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**Rationalizing Ethically Questionable Intentions: An  
Investigation of Marketing Practices in the USA**

**By**

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## **Abstract**

In this research, a model for ethically questionable decision-making is developed by amalgamating several decision-making theories. The variables of interest are the techniques of neutralization, perceived moral intensity, Machiavellianism, unethical intentions, and ethical judgment.

Using a sample of 276 U.S. marketing professionals, partial least squares structural equation modelling was used to validate the model. Findings reveal that U.S. marketing professionals rationalize their ethically questionable intentions through their: (1) perception of moral intensity (i.e., minimizing the harms on others, perceiving their self-interest as most salient, and indifference to social consensus), (2) reliance on various neutralization techniques, and; (3) judgment of their ethically questionable intentions as ethical. After controlling for the Machiavellian personality trait, Machiavellianism did not have a profound effect on the decision-making process, which implies that marketers, in general, are capable of the cognitive distortions found in this study.

The main contribution to knowledge is the synthesis of the techniques of neutralization and the perceived moral intensity construct. Through this amalgamation, knowledge of the intermediary steps in the decision-making process has emerged. A contribution to knowledge involves testing the relationship between Machiavellianism and unethical intentions through the mediating variable of the techniques of neutralization. Through this investigation, it was found that the Machiavellian personality is inconsequential to the decision-making process. As a contribution to managerial knowledge, it was found that through cognitive distortions, marketers are capable of various illicit behaviours, which have been shown to be costly to not only stakeholders, but also to the profitability and reputations of organisations.

**KEYWORDS:** Techniques of neutralization, perceived moral intensity, ethical judgment, ethically questionable intentions

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As a passing comment, conducting doctoral research is not all that difficult or challenging. However, the bureaucracy, administrative tasks, over-abundance of needless rules, forms, policies, and procedures make doctoral research, challenging, difficult, inefficient, and frustrating. In general, these factors remove everything that is supposed to be enjoyable out of conducting research.

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## **List of Abbreviations**

AHL	Appeal to Higher Loyalties
AM	Abstract Morality
ANOVA	Analysis of Variance
AVE	Average variance extracted
DOI	Denial of Injury
DON	Defence of Necessity
DOR	Denial of Responsibility
DOV	Denial of Victim
EI	Unethical Intentions
EJ	Ethical Judgment
EQB	Ethically Questionable Behaviour
IT	Interpersonal Tactics
Mach	Machiavellianism
MANOVA	Multivariate Analysis of Variance
MC (o)	Magnitude of Consequences (others)
MC (s)	Magnitude of Consequences (self)
PLS	Partial Least Squares
PMI	Perceived Moral Intensity
SC	Social Consensus
SDRB	Socially Desirable Response Bias
SEM	Structural Equation Modelling
SW	Social Weighting
TON	Techniques of Neutralization
VHN	Views of Human Nature

# Introduction

## 1.1 Introduction

Corporate malfeasance is widespread and governance models are ill-prepared, despite good intentions. This is problematic as the repercussions are affecting the lives of millions and are resulting in losses in the billions (Chu, Du, & Jiang, 2011), if not, trillions of dollars. In 2006, 5.2 million subprime mortgage loans were outstanding in the U.S. (Bar-Gill, 2008), the market was worth \$650 billion, and the industry was highly profitable (Tashman, 2007). In 2008, this subprime market crashed with losses estimated at \$945 billion (China Daily, 2008). For their part in the subprime lending crisis, the corruption of the managers at Lehman Brothers was a contributing factor to not only the failure of the financial system, but also an economic recession of global proportions (Chu et al., 2011). In the U.S., companies were in financial disarray as banks refused to lend, unemployment reached 10.2%, 3.5 million homes were lost to foreclosure (Squires & Hyra, 2010), and \$700 billion was paid out for corporate ‘bailouts’ by the U.S. Treasury. In Europe, the European Union euro currency was threatened, nations defaulted on scheduled debt repayments (Roman, Roman, & Talvan,

2012), mass employment layoffs ensued (Aslan, 2009), and social unrest followed in Portugal, Italy, Spain, and Greece (Keil, 2010).

To achieve short-term goals and objectives, managers experience considerable pressure and are often coerced into corruption (Anand, Ashforth, & Joshi, 2005; Chen & Tang, 2006; Tepper, 2010). If managers fail to attain their objectives, employment ramifications can occur and when managers perceive negative consequences, it may lead them to care less about the aftermath of their decisions, suppress the ethicality, and become blinded by the short-term gains (Gioia, 1992). When unethical behaviour is exposed, managers try to disguise their actions by denying their responsibility (British Petroleum PLC), covering up their misdeeds (Enron, Lehman Brothers, and Parmalat), threatening whistleblowers (Enron), and failing to cooperate with investigators (Beech-Nut).

In this introductory chapter, ethically questionable behaviour (EQB) in the marketing context is presented. Discussions centre on the perceived greater propensity for EQB to occur within a marketing context. Through this discourse, the research questions of this research are outlined. In the second section, discourse is focused on the U.S. context. In the third section, the objectives and contributions of this research are discussed. In the final section, the structure of this thesis is outlined.

It is important to note that there are two dimensions of EQB: (1) actions that are illegal and unethical, and; (2) actions that are legal, but not necessarily ethical (Laczniak & Inderrieden, 1987). In the latter case, actions that fall within this dimension could involve behaviours that are legal in one nation, such as an emerging market with lax legislation, but not in an industrialized nation. In this research, both dimensions are considered ethically problematic. Further discussion on this topic is included in chapter two.

## 1.2 Ethically Questionable Behaviour in Marketing and Research Questions

To convey corporate information to valued stakeholders, marketing communication messages are useful tools. Marketers address consumer concerns, resolve social needs through new product development, and enter new markets to meet customer demand (Kotler & Keller, 2007). To address a social need in Africa, at a loss of \$100 million, Merck entered several markets with a new product to combat river blindness (Seifert, Morris, & Bartkus, 2003). Social enterprises, such as the Red Cross, publicise their positive contributions to society to create awareness of the issues facing people in different parts of the world and, also to gain funds to support their cause.

