Residual (RMSR) was also .13. These fit indices indicated that the model did not fit the data well, especially in terms of residuals. Table 14 summarizes the result of model fitting, and Figure 3 graphically illustrates the parameter estimates and their significance.

Close examination of the results indicated the covariance matrix from the data had significant residuals compared to the fitted covariance matrix. A Q-plot (see Appendix D) showed the distribution of all standardized residuals bearing on the model against normal quantities. Residuals that follow the 45-degree angle (slope 1) are considered indicative of a well-fitting model (Jöreskog & Sörbom, 1989). The Q-plot of standardized residuals of the model indicated there were several high positive residuals values, which made the plots vary somewhat from normal (i.e., slope near
<table>
<thead>
<tr>
<th>Parameters</th>
<th>Estimate</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Structural Path</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PERSE $\rightarrow$ IDEALM ($\gamma_{11}$)</td>
<td>.08</td>
<td>.68</td>
</tr>
<tr>
<td>PERSE $\rightarrow$ SRB ($\gamma_{41}$)</td>
<td>.37</td>
<td>2.63*</td>
</tr>
<tr>
<td>ORGCS $\rightarrow$ RELATM ($\gamma_{22}$)</td>
<td>.06</td>
<td>.53</td>
</tr>
<tr>
<td>ORGCS $\rightarrow$ SRB ($\gamma_{42}$)</td>
<td>.02</td>
<td>.15</td>
</tr>
<tr>
<td>IDEALM $\rightarrow$ ESR ($\beta_{31}$)</td>
<td>.35</td>
<td>3.18**</td>
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<td>RELATM $\rightarrow$ ESR ($\beta_{32}$)</td>
<td>-.25</td>
<td>-2.33*</td>
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<tr>
<td>ESR $\rightarrow$ SRB ($\beta_{43}$)</td>
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<td>4.44***</td>
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<td><strong>Measurement model</strong></td>
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<td>PERSE ($\zeta_{1}$) $\rightarrow$</td>
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<td>TOPM ($\lambda_{x11}$)</td>
<td>.56</td>
<td>5.15***</td>
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<td>PEER ($\lambda_{x21}$)</td>
<td>.82</td>
<td>6.66***</td>
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<td>ESR ($\eta_{3}$) $\rightarrow$</td>
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<tr>
<td>IMESR ($\lambda_{y33}$)</td>
<td>.93</td>
<td>8.30***</td>
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<td>SBESR ($\lambda_{y43}$)</td>
<td>.58</td>
<td>6.00***</td>
</tr>
<tr>
<td>SRB ($\eta_{4}$) $\rightarrow$</td>
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<td>SRB_ENV ($\lambda_{y34}$)</td>
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<td>7.18***</td>
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<td>SRB_EMP ($\lambda_{y64}$)</td>
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<td>SRB_COS ($\lambda_{y64}$)</td>
<td>.40</td>
<td>4.00***</td>
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<tr>
<td><strong>Non-causal relationship</strong></td>
<td></td>
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<tr>
<td>PERSE $\leftrightarrow$ ORGCS ($\varphi_{21}$)</td>
<td>.49</td>
<td>5.00***</td>
</tr>
</tbody>
</table>

**Model Fit**

$\chi^2$ 83.04 (P = 0.000; df = 30)
GFI .87
AGFI .76
RMSEA .13
RMSR .13

*Note.* *p*<.05, **p*<.01, ***p*<.001. Abbreviations for latent variables: PERSE (personal environment); ORGCS (organizational control systems); IDEALM (idealism), RELATM (relativism); ESR (attitudes toward ethics and social responsibility); SRB (socially responsible buying). Abbreviations for measurements: PEER (peers); TOPM (top-management); SRB_ENV (environment dimension of SRB); SRB_EMP (Employment and human rights dimension of SRB); SRB_COS (Consumer safety dimension of SRB); IMESR (importance of ethics and social responsibility); SBESR (subordination of ethics and social responsibility).

Table 14. Test summary of proposed Model A
Note. * indicates significant t-test. Values in parentheses indicate fixed parameters. Error terms and correlations among latent variables are not shown for sake of clarity. Abbreviations for latent variables: PERSE (personal environment); ORGCS (organizational control systems); IDEALM (idealism), RELATM (relativism); ESR (attitudes toward ethics and social responsibility); SRB (socially responsible buying). Abbreviations for measurements: PEER (peers); TOPM (top-management); NORGC (the number of the organizational control systems; IDEAL (idealism measurement); RELAT (relativism measurement); SRB_ENV (environment dimension of SRB); SRB_EMP (Employment and human rights dimension of SRB); SRB_COS (Consumer safety dimension of SRB).

Figure 3. SRB model test and parameter estimates

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one). Nineteen out of 45 standardized residuals exceeded 2 in absolute value, which explains the large value of RMSR and RMSEA.

Hypothesis Tests

Hypothesis 1 proposed that idealism would influence attitudes toward ethics and social responsibility. The parameter estimate of $\beta_{31}$ was .35 and its $t$-test was significant ($t = 3.18, p < .01, df = 30$). Therefore, Hypothesis 1 was supported and it could be concluded that idealism positively influences attitudes toward ethics and social responsibility. Hypothesis 2 proposed that relativism would influence attitudes toward ethics and social responsibility. The parameter estimate of $\beta_{32}$ was -.25 and its $t$-test was significant ($t = 2.33, p < .05, df = 30$). Therefore, Hypothesis 2 was supported and it could be concluded that relativism negatively influenced attitudes toward ethics and social responsibility. Hypothesis 3 proposed that attitudes toward ethics and social responsibility would directly influence SRB. The parameter estimate of $\beta_{33}$ was .60 and its $t$-test was significant ($t = 4.44, p < .01, df = 30$). Therefore, Hypothesis 3 was supported and it was concluded that attitudes toward ethics and social responsibility positively influenced SRB.

Hypothesis 4 proposed an indirect effect of idealism on SRB. The coefficient estimate for the indirect effect of idealism on SRB was .21 and its $t$-test was significant ($t = 2.62, p < .05, df = 30$) (see Table 15). Therefore, Hypothesis 4 was supported.

---

5 Coefficient estimates are standardized. Indirect effect coefficient can be computed in LISREL. A necessary and sufficient condition for a convergence of Beta (B) matrix to define indirect as well as total effects is absolute values of eigenvalues of B should be less than 1 (Bollen, 1989). The largest eigenvalue of B matrix in the test was .36.
concluding that idealism indirectly influenced SRB through attitudes toward ethics and social responsibility. Similarly, Hypothesis 5 proposed that relativism would influence SRB indirectly. The coefficient estimate for the indirect effect of relativism on SRB was -.15 and its t-test was significant \( t = -2.08, p < .05, df = 30 \). Therefore, it was concluded that relativism indirectly influenced SRB through attitudes toward ethics and social responsibility, supporting Hypothesis 5.

Hypothesis 6 proposed that the personal environment would influence SRB. The parameter estimate of \( \gamma_{41} \) was .37 and its t-test was significant \( t = 2.63, p < .05, df = 30 \). Therefore, Hypothesis 6 was supported, indicating that the personal environment positively influences SRB. Hypothesis 7 proposed that the personal environment would influence idealism. The parameter estimate of \( \gamma_{11} \) was .08 and t-value was .68 \( p > .05, df = 30 \). Implicit in this hypothesis was the indirect effect of personal environment on attitudes toward ethics and social responsibility and SRB. The coefficients for the indirect effect of personal environment on attitudes toward ethics and social responsibility and SRB were examined. The indirect effect coefficient of personal environment on attitudes toward ethics and social responsibility was insignificant .03 \( t = .67, p > .05, df = 30 \). The indirect effect coefficient of personal environment on SRB was also insignificant .02 \( t = .67, p > .05, df = 30 \) (see Table 15). Therefore, Hypothesis 7 was rejected. These results indicated that personal environment had positive direct effect on SRB (Hypothesis 6), but no significant indirect effects on SRB through idealism and attitudes toward ethics and social responsibility.

Hypothesis 8 also proposed a direct effect of organizational control systems on SRB. The estimate of \( \gamma_{42} \) was .02 and t-value was .15 \( p > .05, df = 30 \). Therefore,
Hypothesis 8 was not supported. Hypothesis 9 proposed that organizational control systems would influence relativism. The parameter estimate of $\gamma_{22}$ was .06 and t-value was .53 ($p > .05$, df = 30). Implicit in this hypothesis was the indirect effect of organizational control systems on attitudes toward ethics and social responsibility and SRB. The coefficients for indirect effect of organizational control systems on attitudes toward ethics and social responsibility and SRB were examined. The indirect effect coefficient of organizational control systems on attitudes toward ethics and social responsibility was insignificant - .01 ($t = -.52$, $p > .05$, df = 30). The indirect effect coefficient of organizational control systems on SRB was also insignificant - .01 ($t = .52$, $p > .05$, df = 30). Therefore hypothesis 9 was rejected, indicating that organizational control had no significant direct relationship with relativism.

