

**An Investigation of the Links between Professional Education,
Salesforce Socialization and Cognitive Moral Development of Salespeople**

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Introduction

Finding, training, motivating and retaining good sales people are vital tasks of sales managers (Dubinsky, Howell, Ingram and Bellenger, 1986). Thus, success in sales organizations depends heavily on effective selection and management of personnel. Churchill, Walker and Ford (1985, p. 111) suggest that "from a manager's point of view, whom one hires is important, but probably not as important as what one does with the recruits and to them after being hired." Important to this discussion, however, is the fact that the ethics of those engaged in selling have often been questioned. Some reasons advanced by critics involve the individually fluctuating parameters of ethical consensus, the salesperson's boundary spanning role within the organization and the high functional visibility of the position. Additionally, some critics allege that sales positions attract persons with questionable morals, at best, or those who are unscrupulous, at worst (Dubinsky and Loken, 1989). Moreover, many suggest that an ethical trade-off exists between salespeople's earnings and their activities, indicating an inverse relationship between moral development and income. In today's highly litigious business environment, it is incumbent upon sales managers not only to emphasize performance goals of their salespeople, but also to stress socialization tactics that will help assure compliance.

The task for researchers of salesforce socialization is to identify tactics and link them to underlying behavior. Schwepker (2001, p. 49), in a study on ethical climate and

organizational commitment, suggests that “future research should seek to determine the extent to which socialization and training tactics may be responsible for the ethical climate’s influence on boundary spanners such as salespeople.” Thus, one objective of the current study is to introduce professional education as a socialization tactic to the sales literature. More specifically, this study investigates the links between professional education, salesforce socialization and cognitive moral development of real estate salespeople.

Previous research has suggested a connection between professional education and gains in job performance measurement variables (e.g. income) but no studies have specifically measured the effects of courses leading to attainment of a professional designation. Follain, Lutes and Meier (1987) and Sirmans and Swicegood (2000) have suggested that future research should focus on better measures of professional training and development. Thus, the current study also attempts to measure the effect of earning a professional designation on income of residential real estate salepeople.

Professional education, as investigated, is the distinction that accrues to members of sales organizations through taking prescribed courses and passing a series of exams designed to measure one’s mastery of product knowledge and proficiency in advanced selling situations. The National Association of Realtors[®] (NAR) sponsors and establishes curriculum requirements for seven specific professional designations, such as the Graduate Realtor Institute (GRI), Certified Residential Specialist (CRS), Certified Commercial Investment Member (CCIM), Society of Industrial and Office Realtors (SIOR), among others. Designations are awarded for attaining professional education and signal a level of proficiency among members of the profession. All designations have an ethics learning component designed around the practice of real estate.

The current research is unique in several respects. First, it investigates a large population of sales practitioners that have not been adequately addressed in the sales-marketing literature. According to the Association of Real Estate License Law Organizations (ARELLO), in 2001 over 1.2 million people were actively licensed real estate sales practitioners in the U.S¹. Second, based on extant socialization theory, it seeks to investigate the connection between professional designations and cognitive moral development, based on designation-granting courses offered to real estate salespeople through the National Association of Realtors[®] (NAR). Finally, this study attempts to resolve critic's suggested ethical trade-off between salespersons income and moral reasoning.

Characteristics Unique to Real Estate Sales

Socialization processes have been studied in nonselling as well as in general selling occupations. Studies by Dubinsky, Howell, Ingram and Bellenger (1986) and Kennedy and Lawton (1992), using Feldman's (1976a) socialization model, showed empirical results supporting the importance of successful salesforce socialization as a task of an organization's sales manager. However, the field of real estate sales has some unique characteristics that warrant consideration. The following list was adapted from a similar taxonomy presented by Dubinsky, Howell, Ingram and Bellenger (1986).

1. The laws-of-agency, which regulate real estate sales and other agency types of selling, create a legal, as opposed to *at-will* fiduciary responsibility. By virtue of this arrangement, information asymmetries accrue to agents due to non-arm's-length dealing (Eisenhardt, 1988; Bergen, Dutta and Walker, 1992; Mishra Heide and Cort, 1998). One important distinguishing characteristic of agency sales,

¹ Some states permit licensees to maintain "inactive" status, the above figure does not include approximately 200,000 persons in this classification.

compared to traditional, arm's-length sales, is the amount of information that is transferred to the salesperson through the agency relationship.

2. While straight-commission compensation plans (SCCPs) may create self-interest among salespeople, in a wide variety of selling situations, the independent contractor status of most real estate sales practitioners tends to reinforce the concept of self-interest (Kurland, 1996). Additionally, as with traditional selling situations, real estate sales is filled with uncertainty and interpersonal conflict; thus the demands for coping are greater than in many other jobs. Further, the high visibility of a salesperson's performance can lead to role stress.
3. Highly competitive market conditions for customers (buyers) creates a conflict of interest, particularly as sales practitioners are challenged with regard to mitigating the importance of disclosing sensitive or material information learned in the workplace. In lieu of personalized supervision, real estate salespeople are often guided by performance criteria, such as incentive based compensation plans, listing quotas, sales volume measures and other performance measures. Thus, successful real estate sales careers require great persistence and self-determination.
4. Unlike many other types of selling jobs, real estate sales often rely on the performance of outside service providers, such as mortgage bankers, appraisers, and building inspectors. The work performed by these service providers creates a selling situation that produces delayed results from the salesperson's primary effort. The fact that a successful sales closing may take months of effort and rely on contingent approvals of others lessens the reinforcement of good performance, and can actually contribute to disillusionment.
5. Real estate salespeople must be flexible and innovative because much of their work is influenced by uncontrollable circumstances such as interest rate changes that can affect a homebuyer's purchasing power. In addition, real estate salespeople work with a wide range of customers, many of whom have unique needs.
6. In most real estate organizations, salespeople operate with a greater degree of autonomy than in more traditional selling environments. Sales managers' daily contact with salespeople is either non-existent or limited to performance-based supervision. Sales managers tend to focus on short-term goals, rather than teaching and motivating on the benefits of improving performance over time through professionalism and career-based education. Some researchers (Sujan, Weitz and Kumar, 1994; Kohli, Shervani and Challagalla, 1998) have questioned this heavy reliance on performance orientations. Hence, experienced real estate salespeople may have a greater need to identify with others like themselves for career development and specialized learning. Satisfying these needs may come from earning a professional designation, and attaining the distinction that professional memberships afford.