Although marketing has benefits, there are disadvantages to marketing practices, which can be perceived as ethically problematic. Marketers have been accused of deceptive practices and exploitative behaviours (Dubinsky, Natarajan, & Huang, 2004). Other than the code of ethics from the American Marketing Association, there are limited professional standards and regulations to deter this type of behaviour (Hoek & Jones, 2011; Israel, 1993). However, the accounting profession is regulated stringently through the Generally Accepted Accounting Principles (GAAP). Engineers are guided by self-regulatory professional codes of conduct. The Sarbanes-Oxley Act regulates the publishing of financial statements and through these rigorous regulations, finance specialists are concerned with complying (O'Higgins & Kelleher, 2005). The operations of human resources managers are guided through labour legislation, human rights legislation, the equal employment opportunity acts, and professional accreditation standards.

Although there are consumer rights legislations in place, limited regulation guiding the marketing profession exists in other areas (Gupta, Tandon, Debnath, & Rominger, 2007). For example, the U.S. packaging legislation is lenient as marketers can

implement ethically questionable packaging initiatives without experiencing legal repercussions (Gupta et al., 2007). Companies have been accused of using package downsizing strategies, which involve reducing the quantity of a good while keeping the price and packaging constant. This strategy passes invisible cost-increases onto customers and is used frequently by marketers (Gupta et al., 2007). In an effort to conceal high fat and calorie content, marketers have also been accused of manipulating the nutritional content on food packaging. Many products that are perceived as a single serving are labelled as multiple. Through this misrepresentation, consumers are often unaware that they have to double the nutritional content if they consume the entire package (Carroll & Buchholtz, 2006). From these examples, it appears that the marketing profession might be loosely regulated (Hoek & Jones, 2011; Israel, 1993).

Beyond the regulations, marketers are primarily responsible for increasing profitability (O'Higgins & Kelleher, 2005) and their performance is measured through stringent metrics (Wotruba, 1990). In view of these aggressive performance appraisals, marketers are often perceived as more willing to behave unethically (Vitell & Festervand, 1987). Due to their interactions with customers, accusations of false advertisements, and deceptive practices, marketers are often perceived negatively by society (Dubinsky et al., 2004).

Compared to professionals from the finance and human resources functional areas, marketers have been found to be more accepting of EQBs (O'Higgins & Keller, 2005). In general, the functional area most notoriously related to ethical issues is marketing (Tsalikis & Fritzsche, 1989). Given EQBs are examined in this research and a greater propensity for malfeasance seems to be apparent in marketing, marketing professionals are the sampling frame for this research.

However, it is important to note that the O'Higgins and Keller (2005) study was based on data from 2005 and with the recent subprime lending crisis, professionals from other functional areas, such as finance, might be inclined to behave illicitly. Tepper (2010) further indicated that individuals, in general, could be inclined to behave unethically. Therefore, it is worth emphasizing that managers from other functional areas might also be willing to behave unethically.

As indicated in the introduction, certain behaviours are often illegal in industrialized nations, but they can be less heavily regulated in emerging markets. To circumvent the legislation in developed markets, some managers often move their operations abroad. As a result of the limited regulation in many emerging markets, managers have been accused of exploiting the environment and populations abroad for temporary gains (Perkins, 2007). Through outsourcing and joint-venture strategies, companies are able to conceal the unethical activities in their supply chains, disconnect from domestic legal systems, and remain unaccountable to stakeholders (Zyglidopoulos & Fleming, 2011). Often these vendors operate so far down the supply chain that the organisation is effectively dislocated from any malfeasance that would typically be visible within the high-profile aspects of their operations (Zyglidopoulos & Fleming, 2011).

For example, apparel companies (Nike), children's toy manufacturers (Mattel), and coffee retailers (Starbucks) have been accused of operating under abusive labour conditions in Vietnam, Indonesia, and Guatemala, respectively (Klein, 2000). In Indonesia, 52% of the workers in the export processing zones are paid less than \$2 per day, which by local standards, is argued to be a 'slave labour wage' (Perkins, 2007). In many of these manufacturing facilities, it is claimed that workers are coerced into working 72 hour shifts. In more extreme cases, to meet aggressive orders from their multinational customers, factory managers in Honduras have been accused of injecting



assembly-line workers with amphetamines (Klein, 2000). In her ethnographic research in the export processing zones in the Philippines, Klein (2000, p. 96) wrote that:

Workers tell me stories about pregnant women forced to work until 2 a.m., even after pleading with the supervisor; of women who work in the ironing section giving birth to babies with burns on their skin; of women who mould the plastic for cordless phones giving birth to stillborn infants... the abuse of pregnant women in export processing zones is also well documented and the problem reaches far beyond Cavite.

In Mexico, General Motors was accused of discriminating against pregnant women in their manufacturing facilities. To address the accusations, General Motors stated in a letter to Human Rights Watch that it ““will not hire female job applicants found to be pregnant’ in an effort to avoid ‘substantial financial liabilities imposed by the Mexican social security system’” (Klein, 2000, p. 97).

In Ecuador, U.S. based lawyers assisted indigenous Ecuadorians with filing a class-action lawsuit against Chevron Texaco (Perkins, 2004). Between 1971 and 1992, Texaco was accused of dumping over four million gallons of toxic waste in rivers throughout the Amazon rainforests. Over 350 uncovered waste pits were littered across the lands of indigenous populations (Perkins, 2004). As a result, Texaco was sued for \$18.2 billion (Barrett, 2011). When queried about their behaviour, executives claimed no regulations at the time forbade their practices (The Economist, 2003).

In Nigeria, annual oil revenues are \$7.5 billion (Adebamwi, 2001). However, approximately 138 oil spills occur per year, which amount to an estimated \$4.4 billion in damage (Aprioku, 1999). The financial gains from the oil industry are causing wealth disparity and contributing to social unrest among the local population (Eweje, 2007). Cost-cutting measures and a lack of regulations were also associated with the Union Carbide tragedy in Bhopal, India that killed 23,000 and injured 120,000 (Trotter, Day, & Love, 1989).