<table>
<thead>
<tr>
<th>Dependent variables</th>
<th>PERSE</th>
<th>ORGCS</th>
<th>IDEALM</th>
<th>RELATM</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESR</td>
<td>.03 (.67)</td>
<td>-.01 (-.52)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SRB</td>
<td>.02 (.67)</td>
<td>-.01 (-.52)</td>
<td>.21 (2.62)*</td>
<td>-.15 (-.208)*</td>
</tr>
</tbody>
</table>

Note: Values in parentheses are t-values. * indicates significant t-test at .05 level (df = 30). Abbreviations for variables: PERSE (personal environment); ORGCS (organizational control systems); IDEALM (idealism), RELATM (relativism); ESR (attitudes toward ethics and social responsibility); SRB (socially responsible buying).

Table 15. Summary of indirect effects among latent variables
Model Modification

One of the objectives of the study was to suggest a reliable model for future research. Modification indices reported in LISREL output enable researchers to examine possible sources of model misfit. Modification indices suggest the amount of reduction in chi-square value when a particular parameter is freed. Detecting possible misfit of the model specifications using the modification indices is suggested even when the model turns out to be acceptable (Byrne, 1998). Especially when a model is less theoretically and empirically robust, model modification is desired to generate a reliable model for future research (Jöreskog, 1993). Thus, the model modification process is a required step for this study, which is exploratory in nature and seeks to generate a reliable model for future research.

The originally proposed model was tested and lacked acceptable fit. However, the review of the modification indices suggested some sources of misfit. First, the measurement, environment dimension of SRB, had high modification index values in some fixed parameters. The modification index (MI) value of the parameter of error correlation between the environment dimension of SRB and idealism ($\theta_{645}$) was high (MI = 8.58). Moreover, $\lambda_{51}$ (environment dimension of SRB $\rightarrow$ idealism measurement) (MI = 12.28) and $\lambda_{53}$ (environment dimension of SRB $\rightarrow$ attitudes toward ethics and social responsibility latent variable) (MI = 9.59) also showed possible misfit generated by the environment dimension of SRB. Second, the largest modification indices values were with the parameters $\gamma_{31}$ (personal environment latent variable $\rightarrow$ attitudes toward ethics and social responsibility latent variable) and $\gamma_{32}$ (organizational control systems...
latent variable \( \rightarrow \) attitudes toward ethics and social responsibility latent variable). The \( \gamma_{31} \) MI value was 14.53 and \( \gamma_{32} \) MI value was 22.71, respectively. These two sources of misfit were adjusted to develop a modified model. Even though MI values in the second source were higher than MI values in the first source, modifications related measurement were conducted first due to the exploratory nature of SRB scale. Therefore, Model B considered the first modification, and Model C considered both modifications. Additional considerations in the modification process were insignificant paths that were found in the tests of Model A, B, and C. Thus, Model D deleted insignificant paths from the model. Model comparisons were reported to determine the statistically better model.

**Model B**

A modified model was generated by deleting the environment dimension of SRB from the originally proposed model. The environmental dimension of SRB scale was originally developed with six items but reduced to two items because a significant number of respondents indicated these items were not applicable to their job content (3 items dropped) or factor loadings were below the critical point of .5 (1 item dropped). The small number of items, which were summed for the model test, may not reflect the dimension. Moreover, as noted from the responses of ‘not applicable’ for the items addressing environmental considerations, the environmental dimension of SRB may not be applicable to the apparel buying/sourcing context. Byrne (1998) suggested that parameters with cross loadings or correlations among measurement errors could yield noticeable misfit and should be dropped from the model. Therefore, after deleting the
environment dimension of SRB, the revised model contained 6 latent variables as measured by 9 indicators. Other model specifications remained the same as in the originally proposed model (Model A).

The model fit was improved ($\chi^2 = 53.21$, $df = 22$, $P = .000$, GFI = .90, AGFI = .80, RMSEA = .11, RMSR = .13), but only GFI could be considered acceptable. The revised model was not acceptable, since RMSR still suggested that 13% of the variance could not be explained by the Model B, and RMSEA suggested the model did not fit the population well. However, the chi-square difference test comparing Model B to the Model A was significant ($\Delta \chi^2 = 80.70-53.21 = 27.49$, $\Delta df = 30-22 = 8$), suggesting that Model B explained the data statistically better than Model A did.

As evidenced in the high RMSEA and RMSR values, residuals of the fitted model seemed inadequate. The Q-plot indicated some exceptional, positive high residuals, far from the slope of one (see Appendix D). Fourteen out of 45 standardized residuals still exceeded 2 in absolute value, which could explain the large values of RMSEA and RMSR. The modification index values on the fixed parameters, $\gamma_{31}$ (personal environment latent variable $\rightarrow$ attitudes toward ethics and social responsibility latent variable) and $\gamma_{32}$, (organizational control systems latent variable $\rightarrow$ attitudes toward ethics and social responsibility latent variable), showed the highest value ($\gamma_{31}$ MI = 13.65; $\gamma_{31}$ MI = 22.02). This suggested that model fit could be improved if the two parameters were freed. Accordingly, Model C added these paths to the model.
Model C

While Model B did not change any structural element, the second modified model (Model C) was generated by freeing two additional structural parameters, $\gamma_{31}$ (personal environment latent variable $\rightarrow$ attitudes toward ethics and social responsibility latent variable) and $\gamma_{32}$ (organizational control systems latent variable $\rightarrow$ attitudes toward ethics and social responsibility latent variable). These hypotheses involved indirect effects of personal environment and organizational control systems on attitudes toward ethics and social responsibility through either idealism or relativism. The literature review suggested that: 1) relativism as well as idealism significantly influence ethical and socially responsible attitudes (Singhapakdi et al., 1995; Singhapakdi et al., 1996) (Hypothesis 1 and 2), 2) personal environment involves deontological reasoning (Drumwright, 1994; Trevino, 1986) (Hypothesis 8), and 3) organizational control systems involve teleological reasoning (Ferrell et al., 1989; Trevino, 1986; Trevino & Youngblood, 1990) (Hypothesis 9).

Researchers have found significant relationships between moral philosophies (i.e., idealism, relativism) and attitudes toward ethics and social responsibility (Etheredge, 1999; Singhapakdi et al., 1995; Singhapakdi et al., 1996). It was conceptualized that people use different ethical judgment processes depending on situations, and they primarily rely on: 1) absolute ethical principles (i.e., beliefs that dominate deontological judgment and are conceptualized as idealism) or 2) considerations of consequent goodness/badness from action (i.e., beliefs that dominate teleological judgment and are conceptualized as relativism) (Ferrell & Gresham, 1985;
Hunt & Vitell, 1986). Accordingly, Hypotheses 1 and 8 accounted for only the indirect effect of personal environment on attitudes toward ethics and social responsibility through idealism since personal environment tends to influence absolute ethical values in an organization (Drumwright, 1994). Hypotheses 2 and 9 accounted for the indirect effect of organizational control systems on attitudes toward ethics and social responsibility through relativism because the organizational control systems include some degree of enforcement and possible punishments and rewards, leading decision makers to process information regarding possible consequences of their actions.

However the data suggested that organizational control systems directly influence attitudes toward ethics and social responsibility, rather than indirectly through relativism. According to the following findings from the analysis: 1) the estimates of the parameters, $\gamma_{11}$ (personal environment latent variable $\rightarrow$ idealism latent variable) and $\gamma_{22}$ (organizational control systems latent variable $\rightarrow$ relativism latent variable) were not significant in Model B or Model A; and 2) modification indices suggested a significant amount of chi-square reduction when the two additional parameters, $\gamma_{31}$ (personal environment latent variable $\rightarrow$ attitudes toward ethics and social responsibility latent variable) and $\gamma_{32}$ (i.e., direct path, organizational control systems latent variable $\rightarrow$ attitudes toward ethics and social responsibility latent variable) were freed. Some researchers have found positive relationships between organizational control systems and ethical perception (Hegarty & Sims, 1979; McCabe, Trevino, & Butterfield, 1996; Ferrell & Skinner, 1988; Singhapakdi & Vittell, 1990; Weaver & Ferrell, 1977), even though they did not deal with the scale used in this study (PRESOR, Singhapakdi et al., 1996). Fishbein-Ajzen’s (1974) theory of reasoned action also suggests that people
make decisions by forming attitudes from attributes (i.e., information). Thus, it seems that the direct paths, $\gamma_{31}$ and $\gamma_{32}$, which were suggested to be significant in the modification indices, could be explained by previous research and theory. Accordingly, in Model C direct paths from personal environment and organizational control systems to attitudes toward ethics and social responsibility were freed. Other model specifications were the same as in Model B.

The model fit was improved ($\chi^2 = 29.07$, $df = 20$, $p = .086$, GFI = .95, AGFI = .88, RMSEA = .064, RMSR = .062), suggesting good fit. The chi-square difference test comparing to the Model B was also significant ($\Delta\chi^2 = 53.21 - 29.07 = 24.14$, $\Delta df = 22 - 20 = 2$) as well as to Model A ($\Delta\chi^2 = 83.04 - 29.07 = 53.97$, $\Delta df = 30 - 20 = 10$), suggesting that Model C statistically explained the data better than Model A or Model B. Table 16 summarizes the result of the Model C test and Figure 4 presents it graphically.