The Ethical Domain of the Real Estate Profession

Marketing activities, particularly those involving personal sales, have long been the target of ethical criticism, and the real estate profession has been no exception. The concept of professional ethics is more than an acceptable measure by which to gauge the virtuousness of those engaged in a profession. For many engaged in various professions, it means a concept that embraces a certain moral reasoning ability, which permits the practitioner to make judgments unaffected by the self-interest that may impair an individual's professional responsibility (Ponemon and Gabhart, 1994). The moral reasoning process, part of an individual's overall ethical schema, is but one component of the decision-making process that real estate salespeople and others engaged in various types of agency sales are faced with in the course of their business dealings and as effective members of their respective professions.

Sources of Ethical Issues in the Real Estate Profession

Within any profession there exist negative or instigating factors that tend to discourage compliance with established ethical practices of professional conduct (Ponemon and Gabhart, 1994). Interestingly, many of the unique aspects of real estate, described above, actually contribute to potential malfeasance of salespeople. The following list contains some of the most common factors identified in this research based on discussions with members of the profession and a review of the literature:

- Straight-commission compensation structure (SCCS), which tends to create self-interest among practitioners (Kurland, 1996).
- Information asymmetries which accrue to agents due to non-arm's-length dealing (Eisenhardt, 1988; Mishra Heide and Cort, 1998).

- The independent contractor status of most practitioners which tends to reinforce the concept of self-interest.
- Highly competitive market conditions for customers (buyers) creates conflicts of interest, particularly with regard to mitigating the disclosure of sensitive or material information learned in the workplace Dubinsky et al, 1986).
- Fees in the form of sales commissions are usually paid by the client/seller, rather than the direct beneficiary in the transaction the customer/buyer (Eisenhardt, 1988).
- Escrow disputes over entrusted funds can often lead to conflicts of interest regarding disbursement.
- Conflicts of interest arising out of inadvertent dual-agency, the simultaneous representation of both client and customer, even though in most states the laws of agency mandate that, barring any formal agreement to the contrary, it is the client/seller (principal) that broker (agent) represents.
- The ordinary self-interest that arises when a broker or salesperson represents property in which he/she has an interest in the conveyance of.

While the above factors are sources of conflict as real estate practitioner's exercise judgment in the course of performing their duties, the list is by no means exhaustive of all possible threats to professional conduct. In many instances, one or more of the above factors will interact with another or even some legal concept to create a greater source of potential conflict. However, certain factors can serve to mitigate potential threats to established professional conduct. Those charged with governing the real estate profession have long recognized the potential for threats to ethical and professional conduct and have attempted to institute both formal and informal controls to encourage conduct that is deemed consistent with applicable laws and espoused guidelines of the profession. Some of the sources that tend to lessen the potential for misconduct among practitioners are: (1) pre/post licensing education; (2) codes of conduct; (3) increased disclosure requirements; and (4) the courts and arbitration panels that hear opposing arguments and render decisions. It is the authors' contention that professional affiliation may serve a similar role in reducing ethical conflict.

Ethical Climate and Organizational Socialization

Organizational socialization has been broadly defined in the literature as "the process by which an individual acquires the social knowledge and skills necessary to assume a role in the organization" (VanMaanen and Schein, 1979 p. 211). Also, as "a process by which an individual comes to appreciate the values, abilities, expected behaviors, and social knowledge essential for assuming an organizational role and for participating as an organizational member" (Louis, 1980 p. 229). Researchers of organizational behavior have compiled a considerable amount of literature describing phases and activities of the socialization process (Porter, Lawler and Hackman, 1975; Van Maanen, 1976; Schein, 1968). When exposed to socialization tactics, new salespeople and experienced new-hires become more or less socialized with varying degrees of success (Kelly, 1992). Organizations usually use a variety of methods to socialize new individuals, including training, education, apprenticeship, debasement experiences, and cooperative exercises (VanMaanen, 1976). Importantly, individuals become socialized based on external as well as internal interventions. In terms of organizational values and culture, salespeople will accept and adapt to certain training and socialization techniques at differing levels (Schein, 1968). Thus, on a continuum between rebellion and compliance, individuals will normally become socialized to the organization (Schein, 1968; Kelly 1992). Positive benefits, such as organizational conformity and acquisition of salespeople well versed in optimal selling techniques and skills, may accrue to those firms that successfully manage the socialization process (Grant and Bush, 1996).