In the 1970s, Nestle marketed their infant formula products in Africa and South America. Using sales representatives dressed as health professionals, the company distributed free product samples through maternity wards. By arguing that infant formula was a healthier alternative, sales representatives persuaded mothers to abandon breast feeding (Boyd, 2012). Once the switch to formula is made, there is no going back as the mother can no longer produce milk.

By switching to formula in places like Africa, illness becomes increasingly possible as babies are no longer getting the needed antibodies found in breast milk. Without these antibodies, babies become unprotected against the numerous parasites festering in their unsanitary surroundings. In addition, most mothers were illiterate and, thus, unable to read the instructions on the package, which subsequently resulted in them mixing the formula in contaminated water. Most concerning was that mothers were unable to afford the price of the product and in an effort to preserve the quantity, they diluted the formula, which subsequently caused malnutrition (Boyd, 2012).

Although Nestle claimed it was attempting to address a social need, negative publicity grew throughout the United States as the organisation was accused of severely injuring and killing millions of babies (Campbell, 2006). Among the backlash, Senator Edward Kennedy asked "... can a product that requires clean water, good sanitation, adequate family income, and literate parents to follow printed instructions be properly and safely used in areas where water is contaminated, sewage runs in the streets, poverty is severe, and illiteracy is high" (McCoy, Evers, Dierkes, & Twining, 1995, p. 7). As a result of the crisis, Nestle experienced regular boycotts, a tarnished brand, and the perpetuating costs of litigation (Campbell, 2006).

Although several of the aforementioned examples were not directly related to marketing, these examples demonstrate that managers, in general, often take advantage

of lax legislation in developing markets to pursue their organisational goals. From this discourse, it appears that organisational professionals have polluted the environment in emerging markets, disrespected stakeholders, and directly harmed local populations. Due to lax regulations, many of these unethical activities go unnoticed by authorities and managers can often escape accountability.

Beyond some illicit activities abroad, marketers have been known on occasion to deceive customers domestically. In a packaged goods context, Beech-Nut purchased sugar-water with apple flavouring and caramel colouring, which was advertised as 100% pure apple juice. Through this deception, the company saved approximately \$1.5 million over five years. However, when a former employee blew the whistle and knowledge of the deception surfaced, managers failed to cooperate with investigators and attempted to sell the remainder of the tainted product (Sims, 1992). When queried about their illegal behaviour, executives justified their actions by stating the competition was selling a similar product. The company was subsequently fined \$2 million and ultimately settled a \$7.5 million class-action suit (Boyd, 2012).

Beyond marketing, ethically questionable strategic, risk management, and investment decisions have been advanced to attain short-term organisational objectives. As a consequence of downsizing measures to preserve short-term profits, Exxon Valdez was responsible for spilling more than 11 million gallons of oil off the coast of Alaska. The spill devastated the environment, killed wildlife wholesale, and cost the company \$8.7 billion in damages (Husted, 2005). British Petroleum PLC failed to learn from Exxon as poor risk management and systems failures led to a spill of 4.4 million barrels of oil in the Gulf of Mexico. British Petroleum PLC and their valve supplier were unwilling to accept accountability as both considered the spill the responsibility of the other. The spill ravaged local communities and the company was fined \$60 billion (Griggs, 2011).

Indeed, corporate malfeasance results in rising legal costs and damaged reputations (Collins, 2012). Clearly, the long-term consequences of malfeasance outweigh the short-term benefits; however, managers seem undeterred. As an example of an investment decision, Royal Dutch Shell is planning a deep water drilling operation off the coast of Alaska – the company expects to net \$1 billion in annual profits from the venture (Birger, 2012). If a spill occurred, the costs in environmental damage, fines, and productivity losses would almost certainly exceed the forecasted revenue.

When decisions are made to behave illicitly, managers often experience cognitive dissonance. Cognitive dissonance occurs when individuals make decisions that contradict their values (Maruna & Copes, 2004). If their values are compromised, managers have an insuperable urge to rationalize them by creating an illusion their initiative was informed by common sense and conventional morality (Fromm, 1955). Rationalization is defined as a socially constructed process used by individuals to legitimize their illicit acts (Ashforth & Anand, 2003). In the rationalization literature, the techniques of neutralization (TON) have been used to facilitate norm-violating behaviours by enabling individuals to temporarily exempt themselves from social norms, which minimizes guilt and cognitive dissonance (Sykes & Matza, 1957). To understand how marketers make ethically questionable decisions in the presence of significant repercussions, the first research question of this study is: how do marketers rationalize their intentions in (an) ethically questionable context(s)?

Trevino and Youngblood (1990) argued that EQB within an organisational context is the result of deviant personality types. Of the deviant personalities, Machiavellians have been consistently found to behave unethically (O'Fallon & Butterfield, 2005). Machiavellianism has been associated with the famed 16<sup>th</sup> century Italian political scientist, Niccolo Machiavelli. Individuals with high Machiavellian tendencies take an

amoral (or immoral) view of their interactions with others and have a cynical perspective of human nature (Christie & Geis, 1970). It is believed that Machiavellians are most inclined to deceive and manipulate others to advance their self-interests (Calhoon, 1969).

Tepper (2010) contends that certain individuals are predisposed to EQB, but argues that decent people are also capable of malfeasance. Consistently, decision-making psychologists (Ajzen & Fishbein, 1980) argue personality is unlikely to have a significant effect on the decision-making process. It is believed personality might not directly influence the dependent variables in the decision-making process, but might have an indirect impact through a network of latent variables (Chatzidakis, Hibbert, & Smith, 2007). To understand what (if any) effect Machiavellianism has on decision-making, the following research question is investigated in this study: what influence does Machiavellianism have on the decision-making process?

To answer these research questions, a model for EQB is conceptualized in this research. The model is based on an amalgamation of several decision-making theories drawn from a vast literature involving criminology, psychology, moral decision-making, and philosophy. The model consists of the perceived moral intensity (PMI) construct, which is a multidimensional variable that captures the most salient factors pertinent to an ethical problem (Jones, 1991), such as consequences and social norms. Through the aid of the TON (Sykes & Matza, 1957), decision-makers are argued to deceive themselves by enabling them to believe their EQBs are acceptable. This model accounts for the less-optimal decision-making abilities of individuals (Simon, 1955) and their willingness to satisfy their immediate concerns, but not maximize the possible utility associated with behaving ethically.