Close examination of the residuals of the fitted covariance matrix indicated that the data analyzed had small residuals, which was the most noticeable improvement of Model C compared to Model A or Model B. The Q-plot of standardized residuals showed a slope near 1 (see Appendix D), and only two out of 45 standardized residuals exceeded 2 in absolute value.
Note. * indicates significant t-test at .05 level. Values in parentheses indicate fixed parameters. Error terms and correlations among latent variables are not shown for sake of clarity.
Abbreviations for latent variables: PERSE (personal environment); ORGCS (organizational control systems); IDEALM (idealism), RELATM (relativism); ESR (attitudes toward ethics and social responsibility); SRB (socially responsible buying). Abbreviations for measurements: PEER (peers); TOPM (top-management); NORGC (the number of the organizational control systems); IDEAL (idealism); RELAT (relativism); SRB_EMPP (employment and human rights dimension of SRB); SRB_COS (consumer safety dimension of SRB); IMESR (importance of ethics and social responsibility); SBESR (subordination of ethics and social responsibility).

Figure 4. Modified Model C and parameter estimates
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<th>Parameters Estimates</th>
<th>Standardized estimate</th>
<th>t-value</th>
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<td>.41</td>
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<tr>
<td>PERSE $\rightarrow$ ESR ($\gamma_{31}$)</td>
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<td>2.09*</td>
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<td>ORGCS $\rightarrow$ RELATM ($\gamma_{22}$)</td>
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<td>.75</td>
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<td>3.44**</td>
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<td>IDEALM $\rightarrow$ ESR ($\beta_{31}$)</td>
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<td>ESR $\rightarrow$ SRB ($\beta_{43}$)</td>
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<td>4.58***</td>
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<td>PERSE$\leftrightarrow$ ORGCS ($\theta_{21}$)</td>
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<td>GFI</td>
<td>.95</td>
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<td>AGFI</td>
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<td>RMSEA</td>
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<td>RMSR</td>
<td>.062</td>
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**Note.** *p<.05, **p<.01, ***p<.001. Abbreviations for latent variables: PERSE (personal environment); ORGCS (organizational control systems); IDEALM (idealism), RELATM (relativism); ESR (attitudes toward ethics and social responsibility); SRB (socially responsible buying). Abbreviations for measurements: PEER (peers); TOPM (top-management); NORGC (the number of the organizational control systems); SRB_EMP (employment and human rights dimension of SRB); SRB_COS (consumer safety dimension of SRB); IMESR (importance of ethics and social responsibility); SBESR (subordination of ethics and social responsibility).

Table 16. Test summary of Model C
Model D

Model D deleted three consistently insignificant parameters appearing in Models A, B, and C. As discussed in the Model C modification, personal environment and organizational control systems did not indirectly influence attitudes toward ethics and social responsibility, since the parameter estimates of $\gamma_{11}$, $\gamma_{22}$, and $\gamma_{42}$, were not improved in Model C. Rather, the data suggests organizational control systems directly influence attitudes toward ethics and social responsibility (model modification in Model C). Personal environment did not directly influence either idealism or attitudes toward ethics and social responsibility. Rather, the data suggested personal environment ‘directly’ influenced SRB and did not operate indirectly through attitudes toward ethics and social responsibility or idealism, as the hypothesized parameter $\gamma_{42}$ was significant (Hypothesis 7).

Fishbein-Ajzen’s (1974) theory of reasoned action suggests that all the information available to be processed by a decision maker influences attitudes and, thus, behaviors because individuals are rational. Therefore, it was reasonable to remove the path, $\gamma_{42}$ (organizational control systems $\rightarrow$ SRB), which only accounted for the indirect effect of organizational control systems on SRB through attitudes toward ethics and social responsibility. Moreover, as beliefs tend to be stable and are hard to change (Fishbein & Ajzen, 1974), it was also reasonable to remove the parameters $\gamma_{11}$ (personal environment $\rightarrow$ idealism) and $\gamma_{22}$ (organizational control systems $\rightarrow$ relativism). However, the parameter, $\gamma_{31}$ (personal environment $\rightarrow$ attitudes toward ethics and social
responsibility) that was insignificant in Model C was kept because the path is well explained by attitude theories (e.g., Fishbein-Ajzen’s theory of reasoned action).

Insignificant paths were deleted from the model because they could be justified theoretically. The three paths ($\gamma_{11}$, $\gamma_{22}$, $\gamma_{42}$), that were not significant in Model C, were deleted in Model D (i.e., constrained to 0, indicating no relationship). This process required changing idealism and relativism from endogenous latent variables to exogenous latent variables. Consequently the $\lambda$ parameters with idealism and relativism should be respecified as $\sqrt{\alpha}$ ($\alpha =$ reliability) (see footnote 5 on Page 120 for the explanation).

The model fit indices suggested the model fits the data well ($\chi^2 = 28.08$, $df = 18$, $p = .06$, GFI = .95, AGFI = .87, RMSR = .062, RMSEA = .071), suggesting good fit. Chi-square difference tests of Model D with the Model A ($\Delta \chi^2 = 80.70-28.08 = 52.62$, $\Delta df = 30-18 = 12$) and with Model B ($\Delta \chi^2 = 52.01-28.08 = 23.93$, $\Delta df = 22-18 = 4$) were significant. However, the difference test with Model C was not significant ($\Delta \chi^2 = 29.07-28.08 = .99$, $\Delta df = 21-18 = 3$). These chi-square difference tests suggested that the Model D statistically explained the data better than Model A and Model B did, but not better than Model C. Figure 5 shows the Model D specification and the parameter estimates graphically, and Table 17 summarizes the parameter estimates by structural paths and measurement models.

The Q-plot clearly showed a slope near one (see Appendix D), and only two out of 45 standardized residuals from fitted covariance matrix exceeded 2 in absolute value. Model C and Model D seemed to explain the data equally well, according to fit indices.
Note. * indicates significant t-test at .05 level. † indicates significant t-test at .10 level. Values in parentheses indicate fixed parameters. Error terms and correlations among latent variables are not shown for sake of clarity. Abbreviations for latent variables: PERSE (personal environment); ORGCS (organizational control systems); IDEALM (idealism), RELATM (relativism); ESR (attitudes toward ethics and social responsibility); SRB (socially responsible buying). Abbreviations for measurements: PEER (peers); TOPM (top-management); NORGC (the number of the organizational control systems); IDEAL (idealism); RELAT (relativism); SRB_EMP (employment and human rights dimension of SRB); SRB_COS (consumer safety dimension of SRB); IMESR (importance of ethics and social responsibility); SBESR (subordination of ethics and social responsibility).

Figure 5. Modified Model D and parameter estimates
<table>
<thead>
<tr>
<th>Parameters</th>
<th>Estimates</th>
<th>t-value</th>
</tr>
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<tbody>
<tr>
<td><strong>Structural Path</strong></td>
<td></td>
<td></td>
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<tr>
<td>PERSE $\rightarrow$ ESR ($\gamma_{11}$)</td>
<td>.21</td>
<td>1.84</td>
</tr>
<tr>
<td>PERSE $\rightarrow$ SRB ($\gamma_{21}$)</td>
<td>.25</td>
<td>2.10*</td>
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<tr>
<td>ORGCS $\rightarrow$ ESR ($\gamma_{12}$)</td>
<td>.43</td>
<td>3.65**</td>
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<tr>
<td><strong>Measurement model</strong></td>
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<td>PERSE ($\zeta_1$) $\rightarrow$ Top-management ($\lambda_{x11}$)</td>
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<td>SRB_COS ($\lambda_{y22}$)</td>
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<td><strong>Non-causal relationship</strong></td>
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<td>PERSE $\leftrightarrow$ ORGCS ($\varphi_{21}$)</td>
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<td>4.29***</td>
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<td>PERSE $\leftrightarrow$ IDEALM</td>
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<tr>
<td><strong>Model Fit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$\chi^2$</td>
<td>28.08</td>
<td>(P = 0.061; df = 18)</td>
</tr>
<tr>
<td>GFI</td>
<td>.95</td>
<td></td>
</tr>
<tr>
<td>AGFI</td>
<td>.87</td>
<td></td>
</tr>
<tr>
<td>RMSEA</td>
<td>.071</td>
<td></td>
</tr>
<tr>
<td>RMSR</td>
<td>.062</td>
<td></td>
</tr>
</tbody>
</table>

*Note:* * p<.05, ** p<.01, *** p<.001. Abbreviations for latent variables: PERSE (personal environment); ORGCS (organizational control systems); IDEALM (idealism), RELATM (relativism); ESR (attitudes toward ethics and social responsibility); SRB (socially responsible buying). Abbreviations for measurements: PEER (peers); TOPM (top-management); NORGCS (the number of the organizational control systems); SRB_EMP (Employment and human rights dimension of SRB); SRB_COS (Consumer safety dimension of SRB); IMESR (importance of ethics and social responsibility); SBESR (subordination of ethics and social responsibility).

Table 17. Test Summary of Model D
However, Model D was preferred because it was theoretically sound and simpler without noticeable insignificant parameters. All the parameter estimates except $\gamma_{11}$ (personal environment $\rightarrow$ attitudes toward ethics and social responsibility) were significant at the .05 level. The t-value of the $\gamma_{11}$ parameter estimate was 1.84 indicating its significance at .1 level. Table 18 summarizes the tests of the Model A, B, C, and D and chi-square difference tests of them.