Notwithstanding the above definitions of organizational socialization, a common theme in most is that committed individuals believe in and "buy into" the organization's

goals and values, and are willing to provide considerable effort in their achievement (Mowday, Steers and Porter,1979). Organizational commitment serves as a “psychological bond” that influences an individual to behave in ways consistent with the interests of the organization (Porter, Steers and Mowday, 1974; Mowday, et al, 1979). Additionally, research suggests that low levels of organizational commitment may be associated with dysfunctional behavior and negative organizational outcomes, but that high levels tend to have positive outcomes, like higher performance and lower turnover (Mathieu and Zajac, 1990. Moreover, given the characteristics unique to real estate sales, socialization tactics, which are appropriate for new salespeople, may not be relevant for existing salespeople or experienced new hires, whose career development may be related to attaining a specific level of professionalism. For this group, earning a professional designation may provide the learning environment and socialization essential to personal career growth.

Research Questions

Professional Education and CMD

Effective salesforce socialization — the achievement of requisite job skills, development of appropriate behaviors, and internalization of values and norms — is likely to have a favorable impact on salespersons in terms of motivation and job satisfaction, and the organization in terms of performance (Feldman, 1976b; Walker, Churchill and Ford, 1979; Jackson, Tax and Barnes, 1994). Thus, the guiding research proposition in this study is that professional education (i.e. earning a professional real estate designation) as a socialization tactic may create greater organizational commitment.

In addition, research has shown that “severity of initiation” for membership into various job or professional groups (in the present case commercial and residential real estate

specialists) means that members are more likely to follow the stricter professional dictates of the association (Festinger, 1957; Aronson and Mills, 1959). Also, professional memberships could have significant socialization benefits to the organization if salespeople who attain designations provide a serial-type relationship through a "buddy" or role model/mentoring program (Jones, 1986; Grant and Bush, 1996). Finally, research has shown that education is a significant predictor of cognitive moral development (CMD) (Kohlberg, 1969, 1984; Izzo, 2000). Within the organizational literature, several researchers have developed positive models on decision-making in organizations based on the cognitive reasoning approach (Ferrell and Gresham, 1985; Hunt and Vitell, 1986; and Trevino, 1986.) Moreover, Ferrell, Gresham and Fraedrich (1989) presented an integrated model that emphasizes CMD.

In several organizational settings, limited empirical research has spawned findings showing a positive relationship between a firm's ethical climate and measures of job satisfaction (Vitell and Davis, 1990; Schwepker, 2001). Additionally, a study by Weeks and Nantel (1992) showed that salespeople in an organization where the code of ethics (i.e. the rules for professional behavior) was well understood exhibited higher job satisfaction and organizational commitment. Finally, Deshpande (1996) found a positive relationship between professionalism and an ethical dimension, designed to measure the extent to which members comply with the law and professional standards. Hence, salespeople who earn professional real estate designations should exhibit greater cognitive moral development.

RQ_{1a}: Do salespersons with professional designations demonstrate greater CMD in general situations with ethical overtones?

Kohlberg's (1984) theory hypothesizes that work environments requiring the ability to balance the welfare of multiple constituencies represent "morally challenging" organizational situations. Thus, workers, in occupations that involve the ethical interests of various stakeholders, must learn to resolve conflicts based on responsible moral judgment. Clearly, those engaged in the practice of real estate are required to deal with the simultaneous responsibility to the client, the firm, the public at-large, and the profession as well as their own economic needs. Additionally, there is limited empirical research that tends to support this assertion (Lincoln, Pressley and Little, 1982; and Goolsby and Hunt, 1992). Thus, real estate salespeople with professional designations should be better equipped to deal with the ethical challenges of the profession.

RQ_{1b}: Do salespersons with professional designations demonstrate higher levels of CMD in industry-specific situations involving moral decision-making?

Professional Education and Income

Several prior studies have investigated the determinants of income in real estate salespeople. The first study by Follain, Lutes and Meier (1987) looked mainly at the connection between earnings and effort, hours worked in selling real estate, and found a positive relationship. Using a sample of 674 Illinois Realtors®, Follain et al (1987) found while effects of experience on income tended to rise and then flatten out over time, that

formal education was a steady predictor of income. This study also found that, controlling for formal education and age, there were no statistically significant differences based on gender or marital status. Glower and Hendershott (1988) surveyed a group of 481 Ohio Realtors[®] and focused largely on the differences between firm ownership; work locale, metropolitan versus non-metro; licensure status, (i.e. broker or salesperson); and sales/activity-focus, residential versus non-residential. Their results indicated the following findings: respondents with a college education earned more than their counterparts without, those with post-graduate degrees did not earn more; brokers in metro and non-metro locales earned more than other agents; and practitioners engaged in predominantly non-residential activity reported higher earnings. In contrast to prior research, Glower and Hendershott (1988) found gender differences in that male broker-owners earned a premium over non-owners while female broker-owners earned no premium. Consistent with Follain, et al, this study found the effect of experience on income was positive in one's early career years, yet tended to flatten out over time.

Crellin, Frew and Jud (1988) investigated earnings of 1,621 Realtors[®] who responded to a survey sponsored by the National Association of Realtors[®]. Consistent with the previous two studies, Crellin, et al found that licensure status, hours worked, formal education, years in the profession, and firm ownership were all positively related to income. In addition, experience with the same firm and firm-sponsored education courses were associated with positive gains in income. However, they found negative relationships for race (minorities), gender (females) and real estate specialty (residential). The findings on gender were in contrast to previous research. However, without exception, the above

researchers all found gains in income to be positively related to experience and formal education.