In the next section, the U.S. context is presented. Culturally, U.S. citizens are contended to be highly individualistic (or self-interested) and short-term oriented (Hofstede & Bond, 1988). It is believed that U.S. businesspeople are oriented toward maximizing profit (Hofstede, 2007) and operate in accordance with profitability (Zouboulakis, 2001). U.S. businesspeople place a high importance on the law (Zarkada-Fraser & Zarkada, 2001) and an overwhelming majority of U.S. managers are solely concerned with fulfilling their economic and legal responsibilities (Maignan, 2001).

In their study, Flannery and May (2000) found U.S. managers often frame ethical problems within a legal framework. Morality is considered largely irrelevant. Decision-making within an organisational context thus appears to reflect legal codes, regulations, and norms. Consistent with the discourse from this section, it appears individuals might be willing to engage in activities that are legal but not necessarily ethical.

The organisations operating within a U.S. context are perceived as formal with rigid rules and procedures centred on avoiding legal liability (Verhezen, 2010). Nakano (2007) argues that this system is associated with responding to internal and external monitoring systems, which involve corporate governance models and legislative codes of conduct (Geva, 2008). These external mechanisms often fail to inspire as they include negative language stating how employees are not to act (Nakano, 2007). These codes are not frequently valued (Nakano, 2007) and, sometimes, avoided (Kish-Gephart, Harrison, & Trevino, 2010).

### **1.3 American Context**

During the subprime lending crisis, the U.S. government intervened in the market with a large influx of funding. Beyond the inflow of stimulus funds, the act of subprime lending or targeting individuals with low incomes and poor credit ratings has not been addressed by the government. As demonstrated, the long-term consequences of

subprime lending outweigh the short-term benefits. Nevertheless managers are undeterred from the consequences and remain attracted to this market.

For example, credit card companies or retailers offering credit to consumers are exempt from usury laws (White, 2007) and the industry remains largely unregulated. Given the lack of constraints, creditors often increase the interest rates charged to subprime borrowers (Tribue, 2009). These consumers typically pay interest rates within the 30% range (Somer, 2011), which is approximately 10 times the U.S. inflation rate from 2011. In the payday loan industry, there are over six thousand cheque cashing locations throughout the United States. These retail outlets process nearly \$60 billion in government and employer cheques (Karpatkin, 1999). Subprime borrowers pay exuberant fees and high-interest rates. The average annual interest rate on loans in this industry is 390%. In the extreme, some loans peak at 1,700% (Spector, 2007). At these interest rates, debtors are unable to repay their loans, they enter endless cycles of debt, and their ability to consume is severely inhibited, which limits economic productivity. Although profitable in the short-term, subprime lending seems detrimental in the long-term.

Beyond subprime borrowers, U.S. citizens, in general, are experiencing comparable pressure with their personal finances. In the early stages of the 21<sup>st</sup> century, U.S. households owed approximately 120% of their annual disposable income and outstanding consumer debt was calculated at \$769 billion (Montgomerie, 2007). As a result of the increasing amount of personal debt, bankruptcy filings increased by 350% from 1980 to 2005 (Garrett, 2007). In fact, by 2004, more Americans were declaring bankruptcy than graduating from university, getting diagnosed with cancer, or getting divorced (White, 2007).

Beyond the pressure from meeting their personal obligations, U.S. employees encounter increasing amounts of pressure to perform in an organisational context. According to descriptive statistics from the extant literature, 56% of U.S. workers have been pressured by superiors to behave illicitly, 48% have behaved unethically in their careers (Chen & Tang, 2006), and 30% behaved unethical to gain a promotion (Tepper, 2010). With this mounting pressure, it is believed that decent U.S. employees can be coerced into behaving unethically (Tepper, 2010). Most corporate employees are good people (Collins, 2012), but when they experience pressure, they can behave unethically.

The pressure on employees to attain organisational objectives coupled with their personal burdens can result in desperation when ethical dilemmas arise (Beams, Brown, & Killough, 2003; Tepper, 2010). When workers experience pressure to meet deadlines, attain objectives, or reach quotas, concerns about job security, providing for their families, and making ends meet often results in malfeasance (Wicks, Freeman, Werhanes, & Martin, 2010). This level of desperation occurred at Ford when the decision to refuse to recall the Ford Pinto was made in the 1970s – decision-makers were motivated to retain their employment (Gioia, 1992). In her study, Wahn (1993) found the employees that were most dependent on their organisations complied with pressures to behave illicitly.

In U.S. society, there is a need, or at least the illusion of the need to consume. Through marketing communication messages, organisations create the mentality that one's imperfections can be rectified through consumption. Marketers coax individuals to consume as much as they can, whether they can afford to or not. The urge to consume is further stimulated through social and psychological pressures (Fromm, 1955). In the past, individuals consumed to resolve a need and consumption was a means to an end (Fromm, 1955). Now, consumption has become the aim and individuals are dependent



on consuming. They are enslaved by their needs, the organisations that produce them, their employers that help pay for them, and the financial institutions that charge them exuberant interest rates (Fromm, 1955).

From this discourse, the U.S. system appears to function through aggressive growth objectives, mass consumption, and debt. Organisational employees seem to be coerced into behaving illicitly as they are dependent on their employment. To rid themselves of their dissatisfaction, they consume increasing amounts of goods and services as a distraction mechanism (Fromm, 1955). This consumption not only perpetuates the economic system, but also appears to contribute to additional debt, which subsequently results in further pressure at work. Fromm (1955) perceives this system as efficient and totalitarian - a powerful executive assembly controlled by an army of managers that pressure employees into attaining corporate objectives. These employees are overworked, underpaid, blinded by their tasks, and unable to perceive morality beyond their immediate predicament.