<table>
<thead>
<tr>
<th>Model</th>
<th>Changes</th>
<th>$\chi^2$ (df)</th>
<th>RMSR</th>
<th>GFI</th>
<th>AGFI</th>
<th>$\Delta\chi^2$ (\Delta df)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed Model A</td>
<td></td>
<td>80.04 (30)*</td>
<td>.13</td>
<td>.87</td>
<td>.76.</td>
<td></td>
</tr>
<tr>
<td>Modified Model B</td>
<td>Measurement SRB_ENV was deleted</td>
<td>53.21 (22)*</td>
<td>.13</td>
<td>.90</td>
<td>.80</td>
<td></td>
</tr>
<tr>
<td>Model B-Model A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>27.49 (8)*</td>
</tr>
<tr>
<td>Modified Model C</td>
<td>Parameter, $\gamma_{32}$ and $\gamma_{51}$, were added</td>
<td>29.07 (20)</td>
<td>.06</td>
<td>.95</td>
<td>.88</td>
<td></td>
</tr>
<tr>
<td>Model C-Model A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>51.24 (9)*</td>
</tr>
<tr>
<td>Model C-Model B</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>21.41 (1)*</td>
</tr>
<tr>
<td>Modified Model D</td>
<td>Insignificant parameters, $\gamma_{11}$, $\gamma_{22}$, $\gamma_{42}$, were removed</td>
<td>28.08 (18)</td>
<td>.06</td>
<td>.95</td>
<td>.87</td>
<td></td>
</tr>
<tr>
<td>Model D-Model A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>52.62 (12)*</td>
</tr>
<tr>
<td>Model D-Model B</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>23.93 (4)*</td>
</tr>
<tr>
<td>Model D-Model C</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.99(3)</td>
</tr>
</tbody>
</table>

* Significant at .05 level.

Table 18. Model fits and chi-square difference tests of Model A, Model B, Model C, and Model D.
Additional Analysis to Assess Sampling Bias

Since non-random sampling was used in this study, it is necessary to examine whether the responses represent the sample of interest adequately without overestimating or underestimating the results. Multiple responses from same company from same companies suggest that observations may not be independent (see Table 2 on page 94 to review the number of responses from each company). Therefore, a comparison of correlations among variables including all responses (Sample A) with ones including selected responses (Sample B) was performed. To obtain the latter, one response from each company was randomly selected. Table 13 (Page 118) shows the correlations among variables of Sample A (N=113 deleting missing values listwise), and Table 19 shows correlations of the Sample B (N=34 deleting missing values listwise).

The overall pattern of the coefficient strengths in Sample B was similar to the one in Sample A. However, seven out of a total of 45 correlation coefficient distances exceeded 2 in absolute value. Two significant differences of the correlations in Sample B compared to Sample A were: 1) Idealism tended to more positively load on SRB measures and relativism tended to more negatively load on SRB measures; and 2) the Consumer Safety dimension of SRB tended to more positively load on top management and peers. The former indicates that there might be underestimation of the direct effects of idealism and relativism on SRB. The latter indicates there might be underestimation of the effect of personal environment on SRB. However, the relationship between personal environment and SRB was found significant in the main analysis.
<table>
<thead>
<tr>
<th>Variables</th>
<th>IMESR</th>
<th>SBESR</th>
<th>IDEAL</th>
<th>RELAT</th>
<th>SRB_ENV</th>
<th>SRB_EMP</th>
<th>SRB_COS</th>
<th>TOPM</th>
<th>PEER</th>
<th>NORGCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMESR</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SBESR</td>
<td>.54**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDEAL</td>
<td>.41*</td>
<td>.24</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RELAT</td>
<td>-.29</td>
<td>-.21</td>
<td>-.25</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SRB_ENV</td>
<td>.55**</td>
<td>.35*</td>
<td>.56**</td>
<td>-.33</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SRB_EMP</td>
<td>.40*</td>
<td>.23</td>
<td>.45**</td>
<td>-.18</td>
<td>.75**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SRB_COS</td>
<td>.08</td>
<td>.11</td>
<td>-.10</td>
<td>.08</td>
<td>.18</td>
<td>.37*</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOPM</td>
<td>.20</td>
<td>.18</td>
<td>-.03</td>
<td>.02</td>
<td>.25</td>
<td>.18</td>
<td>.44**</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PEER</td>
<td>.30</td>
<td>.40*</td>
<td>.10</td>
<td>-.17</td>
<td>.37*</td>
<td>.59**</td>
<td>.66**</td>
<td>.50**</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>NORGCE</td>
<td>.49**</td>
<td>.45**</td>
<td>-.26</td>
<td>-.65</td>
<td>.35*</td>
<td>.35*</td>
<td>.15</td>
<td>.29**</td>
<td>.39**</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Table 19. Correlations among variables including one response from each company (Sample B)
Summary of the Results

The measurements that were adopted to test the hypothesized model were verified through confirmatory factor analyses, while measurements that were developed for the study were factor analyzed and modified to achieve acceptable reliabilities. Resulting reliabilities, convergent validities, and discriminant validities were acceptable (see Table 10 for the summary of the variables). The hypothesized model was tested using LISREL. The hypothesized Model A did not achieve an acceptable fit. In testing individual paths, hypotheses 1, 2, 3, 4, 5, and 6 were supported, while hypotheses 7, 8, and 9 were rejected. The result of the model test indicated there were some sources of misfit resulting in significant residuals to the fitted covariance matrix. Since the nature of this study was exploratory and one of the objectives of the study was to suggest a better model for future research, a modified model was suggested.

Modified Model B deleted one of the SRB measurements, which showed significant cross relationships with other measurements. Model B achieved acceptable but questionable fit, since residuals were not distributed normally. Model C added additional paths, personal environment → attitudes toward ethics and social responsibility and organizational control systems → attitudes toward ethics and social responsibility, which could be theoretically justified. The fit of the Model C was improved and determined to be reasonable, since fit indices achieved were in the acceptable range and the distribution of the residuals did not show significant non-normality. Model D removed insignificant paths that appeared in the previous three models, and achieved reasonable fit. Model D was preferred over the other models,
because 1) the fit indices and residuals suggested the model explained the data well and
2) the model was more parsimonious and theoretically sound. Therefore, Model D was
suggested to represent the process of socially responsible buying.
CHAPTER 5

DISCUSSION

The previous chapter reported the results of the test of the proposed model and modified models with theoretically based changes. Even though the originally proposed model was determined unacceptable, the modified model provides insights on the process of socially responsible buying and how organizational systems and personal factors affect the buying decision. This chapter discusses the results of the study, contributions of the study, limitations of the research procedure, data analysis, and measurement issues, and implications for the industry and for future research.

Findings

The Beliefs-Attitude-Behavior Relationship

Fishbein and Ajzen's (1974) theory of reasoned action posits that beliefs are the ultimate sources of attitudes, while attitudes significantly predict behaviors. As evidenced in the results, the effect of attitudes toward ethics and social responsibility on SRB was significant and positive. The theory proposes that attitudes can be changed only when beliefs change. The finding supports the causal relationship of beliefs-attitude-behavior, as evidenced by the significant indirect effects of idealism on SRB.
through attitudes and the significant, indirect effect of relativism on SRB through attitudes. The results also confirmed there were no significant direct relationships between idealism and SRB and between relativism and SRB.

The Effects of Idealism and Relativism on Attitudes toward Ethics and Social Responsibility and SRB

The results showed that idealism positively, and relativism negatively, influenced attitudes and thus behaviors. Researchers have found similar results of the positive effect of idealism and negative effect of relativism on ethical attitudes and behaviors (Al-Khatib et al., 1995; Singhapakdi et al., 1995; Singhapakdi et al., 1996). The result indicates that the more buying/sourcing professionals believe ethical judgments are absolute in terms of ethical principles and norms, the more ethics and social responsibility are perceived to be important for business effectiveness. Similarly, the more they believe ethical standards are relative to society and specific situations, the less ethics and social responsibility are perceived as important for business effectiveness.

On the other hand, the two paths, one from personal environment to idealism and one from organizational control systems to relativism, were not significant in the hypothesis tests. Yet, idealism and relativism were significant predictors of attitudes toward ethics and social responsibility. This result suggests that idealism and relativism are not likely to be affected by organizational factors; rather they seem to influence attitudes directly. Harris (1990) found that individuals in business organizations tended to feel pressure to modify their ethical beliefs and values to be consistent with
organizational values. This indicates that individuals have internal conflicts regarding changing their beliefs in an organization. Beliefs are not easy to change (Fishbein & Ajzen, 1974). The results of this study suggest organizational factors tend to influence attitudes toward ethics and social responsibility, but not through beliefs. In proposing her person-situation ethical decision model, Trevino (1986) posited that personal factors such as norms and philosophies interact with situational factors including such organizational factors as codes, perceived peer ethicalness, and opportunity to behave ethically. Accordingly, a person’s moral philosophy is stable, influences the decision-making process and interacts with organizational factors to influence attitudes and behaviors. In other words, idealism and relativism tend to be stable and are unlikely to be changed by organizational controls or personal environment, but rather they interact with organizational factors to determine ethical and socially responsible attitudes and behaviors.