Additionally, two recent studies investigated real estate appraiser income are Diskin and Gatzlaff (1994) and Wolverton and Epley (1999). Both studies tended to support earlier findings on real estate salespeople, and showed positive impact on income based on age, work effort, and unspecified professional training. The main difference between these two studies is that while Wolverton and Epley (1999) found, in terms of formal education, that a Bachelor's Degree increased appraiser income, Diskin and Gatzlaff (1994) found formal education to be of little significance. However, both found a positive impact for professional education on income. Appraisers with residential designations, such as SRA and RM, and those with commercial designations, such as SRPA and MAI, earned 18% and 26% more, respectively. Germane to the current study is that in these studies professional education was formalized as the earning of a professional designation.

Real estate salespeople pursuing professional designations do so primarily because they have the motivation to improve their technical proficiency and skills in advanced selling situations². There is some evidence that salespeople who are able to blend the merits of both learning and performance orientations outperform those who rely solely on performance (Sujan, Weitz and Kumar, 1994). Thus, real estate salespeople with professional designations, who may employ learning and performance orientations, should outperform those who rely on performance orientations exclusively.

RQ₂ : Do real estate salespeople with professional designations demonstrate superior sales income?

² Although some states allow in-class professional designations or “credentialing” to fulfill continuing education licensing requirements, simpler alternatives, such as mail-order correspondence courses, are far more prevalent.

Model

Research questions established in the previous section purport to test whether attainment of professional designation affects Realtors'® cognitive moral development (scores on the Defining Issues Test and the Real Estate Survey) and earnings. The challenge that arises from an empirical standpoint is that the outcomes of interest are likely determined not only by professional designation but also by other personal traits, as revealed in earlier research. For example, studies by Trevino (1986) and Goolsby and Hunt (1992) suggest that work plays a significant part in continued adult moral development through workplace opportunities for role taking and problem solving. In particular, it is reasonable to expect that age, experience and formal education play significant causal roles in professional attainment and cognitive moral development. While age and experience are both chronological variables, experience was chosen as the more salient because entrants to the real estate business usually do so later in life. Also, since real estate salespeople tend to “cultivate” their practice, those who have been in the business a greater period of time should be aware of the long-term implications of their actions and the need to establish trusting relationships. Likewise, previous research has shown that formal schooling exerts a range of impacts on cognitive development and professional advancement (e.g. Goolsby and Hunt, 1992; Izzo, 2000). Consequently statistical frameworks for testing research questions RQ_{1a} – RQ_{1b} and RQ₂ must address the problem of controlling for experience and education in order to isolate effects of professional designation on the three principal outcomes of interest.

Table 1**Variable Descriptions**

	Sample (%)	
Gender		
Male	44	Gender = 1, if Male
Female	<u>56</u>	Gender = 0, otherwise
	100	
Age (years)		
20 - 29	4	Age = 1, if Age is less than or equal to 29
30 - 39	17	Age = 2, if Age is 30 to 39
40 - 49	32	Age = 3, if Age is 40 to 49
50 - 59	31	Age = 4, if Age is 50 to 59
60 +	<u>16</u>	Age = 5, if Age is 60 or greater
	100	
Level of Education		
H.S. Graduate	12	Education = 1, if H.S. graduate
Some College	46	Education = 2 if respondent has some college
College Graduate	31	Education = 3, if college graduate
Post Graduate	<u>11</u>	Education = 4, if respondent has post graduate education
	100	
Years of Experience		
0 < 5	28	Years = 1, if years in profession is less than 5
5 < 10	22	Years = 2, if years in profession is at least 5 but less than 10
10 < 15	23	Years = 3, if years in profession at least 10 but less than 15
15 < 20	17	Years = 4, if years in profession at least 15 but less than 20
20 +	<u>9</u>	Years = 5. If years in profession is 20 or greater
	100	
Job Status		
1 Broker	19	Status = 1, if Broker
2 Broker Associate	21	Status = 2, if Broker-associate
3 Sales Associate	<u>60</u>	Status = 3, if Associate
	100	
Level of Income (\$)		
Less than 20,000	28	Income = 1, if real estate earned income is less than \$20,000
20,000 to 49,999	27	Income = 2, if between \$20,000 and \$49,999
50,000 to 79,999	21	Income = 3, if between \$50,000 and \$79,999
80,000 to 109,000	10	Income = 4, if between \$80,000 and \$109,000
110,000 or more	<u>14</u>	Income = 5, if \$110,000 or greater
	100	
Professional Designation		

Professional Designation	40	40	PD = 1, if respondent has one or more professional designations
No Designation		60	PD = 0, otherwise
		100	

Sample Size 454

In addition, it is of interest to control for gender. While there is no theoretical basis to suggest gender differences in the three outcomes, testing for gender differences is of interest in its own right, and prior research has suggested some gender differences. For example, moral development research by Gilligan (1982), Langdale (1983) and Lyons (1983) argued that women view the world through a care/response orientation, unlike their “cognitive-rational” male counterparts. However, similar research in organizational settings has done much to dispel this argument (Trevino, 1986; Dukerich, Nichols, Elm and Vollrath, 1986; Derry, 1987). The preceding notwithstanding, equations modeled in this section include gender as a control in addition to indicators of experience and formal schooling.