Clearly, this is not the free-market capitalist economic system conceptualized by Adam Smith (1776). Smith (1776) envisioned capitalism as a system of self-interest profit maximization, the private ownership of goods, and minimal governmental intervention beyond the enforcement of: contracts, laws of justice, and personal liberty (Werhane, 2000), which offers citizens freedom from oppression. In Smith's economic system, by promoting their own interests, individuals advance the interests of others more effectively than if they had promoted the interests of others directly (James & Rassekh, 2000). However, the use of government intervention in the market during the subprime lending crisis, which was beyond establishing a level-playing field for all participants (Werhane, 2000), sent a clear message, the government seems to condone one group benefiting at the expense of another. As such, subprime lending remains unregulated,

which appears to keep certain members of U.S. society perpetually in debt and struggling.

Indeed, malfeasance seems to be influenced by a multitude of variables: rationalization, economic pressures, and a short-term mentality. As demonstrated, there appears to be significant issues of corporate malfeasance within a U.S. context and for these reasons, U.S. marketing professionals are the target population of this research.

### **1.4 Objectives and Contributions**

The aim of this research is to examine the effect of neutralization on ethical judgments and intentions. A second aim is to evaluate the effect Machiavellianism has on the decision-making process. The third aim involves investigating the relationship between PMI, such as consequences and social consensus, and neutralization. The fourth aim is to understand if marketers believe their illicit intentions are morally acceptable. Finally, an aim is to understand if decision-makers are willing to behave illicitly in certain contexts, but not in others. The first research question of ‘how do marketers rationalize their ethically questionable intentions’ addresses aims one, three, and four. The second research question of ‘what influence does Machiavellianism have on the decision-making process’ addresses the second aim. To address the fifth aim, various EQBs are manipulated and compared in the main study of this research, which is discussed further in chapter five.

The primary objective of this research is to examine the effect of rationalization on one’s ethical judgments and intentions. Through this research, the main contribution of knowledge is the synthesis of four decision-making theories: (1) the less-optimal decision-making abilities of individuals (Simon, 1955), (2) the perceived moral intensity construct (Jones, 1991), (3) the techniques of neutralization (Sykes & Matza, 1957),

and; (4) the bad apples thesis (Trevino & Youngblood, 1990) in which deviant personalities are expected to influence the decision-making process.

By amalgamating the TON within Jones's (1991) PMI construct, a greater understanding of the intermediary steps within the decision-making process should emerge. Researchers have demonstrated that PMI has a direct relationship to judgments and intentions (O'Fallon & Butterfield, 2005). Although high levels of moral intensity involving harms or benefits might be associated with an ethical problem, these factors might be considered less important to decision-makers when their personal interests are equally threatened. If unethical intentions are formed, the relationship between PMI and intentions will likely be influenced by the TON. In other words, decision-makers might rationalize their ethically questionable intentions to protect their self-interest (Bersoff, 1999). This empirical and theoretical contribution can provide an improved explanation of how moral intensity influences decisions.

By evaluating the effect of Machiavellianism on neutralization and PMI, an understanding if deviant personality traits contribute to the decision-making process should emerge. If Machiavellians maintain the same willingness to rationalize their EQBs as non-Machiavellians, Azjen and Fishbein's (1980) theoretical framework would be applicable to Machiavellianism. In general, Azjen and Fishbein (1980) argued that background factors, such as personality traits, may not influence behaviour significantly, these factors might only indirectly affect ethical judgments (Fishbein & Azjen, 2010).

The third objective involves studying the effect of rationalization on judgment. By reaching this objective it is anticipated that knowledge of the cognitive limitations of marketers will be gained. In general, marketers are expected to rely on neutralizations to

suppress the ethicality of a dilemma and by judging their EQB as morally acceptable, are able to reemphasize their self-concept.

### **1.5 Outline of the Thesis**

In this final section of this chapter, this research concerned with examining ‘how marketers rationalize their intentions in ethically questionable contexts’ and ‘what influence Machiavellianism has on the process’, is outlined. In chapter two, the methodology, which takes a positivist philosophical perspective, is presented. In the chapter, the two broad theories of business ethics, normative and descriptive theories, are outlined. Discussions centre on consequentialism with a comparison of egoism and altruism. Later in the chapter, EQB is contextualized. At the close of the chapter, the broad descriptive decision-making theories involving rationalism and intuitionism are introduced.

In chapter three, the main decision-making theories of economic rationality, bounded rationality, and irrationality are discussed. To facilitate irrational behaviour, the rationalization theories are compared. In the second portion of the chapter, the decision-making theories within the business ethics research paradigm are presented. Discourse focuses on the four-component model (Rest, 1986), the issue-contingent framework (Jones, 1991), the models that account for influential factors, such as personality and rationalization (Chatzidakis et al., 2007), and the intuitionist frameworks (Reynolds, 2006).

In the fourth chapter, the model for ethically questionable decision-making is presented. This model represents an amalgamation of the PMI construct (Jones, 1991), the TON (Sykes & Matza, 1957), and Machiavellianism whilst acknowledging the intuitive nature of decision-making and the bounded rationality of individuals. In the chapter, the hypothesized relationships are presented.

In chapter five, the methods used to test the model for ethically questionable decision-making are justified. In the first section, the current methodological issues in business ethics are discussed. The main topics involve socially desirable response bias, using intentions as proxies of behaviour, and vignette-based self-administered questionnaires. In the second section, the methods selected for this research, which involve a self-administered vignette-based questionnaire using projective reasoning, are justified. In the third section, the procedures used to develop the questionnaire are discussed. In the fourth section, the sampling procedures and the sample profile are outlined. In the final section, the methods of analysis are discussed.

In the sixth chapter, the results of the data analysis are presented. In the first section, the validity of the constructs is shown. In the second section, the results of the hypothesis tests are presented. In the final section, the findings of the post-hoc tests are discussed.

In the first section of chapter seven, the path coefficients between the various constructs across the vignettes used in this study are compared. In the second section, the results of the hypothesis tests are interpreted. In the third section, the research questions are answered and the theoretical, empirical, and managerial contributions are discussed.

In the first section of chapter eight, this research is summarized. In the second section, the implications for practice are discussed. In the third section, the limitations of the study are outlined and, in the final section, the directions for future study are suggested.