The Effects of Personal Environment and Organizational Control Systems on Attitudes and SRB

The results strongly supported Fishbein-Ajzen’s (1974) theory of reasoned action. The personal environment and organizational control systems were likely to influence behavior (i.e., SRB) through attitude formation (i.e., attitudes toward ethics and social responsibility). However, the model tests suggest that the personal environment and organizational control systems may work in different ways to determine ethical and socially responsible behaviors or decisions in an organization. Organizational control systems had a significant direct effect on attitudes toward ethics
and social responsibility, which in turn influenced SRB, and an insignificant direct effect on SRB. The personal environment had a moderately significant direct effect on attitudes toward ethics and social responsibility and a significant direct effect on SRB. According to the results, the personal environment seems to affect SRB directly as well as indirectly through attitudes toward ethics and social responsibility, while organizational control systems influence SRB only through attitude formation.

The direct effect of organizational control systems on behavior (SRB) was consistently insignificant and the direct effect on attitudes toward ethics and social responsibility turned out significant. Researchers, in fact, have found a direct effect of organizational control systems on attitude, even though the studies used different attitudinal scales with different contents (Hegarty & Sims, 1979; McCabe, Trevino, & Butterfield, 1996; Ferrell & Skinner, 1988; Singhapakdi & Vittell, 1990; Weaver & Ferrell, 1977).

There are two points to be made for the significant sequential relationship, organizational control systems $\rightarrow$ attitudes toward ethics and social responsibility $\rightarrow$ SRB. First, the insignificant direct path from organizational control systems to SRB might result from the infrequent use of organizational control systems in the apparel industry and the small number of cases analyzed. The average number of organizational control systems among the cases included in the model test was 2 ($M = 2.19; SD = 1.38$), with six types of organizational control systems assessed. The data may not have enough variance to determine effects on other variables in the model. On the other hand, according to Byrne’s (1998) citation regarding personal communication with K. G. Jöreskog in 1987, insignificant parameters in the structural equation model
test could be indicative of a too small sample size. The total number of cases included in the model test was 113.

Second, it is more theoretically sound to conclude that organizational control influences attitudes toward ethics and social responsibility, which, in turn, influences SRB, because the organizational control systems are attributes to be evaluated. Fishbein-Ajzen’s theory is based on the assumption that people’s decisions are rational and based on systematic processing of the information available. Even though such organizational control systems are projected to directly change employees’ behaviors or decisions by providing standardized norms, they work as information to be processed by the individuals in the organization. As suggested above, employees commonly confront conflicts with organizational values as compared to their own. Thus, individuals may need to evaluate the standardized norms relative to their own norms, values, philosophies, and standards in order to form attitudes that result in behaviors, supporting Fishbein-Ajzen’s contention.

On the other hand, the personal environment showed a different pattern in influencing SRB, compared to the organizational control systems. The personal environment had a significant direct, causal relationship with SRB in addition to its direct effect on the attitudes toward ethics and social responsibility, which in turn influenced SRB. Researchers have found that peers (Ford & Richardson, 1994; Fritz, Arnett, & Conkel, 1999) and top-management (Drumwright, 1994; Finkelstein & Hambrick, 1990; Hunt & Auster, 1990; Robin & Reidenbach, 1987) significantly influence employees’ ethical behaviors. Burkhardt (1994) found that individuals in an organization tended to change their behavior by copying co-workers behaviors,
especially when they perceived the situation as uncertain and the content of an object or an issue as beyond their knowledge. As Drumwright (1994) noted, socially responsible buying is an innovative and a newly adopted concept in business. It can be suggested that buying/sourcing professionals, who may not have enough knowledge and experience in socially responsible buying, may rely on personal sources to guide their socially responsible decisions, copying peer/top-managements’ behaviors to use as their own behaviors.

**Contributions of the Study**

This study attempted to build an exploratory model of socially responsible buying, applying business ethics theories, organizational decision making, and attitudinal theories. There are some important contributions of this study. First, the study initiated quantitative research in socially responsible buying. The only previous study that specifically dealt with the buying function was Drumwright’s (1994) environmentally responsible buying study, which was qualitative. Several points made in Drumwright’s study were supported by results of the present study, by using quantitative techniques and measurements, rather than abstract concepts used in her study.

Second, the study, which was exploratory, adopted various theories to develop a model of socially responsible buying. Since the concept of social responsibility has traditionally been treated as a special type of business ethics, the primary source of theoretical frameworks was business ethics theories. Some researchers have argued that ethics and social responsibility are different concepts (Robin & Reidenbach, 1987),
while opponents argue that both concepts operate with the same mechanisms of reasoning (Hunt, Kiecker, & Chonko, 1990; Goolsby & Hunt, 1992; Wood, Chonko, & Hunt, 1986). This study provided empirical support that socially responsible decisions, which concern the social contract between business and society, can be predicted by the moral philosophies and attitudes toward business ethics and social responsibility held by individual buying/sourcing professionals.

Third, the modeling approach defined causal relationships among the proposed factors in predicting ethical and socially responsible decisions. The study supported the importance of beliefs in forming attitudes and consequent behaviors or decisions. Following Fishbein-Ajzen’s theory, the study confirmed the sequential, causal relationships among beliefs (idealism and relativism), attitudes (attitudes toward ethics and social responsibility), and behavior (SRB). Therefore, the proposed model is theoretically sound.

Lastly, the study addresses the demand from the apparel industry for increased understanding of its social responsibility problem. The results of the study provide the industry with valuable suggestions for the effective and efficient implementation of socially responsible buying in their buying/sourcing function.

**Limitations of Study**

In addition to the low response rate of surveys with business respondents, there were difficulties with the data collection. Since the subject of the survey was a sensitive issue in the apparel industry, there were many occasions that high-ranking executives in companies blocked the entire survey to their employees. Some respondents who were
contacted expressed their fear in responding to the survey. In addition, the companies who participated in the survey were limited to large companies who have already adopted socially responsible buying to some degree. Another problem associated with the survey procedure was the unequal number of responses from each company. Even though the primary interest of this study was to investigate the individual decision making process, the unequal number of responses may impose some biases. A post-hoc analysis on sampling bias revealed possible underestimation of the effects of personal environment on SRB and the effects of idealism and relativism on SRB. Thus, results may not truly reflect all the companies in the industry and may have limited generalizability.

Second, the questionnaire for the survey was lengthy to include multiple items for each construct of interest, as indicated by many respondents who were contacted by follow-up telephone calls. Moreover, the questions related to ethics constructs were conceptual and tended to be very similar, which was also indicated by respondents. The resulting problem was a significant number of missing values. The number of total questionnaires returned was 164, and 6 were excluded due to their significant missing values, resulting in 158 cases analyzed. However, by deleting missing values listwise for the model test, the number of valid cases was only 113. The small sample size might have caused insignificant parameter estimates (Byrne, 1998).

Third, the measurement for organizational control systems might have some problems with its validity, as it only measured the number of organizational control systems in the organization. That is, it did not include multiple questions to assess the meaning of the organizational control systems to the employees. Another way to use
multiple indicators for organizational control systems is to use dichotomous indicator variables for the six organizational control systems/programs. However, it was not feasible in this study, as the sample size did not reach the minimum number of cases required for calculating the polychoric correlation and asymptotic covariance matrix. Moreover, the average number of organizational control systems observed in this study was 2, which indicates that organizational control systems were not very common in the apparel industry at the time of the survey. The number of organizational control systems included in the analysis might not impose enough variance to assess its effects.

Fourth, because the attitudes toward ethics and social responsibility scale was adopted from the literature, the items were analyzed in a confirmatory manner without modification. The attitudes toward ethics and social responsibility scale might have contributed to the model misfit, as the reliabilities for its dimensions were not as high as other variables in the model. The attitudes toward ethics and social responsibility scale (PRESOR, Singhapakdi et al., 1996) has shown confusing results in previous research and thus might need to be reconsidered and revised.

Lastly, the SRB scale considered only subjective perceptions of the respondents about SRB. The perceived level of their considerations during buying/sourcing decisions in various areas of social responsibility might not reflect the true level of socially responsible buying. It may also be biased if social desirability response bias exists.
Suggestions

Implications for the Industry

The findings of the study suggest that personal environment tends to directly influence SRB as well as attitudes toward ethics and social responsibility, while the organizational control systems influence SRB indirectly through attitude formation. Organizational control systems are designed to promote ethical and socially responsible buying and have been found to be effective previously. This study found that buying/sourcing professionals were involved in reasoned decision making and idealism and relativism were inputs in decision making, but not influenced by organizational factors. The finding of this study suggests that organizational control systems should be designed based on an understanding of employees’ individual norms and values to reduce conflicts with values and norms embedded in organizational control systems and/or programs. Value-based, rather than coercive organizational control systems are suggested to reduce such conflicts. For example, punishment policies without value-based statements or codes may not work properly. Workshops where employees and management can discuss what they believe regarding ethics and social responsibility may be effective in reducing conflicts.