Turning first to measures of cognitive moral development (Research Questions RQ_{1a}, RQ_{1b}), let y_i denote the score of individual i on either the defining issues test or the real estate survey. The principal null hypothesis is that individual i 's attainment of professional designation, PD_i does not enhance y_i . In the context of a model that controls for time in the profession, schooling and gender, the model is expressed as a regression equation:

$$(1) \quad y_i = \beta_1 + \beta_2 \text{EXPERIENCE}_i + \beta_3 \text{EDUCATION}_i + \beta_4 \text{MALE}_i + \beta_5 \text{PD}_i + e_i,$$

where $PD_i=1$ if the individual possesses a professional designation, and $PD_i=0$ otherwise.

The β 's represent unknown parameters that measure the impact of their respective variables on y_i . The random error term, e_i , represents unmeasured factors that affect the dependent variable. It is assumed to possess a normal distribution across the population of real estate professionals, with a mean equal to zero and a constant variance.³

Viewed in this context, hypotheses H_{1a} and H_{1b} can be restated:

RQ_{1a}: $\beta_5=0$ in the DIT model

RQ_{1b}: $\beta_5=0$ in the RES model

Rejection of those hypotheses, based on the regression results, supports the proposition that attainment of a professional designation significantly affects cognitive moral development.

The general framework, in equation (1) applies to research question RQ₂ (earnings as the dependent variable y_i). In this case, the critical research question again focuses on the significance of β_5 the coefficient of professional designation. However, the manner in which earnings is measured in the survey instrument necessitates a different estimation procedure. In the survey, individuals placed their income (I, thousands) in one of the following categories:

$I < 20$; $20 \leq I < 50$; $50 \leq I < 80$; $80 \leq I < 110$; and $I \geq 110$.

³ If the error variance is not constant, least square estimates of the standard errors are biased. The estimation method used here uses White's (1978) correction for heteroscedasticity to correct the standard errors. The necessary correction algorithm is available in LIMDEP 7.0.

These responses are coded as $y = 1$ through 5 for the earnings variable. This gives rise to a *censored data regression model*, (Stewart 1983), which makes use of the interval limits to estimate the parameters of the regression model. The structure of the model is identical to equation (1), but the method of maximum likelihood is used instead of least squares. The resulting estimates permit a test of the effect of professional designation on earnings after controlling for experience, education and gender.

$$(2) \quad y_i^* = \beta_1 + \beta_2 \text{EXPERIENCE}_i + \beta_3 \text{EDUCATION}_i + \beta_4 \text{MALE}_i + \beta_5 \text{P1}_i + e_i$$

Estimates of the β 's and u are obtained by the method of maximum likelihood (Zavoina and

McElvey 1975).⁴

To summarize, the principal research questions are tested by using least squares regression for RQ_{1a} and RQ_{1b}, and maximum likelihood grouped data regression for RQ₂. Results of these estimation equations are presented in the Results section.

Methodology

Sample

The population surveyed in this study consisted of sales agents and brokers of United States-based real estate firms. Real estate firms were selected from membership lists accessed through state and local chapters of the National Association of Realtors[®] (NAR) in California, Tennessee, Florida and Indiana. Consequently, all subjects were Realtors[®] or

⁴ Estimated algorithms for interval (censored) data regression are available in LIMDEP 7.0.

Realtor Associates[®], real estate salespeople who hold membership in the National Association of Realtors[®] (NAR) and its respective local chapter Associations.

In addition to being Realtors[®], the subjects were limited to full-time residential real estate practitioners. While licensure in most states usually entitles real estate salespeople to list and sell a wide variety of properties, including raw land and commercial buildings, residential real estate practitioners list and sell predominantly one-to-four family residences.

Data Collection

The data collection was a major undertaking, as the researchers approached groups of real estate salespeople and surveyed them in-person while they were in attendance at regularly scheduled local and regional sales meetings. At the meetings, the real estate salespeople were told that the researchers were conducting a study of Realtor's attitudes toward social issues and explained that, while important, participation was voluntary. However, when prefaced as an opportunity to "give back something to the profession," the overall rate of participation among those salespeople who were in attendance, at any given meeting, ranged from 95 to 100 percent. Scheduling of meetings was done by the Realtor[®] board officers or managers where attendance is suggested, but voluntary, volunteering may have introduced some bias. Additionally, while the purpose of the study was not revealed beforehand to individuals prior to the meetings, attendance was based on self-selection, another potential bias. It may be that subjects who customarily attend Realtors[®] or firm-sponsored sales meetings might differ in other ways, such as levels of due diligence or motivation, than those who do not attend on a regular basis.

20 - 29	6	4%	15	5%	4	4
30 - 39	20	11%	60	21%	17	12
40 - 49	53	31%	90	29%	32	32
50 - 59	67	38%	75	27%	31	32
60 +	<u>28</u>	<u>16%</u>	<u>50</u>	<u>18%</u>	<u>16</u>	<u>20</u>
	174	100%	280	100%	100	100

Level of Education

H.S. Graduate	12	7%	43	15%	12	13
Some College	77	44%	130	47%	46	45
College Graduate	62	36%	79	28%	31	33
Post Graduate	<u>23</u>	<u>13%</u>	<u>28</u>	<u>10%</u>	<u>11</u>	<u>9</u>
	174	100%	280	100%	100	100

Years of Experience

0 < 5	22	13%	103	38%	28	na
5 < 10	41	24%	60	21%	22	na
10 < 15	46	26%	60	21%	23	na
15 < 20	43	25%	37	13%	17	na
20 +	<u>21</u>	<u>12%</u>	<u>20</u>	<u>7%</u>	<u>9</u>	na
	174	100%	280	100%	100	na