# Development of Research in Business Ethics

## 2.1 Introduction

In the last chapter, the outline of this research focused on understanding how marketers rationalize their ethically questionable intentions and what influence Machiavellianism has on the decision-making process was introduced. In the chapter, discussions centred on the marketing profession. It was demonstrated that compared to other organisational professionals, such as finance, marketers are more inclined to behave unethically. To establish these arguments, various ethically questionable behaviours (EQBs) within a marketing context were introduced. In the latter portions of the chapter, the objectives and contributions of this research were presented.

In the first part of this chapter, the philosophical perspectives in ethics research are discussed. Discourse centres on the ontology (identity of things), epistemology (the nature of knowledge), human nature (social theory), and the methodology (obtaining knowledge through investigation) of this research (Burrell & Morgan, 1979). In the

second portion of the chapter, the two main streams of business ethics research, normative and descriptive theories, are discussed. For the normative theories, discussions centre on altruism, rational egoism, and irrational egoism and Machiavellianism. The compatibility of these theories within the context of capitalism, which is the economic system in the U.S. and, thus, relevant to this research on decision-making within an organisational context, are also discussed. In the final section, the descriptive theories, which outline how decisions are made, are presented. The two main decision-making theories, the rationalist and intuitionist approaches, are the focus of discussion.

### **2.2 Philosophical Perspectives in Ethics Research**

According to Burrell and Morgan (1979), social science research can be conceptualized using four-sets of assumptions involving ontology, epistemology, human nature, and methodology. As indicated, ontology involves how individuals identify things, the assumptions associated with the phenomena under investigation. Epistemology involves the assumptions associated with how knowledge is gained (Saunders, Lewis, & Thornhill, 2007). Human nature pertains to how individuals are influenced by their environment, which is largely associated with social theory (Burrell & Morgan, 1979). Methodology involves how individuals investigate phenomena and gain knowledge through their examinations of the social world.

Decision-making theorists, such as the Nobel Laureate Herbert Simon, contend that in order to understand how individuals make decisions, the decision-making process should be analyzed rigorously using empirical data. Through this process, computational decision-making frameworks can be developed. Once developed, these theoretical models should then be compared with actual human behaviour (Simon, 1955). Consistent with this perspective, the ontology of this research is realism. Realists

believe that the social world is comprised of facts that can be perceived by others and shared (Burrell & Morgan, 1979). The epistemology is positivism. Positivists believe the social world can be measured and that others are capable of understanding it. When positivists conduct social science research, the objective is to create knowledge that can be generalized and replicated (Saunders et al., 2007). Through a positivist approach, existing theory is used to develop hypotheses (or propositions), which involve taking a deductive approach by seeking causal relationships between variables (Greetman, 2006). These hypothesized causal relationships are then tested through rigorous methods.

In this research, causal relationships related to current ethically informed decision-making are established. Intuitively, marketing professionals have had exposure to ethical problems and their decision-making in ethically questionable contexts is examined. It is anticipated participants have already developed their ethicality through years of exposure and application. Therefore, the focus of interest is a 'snapshot' of the current level to understand the influential mechanisms in the process. There is no intervening prompt that will have changed these mechanisms that can be measured over time. This temporal evolution has already taken place and it is the result, given current beliefs of morality and ethical behaviour that is of interest. Considering temporal or dynamic affects are not expected to be present, a mono-method approach involving cross-sectional data derived from a self-administered questionnaire is most appropriate.

The data derived from the questionnaire is tested quantitatively using statistical methods. Importantly, this process can be reproduced and verified by others (Saunders et al., 2007). Through the confirmation of hypotheses, theory is developed, which can then be used to build additional theories to be tested in future studies. Thus, the deductive process involves the transition from theory to data (Saunders et al., 2007).



The social theory (or human nature) of the research involves determinism. Determinism is based on the belief that individuals are influenced by their environments and situational contexts (Saunders et al., 2007). The methodology of this research involves a nomothetic approach. Nomothetic research involves the belief that the social world can be measured through the testing of hypotheses derived from theoretical frameworks (Burrell & Morgan, 1979).

Alternative methodologies to the aforementioned approaches were considered, but these options were deemed unsatisfactory to answer the research questions, attain the objectives, and reach the aims of this research. Specifically, given the target population of this research is marketing professionals, which by their profession, possess stringent schedules, using interviews or laboratory assessments would be impractical (Friedrich, Byrne, & Mumford, 2009). Second, an objective of positivist research is to offer generalized findings, which would be unattainable through interviews. Third, considering this research contains an ethical context or more specifically, a desire to understand the illicit behavioural intentions of marketers, interviews could result in socially desirable responses (Robson, 2002). Socially desirable response bias is argued to be the most significant challenge against the reliability of business ethics studies (O'Fallon & Butterfield, 2005). Fourth, an objective of this research is to test a conceptual framework. However, conceptual frameworks cannot be examined using data derived from interviews, unless of course, several hundred structured interviews are conducted. For these reasons, self-administered questionnaires were used through a positivist methodology.

In summary, the philosophy of this research is positivism, the approach taken is deductive, the strategy involves a self-administered questionnaire, and a mono-method approach involving cross-sectional data is used (Saunders et al., 2007). Consistent with

the methodology of this research, the business ethics research paradigm is founded on positivist research methodologies (Brand, 2009). According to Randall and Gibson's (1990) review of the business ethics literature, approximately 83% of the studies involve positivist methodologies conducted through the use of self-administered questionnaires. In addition, Nill and Schibrowsky (2005) found that the marketing ethics empirical research published between 1981 and 2005 was predominantly within the positivist paradigm.

### **2.3 Normative Theories**

The business ethics literature is largely comprised of two broad categories: normative theories and descriptive theories. Normative theories are the moral philosophies that dictate how decision-makers should behave in the marketplace. Descriptive theories rely on social psychology to explain how decisions are made in ethical contexts. In this section, the most prominent normative theories in the business ethics research are discussed.

Individuals with a relativistic perspective disagree with a rule-based system that does not take into consideration possible exceptions (Rawwas, Al-Khatib, & Vitell, 2004). Relativists believe no universal ethical rules apply since normative beliefs are a function of the individual (Schwepker & Good, 1999). Relativists focus on the consequences of a decision and, not necessarily, the motivations (Agarwal & Malloy, 2002). They also consider decisions on a case-by-case basis and acknowledge the subjectivity of decision-making. In general, relativists contend an action is acceptable if the result produces a greater percentage of pleasure than pain (Rawwas et al., 2004).