The findings suggest that buying/sourcing professionals may not be knowledgeable and experienced in terms of socially responsible buying. Some respondents mentioned that they were not exposed to information from vendor audits and did not know whether their companies have reward/punishment or policies for socially responsible buying. Welt and Sorrell (1986) mentioned that apparel buyers did
not acknowledge the social impact of their buying and suggested developing corporate educational and awareness programs to improve this condition. Therefore, it is also suggested that organizational control systems should be implemented with educational programs.

The findings also suggest the powerful influence of personal environment in an organization. It is suggested that building an ethical and socially responsible environment through personal sources will be more effective than coercive controls or sanctions. Because top-management has the power to influence organizational control systems as well as employees (Jose & Thibodeaux, 1999; Sims, 2000), its involvement in various programs and systems may be effective. This was evidenced in Levi Strauss’s case. When its chairperson involved himself in the internal monitoring program of fair employment in third world countries, the program became more effective than before (Ramey & Barrett, 1996). Chonko and Hunt (1985) found that organizational control systems were effective only when employees perceived top-management as committed to the ethical values. Therefore, building ethical and socially responsible organizational missions and frequently addressing the importance of ethical and socially responsible buying to their employees may be effective in facilitating socially responsible buying. This will communicate the values of the top-management to the employees and may affect employees’ perceptions regarding management’s commitment to and support for socially responsible buying.
Suggestions for Future Research

This study found the role of beliefs (idealism and relativism) and attitudes to be important in determining socially responsible behaviors. Such constructs should be incorporated into studies that examine ethical and socially responsible decision making. Moreover, as discussed, beliefs are a stable construct that determines ethical and socially responsible behaviors, and are not affected by situational factors. Previous discussion suggests that idealism and relativism are not affected by organizational factors; rather they may be a part of the individual inputs of ethical and socially responsible decision making. Therefore, organizational factors should be studied as factors that interact with personal moral philosophies (i.e., idealism and relativism), rather than as factors that influence the beliefs.

Second, the results of the study suggest different decision making mechanisms depending on types of organizational factors (i.e., personal environment and organizational control systems). Since this study only examined the number of organizational control systems as an indication of the extent of such systems, it is suggested that future research incorporate different methods of measuring the extent of organizational control systems using multiple items and extending the concept of organizational control systems. It also may be useful to investigate the effects of the presence of each organizational control system on socially responsible behaviors/decisions. The type of an organizational control system may differentiate its effect on socially responsible decision making in a specific decision situation. For example, researchers found specialists of ethics and social responsibility were effective in promoting ethical and socially responsible behaviors and this was due to their
expertise (Drumwright, 1994; Kohli, 1989; Thomas, 1982), especially when the situation was highly uncertain and risky (Kohli, 1989). Therefore, studying the effects and mechanisms of specific organizational control systems in specific situations may provide valuable suggestions for company policy makers.

Third, studying small businesses may provide additional insight about socially responsible buying. Several empirical studies have found better ethical and socially responsible attitudes and values among managers in small companies than in large companies (Christman & Fry, 1982; Longenecker, McKinney, & Moore, 1989). This has been explained by the nature of top-management and organizational characteristics. Management or owners of small companies typically have close relationships with their customers and society, and the relationships are built on trust (Humphrey, Robin, Reidenbach, & Moak, 1993). They have fewer constraints in applying personal values than managers of large companies (Jackall, 1988). Robin and Reidenbach (1987) suggested applying the concept of family values to organizational values to solve problems related to ethics and social responsibility. They emphasized close relationships with employees and publics by comparing employees to nuclear family members and publics to close relatives. From this perspective, even though small companies are not likely to adopt various organizational control systems due to the capital requirement, socially responsible buying may be more likely in small businesses. Since small companies have more a family-oriented organizational structure and managers or owners can directly apply their individual values to organizational values, the personal environment in small companies may influence socially responsible decision to a greater degree than in large companies.
Fourth, along with studying socially responsible decisions with different sizes of organizations, investigating the effects of top-management characteristics on socially responsible decisions will also be valuable. Top-management plays an important role in shaping organizational ethical values and influencing employees’ ethical and socially responsible behaviors/decisions (Hunt & Auster, 1990; Robin & Reidenbach, 1987). Literature on strategic leadership suggests that top-management’s demographic characteristics such as age, tenure, education (knowledge), and demeanor, as well as psychological characteristics such as values, aptitudes and cognition style, determine organizational strategic choice and performance (Hambrick, 1987; Hambrick & Mason, 1984). Such top-management characteristics also affect the degree of adoption of innovations (Hambrick & Mason, 1984). Therefore, innovative, socially responsible decisions such as socially responsible buying may be adopted differently depending on such top-management characteristics.

Fifth, the attitudes toward ethics and social responsibility scale adopted was found to have a two-factor structure: 1) importance of ethics and social responsibility and 2) subordination of ethics and social responsibility. This study used these two dimensions to indicate a composite of attitudes toward ethics and social responsibility. However, the two dimensions seem conceptually opposite. Etheredge (1999) found idealism was highly correlated with the importance of ethics and social responsibility and relativism was highly correlated with both the subordination of ethics and social responsibility and importance of ethics and social responsibility. Thus, it would be valuable to study those two dimensions of the attitudes toward ethics and social responsibility scale discretely in relation to idealism and relativism to assess
relationships among the variables in determining ethical and socially responsible behaviors or decisions.

Sixth, the model proposed through modification should be tested with larger and random samples. This study employed non-random sampling to obtain enough responses because of the sensitivity of the social responsibility issues in the apparel industry. This model can be extended to other industries and different cultures to build a parsimonious model. Ethical contents were perceived differently across different professionals (Ronald & Moon, 1995). Since the process of measurement verification of SRB involved dropping a considerable number of items and respondents indicated some of the items were not applicable to their job content, it is also suggested to develop or revise the SRB scale depending on the industry and respondents. In addition, to reduce social desirability bias, developing an objective measure of ethical and socially responsible decision outcomes is suggested.

Lastly, the study employed SEM techniques to test the model. SEM techniques allow researchers to test a composite of causal relations at the same time accounting for measurement errors, which typically reside in psychological measurements. However, even though SEM uses innovative and attractive statistical techniques that simultaneously examine the whole picture of the decision making-process with direct and indirect cause-effect relationships, researchers have argued that the cause-effect inferences from SEM are not promising. In this respect, researchers in the organizational behavior field have pointed out that, even though the hypotheses in an SEM model are constructed based on causal relationships, testing the model by assessing fit of the model does not provide causal inferences among variables, except
when the causality is obvious in a logical sense (Brannick, 1995; Kelloway, 1995; Williams, 1995). Specifying causal paths is more problematic if the data are cross-sectional, measured at the same time period (Mulaik & James, 1995). It has been suggested that a controlled experiment is the best way to test causal hypotheses (Cooley & LeRoy, 1985; Hoover, 1990). Therefore, future research based on the findings from this study could be experimental with a focus on questionable causal relationships (e.g., personal environment $\rightarrow$ attitudes toward ethics and social responsibility or attitudes toward ethics and social responsibility $\rightarrow$ personal environment).
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http://www.domini.com/SocialScreen-2.html


Imitation is the most dangerous flattery. (1985, June 3). *People*, p. 110.


APPENDIX A

HUMAN SUBJECT EXEMPTION FORM
## Title Page - Application for Exemption

**From Review by the Institutional Review Board**

The Ohio State University, Columbus OH 43210

![Image of application page]

### Principal Investigator

- **Name:** Leslie Stoel  
  - **Phone:** 614) 688-6594  
  - **E-mail:** stoel.1@osu.edu  
- **Campus Address (room, building, street address):**  
  - 285N Campbell Hall  
  - 1787 Neil Ave.  
  - Columbus, OH 43210  
- **Signature:**  
  - **Date:** 10/23/00

### Co-Investigator

- **Name:** Haeun Park  
  - **Phone:** 688-1775  
  - **E-mail:** park.303@osu.edu  
- **Campus Address (room, building, street address) or Mailing Address:**  
  - 115 Campbell Hall  
  - 1787 Neil Ave.  
  - Columbus, OH 43210  
- **Signature:**  
  - **Date:** 9/23/00

### Co-Investigator

- **Name:** Sharron J. Lennon  
  - **Phone:** 292-4384  
  - **E-mail:** lennon.2@osu.edu  
- **Campus Address (room, building, street address) or Mailing Address:**  
  - 229A Campbell Hall  
  - 1787 Neil Ave.  
  - Columbus, OH 43210  
- **Signature:**  
  - **Date:** 10/23/00

### Protocol Title

- **Socially Responsible Buying in Apparel Retail Industry**  
  - **Date:** OCT 31 2000

### Source of Funding

**For Office Use Only**

- **Approved.**  
  - Research has been determined to be exempt under these categories:  
  - Research may begin as of the date of determination listed below.

- **Disapproved.**  
  - The proposed research does not fall within the categories of exemption. Submit an application to the appropriate Institutional Review Board for review.