Job Status

1 Broker	42	25%	43	15%	19	35
2 Broker Associate	51	29%	47	17%	21	*
3 Sales Associate	<u>81</u>	<u>46%</u>	<u>190</u>	<u>68%</u>	<u>60</u>	<u>65</u>
	174	100%	280	100%	100	100

Level of Income (\$)

Less than 20,000	17	10%	87	31%	28	38
20,000 to 49,999	46	26%	84	30%	27	30
50,000 to 79,999	40	23%	55	20%	21	14
80,000 to 109,000	24	14%	23	8%	10	7
110,000 or more	<u>47</u>	<u>27%</u>	<u>31</u>	<u>11%</u>	<u>14</u>	<u>11</u>
	174	100%	280	100%	100	100

Professional Designation

No Designation			<u>280</u>	<u>100%</u>	60	55
One Designation	121	70%			28	32
Two or more	<u>53</u>	<u>30%</u>			<u>12</u>	<u>12</u>
	174	100%	280	100%	100	100

* NAR makes no distinction between Brokers and Broker-associates.

Measures

Cognitive Moral Development: Moral reasoning has been determined to be significantly related to an individual's behavior. In the late 1960's, Kohlberg introduced a three-level, six-stage model of cognitive moral development (see Appendix 1) that was heavily grounded in the pioneering work of Piaget (1965, 1979). Piaget's (1965) theory postulates that moral development, the cognitive-structural transformations between the self and society, occurs in distinct stages. Generally, all researchers of cognitive psychology assume that the development of successive stages of reasoning occurs where the individual takes on increasingly more differentiated roles in societal situations. Further, all cognitive developmental psychology theorists share in common the assumption that social behavior, including moral development, can be categorized in terms of a predetermined sequence of stages, which develop in varying degrees. The established link between cognitive moral reasoning and moral behavior is extensively discussed in a comprehensive literature review by Blasi (1980).

According to Kohlberg's (1984) theory of cognitive moral development (CMD), measuring a subject's level or stage of cognitive moral development requires tapping and classifying one's individual moral reasoning processes according to the six stage definitions, see Appendix 1. The *Defining Issues Test* (DIT), (Rest, 1979), which uses a set of hypothetical standardized scenarios was used as the protocol to measure subjects' moral reasoning and development. The DIT is a multiple-choice format designed to tap the same dimensions as Kohlberg's Moral Judgment Interview (MJI), but is much easier to administer and score. For a more complete discussion of the CMD construct see Kohlberg (1969, 1984).

Industry-Specific Ethical Reasoning: Although Rest (1986) argues that the DIT is a useful instrument for measuring moral reasoning in general, he also encouraged development of profession-specific ethical measures. Thus, the second moral development variable will be the level of industry-specific ethical reasoning as measured by scores on the *Real Estate Survey* (RES) (Izzo, 1997, 2000). The RES was designed to capture the same constructs as the DIT.⁵ While designed to capture the same dimensions as the DIT, the RES is comprised of three real-life scenarios of industry-specific (real estate sales, in this study) issues of ethical concern.

Both the DIT and the RES require subjects to determine a course of action they believe is appropriate for the central character in each scenario. Using a modified 5-point Likert-type scale (1 = "no importance" and 5 = "great importance") respondents indicated why that course of action is desirable. Several moral reasoning scores are computed. From the combined responses to all three dilemmas on the DIT, a stage score is computed for each item based on Kohlberg's six stages of moral development, followed by the P%-score. The P%-score is calculated by summing the points for items that represent *principled* thinking. The total possible score on the DIT ranges from zero to 95, where higher scores are associated with higher levels of CMD. On the RES, an industry-specific measure comparable to the DIT, the combined responses to the three real estate dilemmas produce an ethical reasoning score. Scores on the RES can range from 0 to 99.9.

Earnings from Real Estate Sales: The survey contained five income ranges (see Variable Descriptions, Exhibit 1). Respondents indicated which income category, of the five listed, best described their earned income from real estate sales activity.

⁵ Construct validity and reliability tests were performed on the RES, and the results are available from the authors upon request.

Results

This study explored several basic research questions suggesting a positive relationship between cognitive moral development of real estate practitioners and attaining a real estate designation. Also explored were links between professional education and a measure of achievement in real estate sales (income). Research questions developed above purport to test whether attainment of a professional designation affects cognitive moral development (CMD) and professional achievement (earnings from real estate sales). As stated above, the empirical challenge is that these outcomes are influenced not only by professional education but also personal difference factors. Consequently, statistical frameworks for testing research questions RQ_{1a} – RQ_{1b} and RQ₂ controlled for experience and education in order to isolate the effects of profession designation on the outcomes of interest. In addition, prior research showed mixed results and testing for gender is of interest of its own right the models outlined above included gender as a control along with experience and education.

Level of CMD (Research Questions RQ_{1a} and RQ_{1b})

The first group of research questions asked to what extent, if any, does professional education effect the level of moral development of real estate practitioners. The analysis was limited to ordinary least squares regression comparisons of respondents' group DIT P%-scores and RES scores. All respondents were administered the DIT and RES. As previously discussed, the P% Score is DIT instrument's standard measure of CMD. The RES scores are shown under industry-specific moral reasoning (ISMR).