By contrast, idealists believe in rule-based systems. Idealists are most concerned with actions (Rawwas et al., 2004); they are less concerned with consequences. Regardless of

the consequences, idealists believe harming others is never acceptable (Lee & Sirgy, 1999).

Individuals that are guided by deontological norms typically review specific actions by their rightness or wrongness (Donoho, Polonsky, Roberts, & Cohen, 2001). Within a deontological framework, decision-makers centre on the action as opposed to the consequences (Agarwal & Malloy, 2002). Individuals that subscribe to unrelenting deontological norms believe that an action is only ethical if it is honest, fair, just, and loyal (Hunt & Vasquez-Parraga, 1993). The central criticism of deontology is the unwillingness of an individual to consider an action on a case-by-case basis, or compensate for potential exceptions to a rule.

In opposition to deontology, individuals that follow teleological guidelines focus on the consequences of the behaviour, not the motivations (Lu, Rose, & Blodgett, 1999). The main philosophical frameworks within the consequentialist paradigm are utilitarianism, egoism, and altruism. Utilitarianism is based on maximizing the utility of the majority through a cost-benefit analysis (Tsalikis & Fritzsche, 1989). John Stuart Mill (1906) believed that, if needed, an individual is required to sacrifice his or her personal interests for the benefit of the majority. The principles of utilitarianism contend that the inefficient use of resources and self-interest gain at the expense of the majority are unethical (Ferrell & Gresham, 1985). The primary disadvantage of utilitarianism is the justification of harming the few for the well-being of the majority (Robin & Reidenbach, 1993). In general, this philosophy is based on rationalizing unethical behaviour by contending the end justifies the means, which seems to conflict with the theory of justice (Wotruba, 1990).

In the literature, there are several examples of malfeasance arising from utilitarianism. In her discourse, Galloway (1986, p. 167) provides an instance of a doctor “who

sacrifices a healthy person in order to obtain five of his organs each of which is needed by one of five other people”. In her trolley problem, Thomson (1985) provides another extreme example of how one person is pushed in front of an approaching trolley to save the lives of five others. Although extreme, these types of EQB would be ethically sound from a utilitarian perspective.

Comparable to utilitarianism, altruism is based on the concept that individuals should advance the interests of others at the expense of themselves. Conversely, egoism involves advancing one’s long-term self-interest and not sacrificing one’s interests for others. These normative guidelines seem to form the crux of the debate within the corporate social responsibility (CSR) and business ethics literatures. The central debate within the CSR literature surrounds the relationship between business and society. It is argued managers and, by extension, corporations owe duties to: (1) their shareholders through the form of maximized profits, and; (2) society, in general, through a broader range of responsibilities. The former pertains to egoism, the latter is altruism.

### **2.3.1 Altruism**

Altruism is based on the belief that individuals should advance the interests of others at the expense of (or prior to) themselves. It is believed that individuals have empathetic qualities and are sympathetic toward others and, as such, they should show concern for other people (Jones & Ryan, 1997). In the CSR literature, it is generally argued that organisations owe duties to society through a broad range of responsibilities, such as donating to charity (Carroll, 1991). In much of the CSR literature, researchers contend managers and, by extension, organisations are required to use corporate competencies to solve social problems (Geva, 2008).

Altruism dates back to the philosophical discourse of Confucius. The central tenets of Confucianism involve charity, altruism, love, trust, fidelity, honesty, courtesy, and

benevolence (Luo, 2011; Zhu & Yao, 2008). When asked by one of his disciples the one word that can serve as a guideline throughout one's life, "Confucius said, 'it is the word altruism. Do not do to others what you do not want them to do to you'" (Kim, 2004, p. 123). Confucians believe that communities flourish when individuals do not place their interests above the interests of others (Bailey, 2011). Indeed, Confucianism is concerned with altruism and building a system of morality. With the focus on advancing the interests of the community, altruism is philosophically consistent with communism or a socialist economic system. Considering Confucianism is allegedly the philosophical foundation of several Far East Asian nations and specifically China, this might be a contributing factor to the acceptance of socialism in China. Unfortunately, a thorough review of the relationship between altruism and communism is beyond the scope of this research.

In a business ethics context, EQB can result from altruism. Specifically, with the objective of avoiding harms to local communities, managers could retain their manufacturing operations in less profitable locations. However, this decision would likely result in said company experiencing long-term viability concerns as profitability could decline. By squandering profitability for altruistic purposes, organisations would be losing focus of their core business, such as meeting customer demand, which might result in competitive disadvantages (Porter & Kramer, 2002) and, in the extreme, default. Ultimately, these results would be ethically questionable as employee wages would decrease, unemployment would increase, shareholders would lose their investments, and consumers would experience the ramifications in the marketplace through price adjustments (Friedman, 1970). In view of these issues, altruism appears to be inconsistent with capitalism (Rand, 1961).

Capitalism is defined as:

... the private ownership of resources and the use of markets and prices to coordinate and direct economic activity... Each participant acts in his or her own self-interest; each individual or business seeks to maximize its satisfaction or profit through its decisions regarding consumption and production (McConnell & Brue, 2004, p. 20).

During the industrial revolution, capitalism emerged through the writings of Adam Smith (Doeke & Zilibotti, 2008). Capitalism differed from mercantilism in that the profit gained from market interactions would belong to the owners of the means of production (Chiapello, 2007). Adam Smith believed that the private ownership of goods would be effective in increasing profitability, employment, and fulfilling consumer demand (Bassiry & Jones, 1993).

Inspired by Isaac Newton, Smith (1776) developed capitalism on the principle of nature guiding the self-interest of businesspeople toward “the production of wealth for the benefit of all by means of a free market system, which creates a natural balance of equity” (Klein, 2003, p. 387). In a capitalist economy, the market sets the prices of goods and services. These prices are adjusted when entities enter and exit the market; the inefficient and uncompetitive producers are removed whereas the most competitive gain market share. Adam Smith was not opposed to harming others through competition as this would advance the interests of society by increasing the options for consumers, reducing prices, improving quality, and removing inefficient producers (James & Rassekh, 2000). This system has been related to Darwin’s survival of the fittest (Klein, 2003) in that the competitive market regulates itself through a natural process (Primeaux & Stieber, 1994) of supply and demand. Through this process, equilibrium is reached through the removal of ‘weaker’ participants by ‘fitter’ ones. However, it is important to note that Smith was against harming others through immoral competitive behaviour. He believed that market agents should compete through virtues and values that involve cooperation, trust, morality, and mutual benefit (Klein, 2003).