- **Date of determination:** 11/12/00  
  - **Signature:** [Signature]

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APPENDIX B

SAMPLE LETTERS

- Pre-Contacts with Executives of Apparel Companies
  - Cover Letter Included in Questionnaire
February 6, 2001

Brad Gillam
Lands' End, Inc.
Lands' End Ln.
Dodgeville, WI 53595

Dear Mr. Gillam:

Would you like to help improve the image of the apparel industry? Is your company looking for ways to show the public that your buying process is ethical and socially responsible? The department of Consumer & Textile Sciences at The Ohio State University is conducting a research project, which is about socially responsible retail buying. The apparel industry’s recent social responsibility problems have inspired us to study this topic, because we believe retailers are looking for a better way to let their employees make socially responsible buying decisions. Conclusions drawn from the study will allow us to suggest effective ways for retail companies to promote their employees’ socially responsible buying decisions. The information will also be useful in communicating with the public how a retail company tries to promote ethical and socially responsible buying practices. Ultimately, the study will help retail companies in the industry build effective, socially responsible business strategies and thus sustain long-term business success and customer loyalty.

To collect data for the study, we would like to mail surveys to buying professionals employed with US based apparel/shoe companies whose annual sales exceed $100 million. We are asking for permission for your apparel/shoe buyers to participate in the study. If you agree, we would need information or assistance from you to distribute the surveys. We can mail them directly to the buying employees, so I would need your buyers’ names and mailing addresses. Or, you can distribute the survey arbitrarily to your buying employees for us. In that case, we will prepare a packet and send to you for distribution. In either case, we will provide return envelopes with prepaid postage for your employees to send us their completed surveys back.

The questions in the survey will ask buyers about their perceptions regarding business philosophies and basic personal and organizational information. We have attached a copy of the questionnaire for your review. We promise confidentiality. All of the responses will be used only for research purposes, and will not identify individuals or companies. Additionally, we will acknowledge your participation in any publications drawn from the study.

We realize your time is at a premium; however, we stress that your help is valuable in improving the image of US apparel businesses. If you have any questions about this research, please contact Haesun Park (614)538-9243 (park.303@osu.edu) or Dr. Stoel (614)688-8594 (stoel.1@osu.edu). We will look forward to your positive answer. Thank you very much for your time and consideration.

Sincerely,

Haesun Park
Ph. D. Candidate
Consumer & Textile Sciences
The Ohio State University

Leslie Stoel
Assistant Professor
Consumer & Textile Sciences
The Ohio State University

Sharron Lennon
Professor
Consumer & Textile Sciences
The Ohio State University
Robert J. Zane  
SVP, Sourcing and Logistics  
Liz Claiborne, Inc.  
1441 Broadway  
New York, NY 10018

Dear Mr. Zane:

Would you like to help improve the image of the apparel industry? Is your company looking for ways to show the public that your buying process is ethical and socially responsible? The department of Consumer & Textile Sciences at The Ohio State University is conducting a research survey, which is about socially responsible buying. The apparel industry's recent social responsibility problems have inspired us to study this topic, because we believe constituents of the industry are looking for a better way to let their employees make socially responsible buying decisions. The purpose of the study is to investigate how individuals make socially responsible buying decisions in business organizations. The results from the study will explain how individuals make socially responsible buying decisions and suggest ways that companies can help their buying/sourcing employees make socially responsible decisions. The information will be useful in communicating to the public how an organization promotes ethical and socially responsible business activities.

To collect data for the study, we are mailing surveys to buying professionals employed with US based apparel/shoe companies whose annual sales exceed $100 million. We are asking for permission for your buyers/sourcing professionals to participate in the study. If you agree, we would need information or assistance from you to distribute the surveys. We can mail them directly to the sourcing employees, so we would need their names and mailing addresses. Or, you may want to distribute the survey arbitrarily to your sourcing employees for us. In that case, we will prepare a packet and send to you for distribution. In either case, we will provide return envelopes with prepaid postage for your employees to send us their completed surveys back.

The questions in the survey will ask sourcing professionals about their perceptions regarding business philosophies and basic personal and organizational information. All of the responses will be used only for research purposes, and will not identify individuals or companies. Additionally, we will acknowledge your participation in publications drawn from the study.

We realize your time is at a premium; however, we stress that your help is valuable in improving the image of US apparel businesses. If you have any questions about this research, please contact Haesun Park at (614) 538-9243 (Tel) 614 688-8133 (Fax) or park.303@osu.edu (e-mail). We will look forward to your positive answer. Thank you very much for your time and consideration.

Sincerely,

Haesun Park  
Ph. D. Candidate  
Consumer & Textile Sciences  
The Ohio State University

Leslie Stoel  
Assistant Professor  
Consumer & Textile Sciences  
The Ohio State University

Sharron Lennon  
Professor  
Consumer & Textile Sciences  
The Ohio State University
Bill Recchia  
Value City Department Stores, Inc.  
110 E. 9th St. A1161  
Los Angeles, CA 90079  

Subject: Socially Responsible Retail Buying Survey  

Dear Mr. Recchia:

Would you like to help improve images of the apparel/shoe retail industry? The purpose of the study is to investigate how individuals make socially responsible buying decisions in retail organizations. The results from the study will explain how individuals make socially responsible buying decisions and suggest ways that retail organizations can help their buying/sourcing employees make socially responsible decisions. The information will be useful in communicating to the public how a retail organization promotes ethical and socially responsible buying practices.

The questionnaire will ask you about your perceptions regarding business philosophies and general personal/organizational information. It will take about 15 minutes to complete the questionnaire. Please try to respond to all questions. All of your responses will remain confidential, and will be used only for research purposes without identifying individuals or organizations.

We realize your time is at a premium; however, we stress that your response is very valuable to improve the socially responsible image of the retail businesses. We would appreciate it if you complete this questionnaire and return it by May 5th. After completing the questionnaire, fold the booklet into thirds along the horizontal lines with the return address and postage on the outside, tape or staple it closed, and put it in the mail. If you have any questions about this research, please contact Haesun Park (614)538-9243 (park.303@osu.edu) or Leslie Stoel (614)688-8594 (stoel.1@osu.edu). If you would like to obtain a copy of the results of this study, send a letter or postcard to Haesun Park at the address above and include your name and addresses and mention the socially responsible retail buying study.

To protect the confidentiality of your responses, do not write your name and addresses on the returned questionnaire. Thank you very much for your participation.

Sincerely,

Haesun Park  
Ph. D. Candidate  
Consumer & Textile Sciences  
The Ohio State University

Leslie Stoel  
Assistant Professor  
Consumer & Textile Sciences  
The Ohio State University

Sharron Lennon  
Professor  
Consumer & Textile Sciences  
The Ohio State University

April 19, 2001
APPENDIX C

MEASURES USED IN THE STUDY
Perceived Ethics and Social Responsibility (PRESOR) Scale

ESR_A) Being ethical and socially responsible is the most important thing a firm can do.
ESR_E) The most important concern for a firm is making a profit, even if it means bending or breaking the rules.
ESR_F) The ethics and social responsibility of a firm is essential to its long-term profitability.
ESR_G) The overall effectiveness of a business can be determined to a great extent by the degree to which it is ethical and socially responsible.
ESR_H) To remain competitive in a global environment, business firms will have to disregard ethics and social responsibility.
ESR_I) Social responsibility and profitability can be compatible.
ESR_J) Business ethics and social responsibility are critical to the survival of business enterprise.
ESR_K) A firm’s first priority should be employee morale.
ESR_L) Business has a social responsibility beyond making profits.
ESR_M) If survival of a business enterprise is at stake, then you must forget about ethics and social responsibility.
ESR_N) Efficiency is much more important to a firm than whether or not the firm is seen as ethical or socially responsible.
ESR_O) Good ethics is often good business.
ESR_P) If the stockholders are unhappy, nothing else matters.

Note. ESR scale consists of 13 items and items ESR_B, ESR_C, and ESR_D were not included since they were deleted during scale validation by Singhapakdi et al. (1996). Items in italics were not included in two-factor structure proposed by Etheredge (1999).

Idealism Scale from EPQ (Forsyth, 1980)

a) A person should make certain that their actions never intentionally harm another even to a small degree.
b) Risks to another should never be tolerated, irrespective of how small the risk might be.
c) The existence of potential harm to others is always wrong, irrespective of the benefits to be gained.
d) One should never psychologically or physically harm another person.
e) One should not perform an action which might threaten in any way the dignity and welfare of another individual.
f) If an action could harm an innocent other, then it should not be done.
g) Deciding whether or not to perform an act by balancing the positive consequences of the act against the negative consequences of the act is immoral.
h) Dignity and welfare of people should be the most important concern in any society.
i) It is never necessary to sacrifice the welfare of others.
j) Moral actions are those which closely match ideals of the most “perfect” action.

Relativism Scale from EPQ (Forsyth, 1980)

a) There are no ethical principles that are so important that they should be a part of any code of ethics.
b) ‘What is ethical’ varies from one situation and society to another.
c) Moral standards should be seen as being individualistic; what one person considers to be moral may be judged to be immoral by another person.
d) Different types of moralities cannot be compared as to ‘rightness.’
e) Questions of what is ethical for everyone can never be resolved since what is moral or immoral is up to the individual.
f) Moral standards are simply personal rules which indicate how a person should behave, and are not to be applied in making judgments of others.
g) Ethical considerations in interpersonal relations are so complex that individuals should be allowed to formulate their individual codes.
h) Rigidly codifying an ethical position that prevents certain types of actions could stand in the way of better human relations and adjustment.
i) No rule concerning lying can be formulated; whether a lie is permissible or not permissible totally depends upon the situation.
j) Whether a lie is judged to be moral or immoral depends upon the circumstances surrounding the action.