The results of estimating equations **RQ_{1a}** and **RQ_{1b}** using ordinary least squares regression with the entire sample of Realtors[®] are shown in Table 3. Sample mean P%-scores were 39.16 (SD 13.5) for the group of Realtors[®] (n = 442). Traditional cognitive development theory (e.g. Kohlberg, ETAL) suggests that formal education and experience can contribute to advances in moral judgment. On the DIT the coefficients for experience are negative except for YRS 16to20, while the coefficients for formal education indicate positive returns for Realtors[®]. However, on the RES the coefficients for experience indicate positive returns, and the coefficients for formal education are negative except for POSTGRAD. These findings imply that formal education is more important to increases in the general measure DIT and experience may be more important to industry-specific measure RES. However, with the exception of POSTGRAD, all are insignificant. The coefficient on the professional education dummy variable (PD) indicates that those who have attained a professional designation scored on average 11 points more on the DIT and RES than their counterparts without. These results suggest that it is important to recognize the distinction between professional education and learning which is attributable to either formal education or experience. When controlling for the effects of experience and formal education, attainment of a professional designation is a potent indicant of cognitive moral development as measured by scores on the DIT and RES.

Table 3 **Regression Results**

Independent variables	Dependent Variable: DIT		Dependent Variable: RES	
	Coefficient	t-value	Coefficient	t-value
Constant	33.794	12.0740 *	27.6245	10.422 *

YRS LT 3	-0.846	-0.320	5.6458	1.919 *
YRS 3-10	-0.656	-0.003	4.8645	1.911 *
YRS 11-15	-0.723	-0.295	1.6780	0.739
YRS 16-20	0.427	0.166	3.965	1.488
SOMECOLL	1.663	0.715	-0.717	-0.376
COLLGRAD	3.113	1.299	-1.137	-0.551
POSTGRAD	5.940	2.224 *	4.514	1.781 **
MALE	-2.199	-1.809 **	-1.134	-1.051
PD	10.680	8.192 *	10.888	8.139 *
R ² (Adj.)	0.356		0.394	
N	442		442	

* Significance at the .05 level

** Significance at the .10 level

Professional Achievement (Earnings RQ₂)

The second research question asked to what extent, if any, does professional education effect the earnings of real estate practitioners. While the same OLS framework applies, the manner in which earnings were measured necessitates a different estimation procedure. The appropriate procedure for **RQ₂** (coded categorical variables earnings) is a censored data regression model which makes use of interval limits to estimate parameters of the regression model (Stewart, 1983). The structure of the model is identical to equation 1, but the method of maximum likelihood is used instead of OLS. The resulting estimates permit a test of the effect of attaining a professional designation on earnings, controlling for experience, formal education and gender.

In estimating the equation for dependent variable earnings, (RQ_2) the coefficients for experience are all positive and significant, see Table 4. These findings are consistent with prior research, (e.g. Crellin, Frew and Jud (1988), et al). Importantly and consistent with Diskin and Gatzlaff (1994); Wolverton and Epley (1999 the coefficient on the professional education dummy variable (PD) indicates that Realtors[®] who have attained a professional designation out-earned their counterparts without by an average of \$17,000. However, the coefficients for formal education at all levels were negative. These results are not consistent with Glower and Hendershott (1988) and Crellin, Frew and Jud (1988) who found a positive connection between formal education and Realtor[®] income. The differences here may be partially explained by the fact that, in terms of formal education, the demographic profile of Realtors[®] has changed significantly over time. In the two latter studies, Realtors[®] with college degrees were 18% and 21% of their respective samples. However, in the current study sample, which statistically is not significantly different from the NAR population, the number of Realtors[®] with college degrees was 38%, and when those with “some college” are added the effect is that 85% of those sampled had some formal education beyond high school.

Table 4 **Limited Dependent Variable Model**
Censored Regression Estimates

Dependent Variable : Income		
Independent Variables	Coefficient	<i>t</i> -value
Constant	3.184	0.3500

YRS LT 3	41.938	5.382 *
YRS 3-10	60.818	7.395 *
YRS 11-15	61.782	7.047 *
YRS 16-20	78.676	7.605 *
AGE 30-39		
AGE 40-49		
AGE 50-59		
AGE >59		
SOMECOLL	7.625	-1.186
COLLGRAD	8.011	-0.357
POSTGRAD	9.689	-0.069
MALE	6.738	1.429
PD	17.428	3.454 *
N	442	

* Significance at the .05 level

** Significance at the .10 level

The coefficient for gender was insignificant as an indicator of Realtor[®] income. Though Glower and Hendershott (1988) and Crellin, Frew and Jud (1988) found significant gender-based differences on income, the current findings are consistent with the newer findings of Wolverton and Epley (1999). While the two 1988 studies included significant numbers of part-timers, the current study only surveyed full-time Realtors.[®] Thus, one may surmise that the time-lag between the studies and the growing prevalence within the profession for full-time and female Realtors[®] (NAR, 1997) could account for these differences.

Discussion

The central research proposition is that professional education required to earn a professional designation is a form of salesforce socialization that is positively related to measures of CMD and salesperson's income. To the extent that increased levels of CMD and income are desirable organizational goals, professional education designed to earn participants a professional designation represents a viable socialization tactic. The significance of the current study is that it was the first to measure the impact of professional designations on Realtors[®] CMD and income. As suggested the effects of professional education were significant both in terms of cognitive moral development and income.

These results support previous studies that shown professional designations can have a positive influence on performance measures in the field of real estate (Crellin, Frew and Jud, 1988; Diskin and Gatzlaff, 1994; Wolverton and Epley, 1999). While it may be argued that most real estate salespeople who take courses leading to professional designations do so to increase their income, the socialization aspects seem to lead to greater levels of moral reasoning. Professional education of the type required to earn a Realtors[®] professional designation seems to have a positive effect on the CMD of practitioners who take the courses. Real estate practitioners with PD's, also, score higher on industry-specific ethical reasoning than their counterparts.

When achievement is measured using income, where the more the salesperson earns the more the firm earns, the results suggest that attaining a professional designation may contribute significantly to the success of real estate salespeople. The results also suggest that PD's do not inhibit those real estate practitioners who attain high moral reasoning skills from being successful. These results are contrary to the views of those who criticize the role of personal selling, suggesting that, to be successful, salespeople must necessarily be insensitive to the needs of others, pandering solely in favor of performance goals. The findings in the current study suggest just the opposite. Real estate salespeople who demonstrate a high level of moral development are likely to be more successful than those practitioners who score lower.

Managerial Implication

Even though effective personal selling includes achieving professionalism, welcoming new challenges, and recognizing that mistakes are an instructive part of job growth (a learning orientation), there is little evidence that sales managers emphasize these elements in theory or practice. Many sales managers continue to emphasize performance goals solely, even though there is evidence suggest that learning goals actually motivate salespeople to be more effective (Sujan, Weitz and Kumar, 1994). Sales managers should include learning goals and recognize that many performance deficits could be motivational deficits. The results here, consistent with previous research (e.g Diskin and Gatzlaff (1994), suggest that professional education can provide an environment that may lead to improved salesforce socialization and motivate salespeople to achieve higher sales goals.

As previously discussed, the marketing of real estate represents a morally challenging environment as it involves certain characteristics that may negatively affect organizational socialization and contribute to unethical practices by salespeople. In particular, real estate sales managers may improve salesforce socialization and organizational results by encouraging existing salespeople and experienced new hires to subscribe to one of the accrediting organizations that sponsor professional designations. The professional education these salespersons receive can help create a professional environment in the firm, one that promotes career enhancement, the potential for increased earnings, and sound ethical practices (Deshpande, 1996).

Limitations and Research Implications

The findings of this research notwithstanding, this exploratory study is subject to some common limitations of quasi-experimental procedures (Cook and Campbell, 1979). First, the generalizability of the results could be limited because the study consisted exclusively of salespeople governed by the laws-of-agency (Bergen, Dutta and Walker, 1992). Additionally, only practitioners who are Realtors — real estate salespeople that are members of the National Association of Realtors (NAR) — participated in the study. This group collectively represents about 60% of all real estate licensees, nationally. Licensees who are affiliated with the NAR may differ systematically in terms of diligence or motivation or in other ways from those who are not members. Further, all survey respondents were full-time salespeople engaged in the residential real estate market. It may well be that this group differs in some manner from salespeople involved in more traditional arm's-length selling, and those engaged other real estate specialties such as commercial and

industrial sales and leasing. Since, the study design was cross-sectional inferences are restricted to linear relationships at a single point in time. Also, it may be that measures designed to capture the effects of an educational intervention would be better served through a more longitudinal design. Nevertheless, the results of the study do provide new insight on the relationships between education and salesforce socialization, and professional education and salespersons' CMD and income.

The idea that a better socialized salesforce is positively related to CMD and income, as suggested here, could lead to research with other organizational measures such as salesforce turnover and job satisfaction. Further, there is potential to develop further inquiry on the effects of professional education in other fields, such as investment or insurance sales, sales fields that are governed by the laws-of-agency and that offer similar professional designations. The professional education associated with the Certified Financial Planner (CFP) and Chartered Life Underwriter (CLU) designations may provide similar socialization benefits for investment and insurance salespeople, respectively. Finally, there exists the potential for including professional education as a variable in other models of organizational or salesforce research.

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Appendix 1 - Six Stages of Cognitive Moral Development

Level 1: Preconventional

Stage 1: Heteronomous morality.

To avoid breaking rules backed by punishment or superior authority, obedience for its own sake, and avoiding physical damage to persons and property. Egocentric point of view.

Stage 2: Individualism, instrumental purpose and exchange.

Following rules only when it is to someone's immediate interest; acting to meet one's own interests and need, and letting others do the same. Right is also what's fair, as an equal exchange deal, an agreement. To serve one's own needs or interests in a world where you have to recognize that other people have interests, too.

Level 2: Conventional

Stage 3: Mutual interpersonal expectations, relationships and

Living up to what is expected by people close to you or what people generally expect of people in your role as son, brother, friend, etc. "Being good" is important and means having good motives, keeping mutual relationships, such as trust, loyalty, respect and gratitude. Belief in the Golden Rule.

Stage 4: Social system and conscience.

Fulfilling the actual duties to which you have agreed. Laws are to be upheld except in extreme cases where they conflict with other fixed social duties. Rights contribute to society or the group.

Level 3: Principled

Stage 5: Social contract or utility and individual rights.

Awareness that people hold a variety of values and rules are relative to social contract. Some nonrelative values and rights like life and liberty, must be upheld in any society, regardless of majority opinion. A sense of obligation to law and one's social contract to make and abide by laws for the welfare of all.

Stage 6: Universal ethical principles.

Following self-chosen ethical principles. Particular laws or social agreements are usually valid because they rest on such principles. When laws violate these principles, one acts in accordance with the principle. Principles are universal ideas of justice: the equality of human rights and respect for the dignity of human beings as individual persons. The belief as a rational person in the validity of universal moral principles, and a sense of personal commitment to them.

Source: Adapted from Kohlberg (1976).

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