Scale for Personal Environment

a) Top-management behaves in a highly ethical and socially responsible manner.
b) Top-management provides invisible, but value-oriented support for socially responsible buying.
c) Top-management believes that higher financial risks are worth taking for social welfare.
d) There is frequent encouragement from top-management to practice socially responsible buying.
e) Top-management tends to concentrate on the profits and costs of each buying proposal.
f) Top-management creates an organizational climate conductive to employees taking the risks associated with socially responsible buying.
g) Overall, top-management is highly committed to socially responsible buying.
h) My peers are ethical and socially responsible people.
i) My peers’ business decisions are socially responsible.
j) My peers behave in a highly ethical and socially responsible manner.
k) There is frequent encouragement of ethical and socially responsible buying from my peers.
l) I frequently talk to my peers regarding the standards in terms of ethics and social responsibility of business decisions.
m) There are some barriers in talking with my peers about ethics and social responsibility, and business decisions related to these issues.
n) Overall, my peers are highly ethical and socially responsible in terms of their buying decisions.

Note. * indicates reverse questions. Items in italics were deleted in the process of measurement refinement and verification.

**Scale for Organizational Control Systems**

A. My company has a formal buying/sourcing policy encompassing ethics and social responsibility
B. The company has a specialist(s) or dept. for socially responsible buying/sourcing
C. The company has a formal vendor auditing and/or monitoring program(s) that accesses social responsibility of our suppliers and their products
D. The company has educational program(s) for socially responsible buying/sourcing
E. The company has a formal reward program for ethical and socially responsible buying/sourcing performance.
F. The company has a formal punishment policy for any socially irresponsible buying/sourcing practice.

**Scale for Socially Responsible Buying (SRB)**

**SRB_A)** The producer and products comply with federal, state, and local environmental regulations.
**SRB_B)** The products and the process of producing them will reduce or minimize environmental impact.
**SRB_C)** Technologies for production have been adopted or products were redesigned to conserve the use of energy, water, materials and/or land.
**SRB_D)** The producer has innovative pollution prevention programs and/or in-house recycling programs.
**SRB_E)** The producer has management practices, including audits, that address environmental performance.
**SRB_F)** The producer has disclosed environmental policies and practices to shareholders, employees, and communities in which the company operates.
SRB_G) The producer complies with equal opportunity standards concerning pay, promotion, and tenure with regard to race, gender, religion, age, sexual orientation and HIV/AIDS status or physical ability.

SRB_H) The producer compensates their workers fairly.

SRB_I) The producer has and enjoys good labor-management relations.

SRB_J) The producer provides programs and benefits that support workers and their families.

SRB_K) The producer provides a safe and healthy workplace

SRB_L) The producer has adopted specific human right standards to govern international operations and practices

SRB_M) The producer enforces a code of conduct in choosing where and with whom they do business.

SRB_N) The producer utilizes more stringent environmental and workplace standards than required by host countries

SRB_O) The producer directly combats human rights abuses and environmental degradation in international operations


SRB_Q) The products will enhance the health or quality of life for consumers...

SRB_R) The producer has maintained quality control and customer satisfaction

SRB_S) The producer has responded and is able to respond promptly to correct problems with product safety issue on the products...

SRB_T) The producer demonstrates integrity in their advertising and labeling, both domestically and overseas.

SRB_U) The producer who conducts animal testing for the products provides a viable rationale for using animals and has a set of standards for humane treatment of animals with efforts to reduce the animal testing

Note. Items in italics were deleted in the measurement refinement and verification process
APPENDIX D

Q PLOTS OF THE MODEL TESTS
Note. each x represents a single point, and each * represents multiple points.

Figure 6. Q-plot of Standardized Residuals of Model A
Figure 7. Q-plot of Standardized Residuals of Model B
Figure 8. Q-plot of Standardized Residuals of Model C
Figure 9. Q-plot of Standardized Residuals of Model D
APPENDIX E

ATTITUDINAL SCALES IN BUSINESS ETHICS FIELD
There have been various efforts to develop an attitude scale for business ethics and social responsibility. Though there has not been developed a unified measure of attitudes toward business ethics and social responsibility (e.g., Hunt et al., 1990; Preble & Reichel, 1988; Singhapakdi et al., 1996; Wood et al., 1986), the concept of the attitude toward business ethics and social responsibility contains the importance of ethics and social responsibility in making business decisions (e.g., buying decision). Wood et al. (1986) used a 2-item social responsibility measure that was designed to capture the attitudinal dimension of social responsibility and studied decisions of marketing professionals. However, the scale has been criticized due to the lack of validity from only 2 items, and because the items contained some behavioral indications (e.g., I often place my duty to society above my duty to my company). Accordingly, Hunt et al. (1990) developed a 4-item semantic differential scale to capture overall importance of social responsibility (e.g., Trivial - Fundamental). However, Hunt et al.’s scale (1990) doesn’t measure dimensionality of attitudes and, thus, is unable to capture potential interactive effects of attitudes on behaviors.

Preble and Reichel (1988) developed ATBEQ (Attitude toward Business Ethics Questionnaire) capturing the various business philosophies such as Social Darwinism, Machiavellianism, Objectivism, and Ethical Relativism. The ATBEQ scale was developed based on Stevens’ (1979) discussion of business philosophies and their relationships with business ethics, emphasizing the importance of developing ethical values in an organization. These scales have been used as a validation scale for other attitude measures such as PRESOR (Etheredge, 1999; Singhapakdi et al., 1996). Based on the conceptualization, the ATBEQ scale was intended to capture attitudinal
constructs, but seems to capture beliefs and values (e.g., 'moral values are irrelevant to the business world'), and is limited to only moral considerations. It excludes social responsibility considerations such as social welfare and stakeholders. The ATBEQ scale has been used to compare attitudes toward ethics in different cultures (Preble & Reichel, 1988; Small, 1992). However, the scale has not been used frequently, probably due to the large number of items in the scale (30 items).

Another attitudinal scale for business ethics and social responsibility is the PRESOR scale, which was developed by Singhapakdi et al. (1996), and is closely related to the concept of business effectiveness. Because ethical and socially responsible business decisions are made within the organizational context, it seems that business decision makers' attitudes toward ethics and social responsibility contain considerations of organizational performance. The organizational effectiveness concept has been studied and its importance has been emphasized in achieving business success especially in achieving social performance in the organizational decision area. Organizational effectiveness is believed to be one of the primary concerns in organizational decision making, and is defined as 'human judgments about the desirability of the outcomes of organizational performance from the vantage point of the varied constituencies directly and indirectly affected by the organization' (Zammuto, 1984, p. 614). Velasquez (1996) emphasized the potential profitability of ethical behaviors and declared that ethical behavior was crucial for the effectiveness of business organizations.

In an empirical study, Zahra and LaTour (1987) found that ethics and social responsibility formed a dimension of organizational effectiveness. Later, Kraft (1991)
found that it was a relatively important construct in measuring organizational effectiveness compared to other organizational effectiveness dimensions. In this respect, researchers in the business ethics field have adopted the business effectiveness concept to measure attitudes toward ethics and social responsibility (Singhapakdi et al., 1996). Singhapakdi et al. (1996) developed a measure of perceived importance of ethics and social responsibility in achieving organizational effectiveness. They found that how important individual decision-makers perceive ethics and social responsibility for business effectiveness, an attitude construct related to ethics and social responsibility in business, determines ethical and socially responsible decisions. The measure has been used in a series of studies surveying different areas of business practitioners and students and has achieved reasonable reliability (Singhapakdi et al., 1996; 1996; Singhapakdi, 1999).

The PRESOR scale, based on a subscale of organizational effectiveness (Kraft & Jauch, 1992), specifically concerns the role of ethics and social responsibility in achieving organizational effectiveness (Kraft, 1991; Zahra & LaTour, 1987). According to Singhapakdi et al. (1996), the perceived importance of ethics and social responsibility for business effectiveness determines whether or not an ethical problem is even perceived in a given situation and thus determines whether variables such as deontological norms and the importance of stakeholders (i.e., teleological norms; utilitarian perspective) can be inputs of ethical judgments. In validating the PRESOR scale, Singhapakdi et al. (1996) showed a convergence between the PRESOR scale and the two moral philosophies, idealism and relativism. In later studies, Singhapakdi and his colleagues showed the importance of the scale in predicting ethical decision making.
However, considering Singhapakdi et al.’s goal in developing the PRESOR scale, to determine norms to be applied in the ethical judgment process, the relationship between personal moral philosophies and the attitude construct does not seem clear. While the positive relationship between them has been shown by researchers (Singhapakdi et al., 1995; Vitell et al., 1993; Vitell & Singhapakdi, 1993), the causal relationships are not clearly defined and tested.