In a capitalist context, it is believed governments should avoid interfering in the marketplace beyond the enforcement of the rule of law, human rights, and personal liberty (Smith, 1776; Werhane, 2000), because a ‘laissez-faire’ approach is expected to result in the greatest benefits to society (Spencer, 1851). Capitalism provides individuals with the freedom to enter any market and business relationship. However, beyond establishing a level-playing field for all participants (Werhane, 2000), the benefits of capitalism cannot be realized with government intervention as the free-market system is compromised (Spencer, 1851). In 1776, Adam Smith foresaw that government intervention in the marketplace can create incentives for individuals to maximize their short-term interests to the detriment of others and, eventually, themselves (James & Rassekh, 2000).

Varying levels of capitalism are found in most developed economies. However, capitalism is most prevalent in the industrialized nations of North America, Western Europe, and Far East Asia. In the U.S., capitalism has been argued to be closer to the laissez-faire end of the spectrum (Midttun, Gautesen, & Gjolberg, 2006). Although there is criticism of the varying levels of governmental intervention in the U.S. (Rand, 1964), it is believed that capitalism is the underlying principle of the economy. In the U.S., legislation dictates corporate agents are required to act in the best interest of shareholders (Jennings, 2006). With the focus of altruism on advancing the interests of others prior to oneself, capitalism and altruism are philosophical opposites that cannot co-exist in the same context (Rand, 1961). Therefore, altruism is perceived as an impractical normative guideline for managers of profit-oriented entities operating in a capitalist context. In lieu of the incompatibility of altruism with capitalism and the potential for EQB associated with non-strategic altruism (Kramer & Porter, 2002), egoism, which is naturally compatible with capitalism, is discussed in the next section.

### 2.3.2 Rational Egoism

Rational egoism is contextualized using the philosophies of Adam Smith, the Nobel Laureate Milton Friedman, and Ayn Rand. Contrary to altruism, rational egoism centres on advancing the self-interests of individuals. Rational egoism involves advancing one's long-term self-interest, pursuing one's values, not sacrificing one's interests for others, and avoiding the maximization of profitability through any means possible (Woiceshyn, 2011). Milton Friedman contended that focusing on one's self-interest is not myopic, but rather it involves pursuing one's values and goals (James & Rassekh, 2000). In this context, "self-interest is not, in fact, a matter of following whims. To act in one's own actual interests requires that one identify the actions necessary to attain one's long-range happiness" (Locke & Woiceshyn, 1995, p. 406).

Rational egoists are divergent from the egoists that focus on advancing their interests to the detriment of others and believe that no matter what the consequences, any action that advances their self-interest is acceptable (Rand, 1964). Through rational egoism, ethical behaviour contributes to social harmony whereas malfeasance harms or negates it (Woiceshyn, 2011). Rational egoists are concerned with the interests of others as, without cooperation, the egoist cannot maximize his or her long-term self-interest (Maitland, 2002). Adam Smith contended that "if everyone followed their own perceived best interest, an invisible hand would so coordinate the attempts to maximize individual self-interest that the good of all would result" (Bowie, 1991, p. 10). It is suggested that when individuals pursue their own long-term self-interests, they promote the interests of society more effectively than if they attempted to promote them directly (James & Rassekh, 2000).

Rational egoism not only condones competition, but expects it (Smith, 1759). Smith believed that as long as managers do not conflict with the law of morality, they have the



freedom to compete against any organisation within any context. When competing, managers are expected to advance the long-term interests of their employers by maximizing shareholder value and profitability (Friedman, 1970).

Although rational egoism centres on advancing the long-term self-interests of individuals, advancing one's interests at the expense of others is unacceptable because to:

... hurt in any degree the interests of one order of citizens for no other purpose but to promote that of some other, is evidently contrary to that justice and equality of treatment which the sovereign owes to all different orders of his subjects (Smith, 1776, p. 654).

Friedman (1970) indicated that managers are to maximize profitability whilst operating within the confines of legislation, social, and ethical norms. Indeed, the theories of Adam Smith and Milton Friedman are consistent with ethical conduct and advancing the interests of society (James & Rassekh, 2000).

According to Rand (1964), rational egoism is based on a system of morality and individuals are to acknowledge the importance of ethics in their decisions. She argued that:

... ethics is not a mystic fantasy – nor a social convention – nor a dispensable, subjective luxury, to be switched or discarded in any emergency. Ethics is an objective, metaphysical necessity of man's survival – not by the grace of the supernatural nor of your neighbours nor of your whims, but by the grace of reality and the nature of life (p.19).

The central tenet of the rational egoism philosophy involves not sacrificing yourself for others and not sacrificing others for yourself.

Within rational egoism, a level playing field in the market is advocated, meaning that "... the rules of the game are not biased in favour of certain actors (no economic micro-management by government), and that the rules of the game are fairly enforced to

prevent or at least reduce cheating by competitors” (Wells & Graafland, 2012, p. 323). It is expected that managers should refrain from injuring others through political rent seeking<sup>1</sup> as this results in one group benefiting at the expense of another, which violates the laws of justice and does not advance the interests of greater society (James & Rassekh, 2000). In his discourse, Adam Smith believed that political rent seeking contributes to monopolistic markets and does not result in the most effective companies gaining market share through quality improvements, innovation, and lower prices (James & Rassekh, 2000).

With its focus on maximizing profitability, rational egoism is clearly applicable to modern organisations and capitalism. Indeed, rational egoism is a system of morality that is against sacrificing the interests of others for one’s own (Yang, 1996). As a result of this, rational egoism has been cited in the CSR (James & Rassekh, 2000) and business ethics literature (Woiceshyn, 2011). Therefore, rational egoism is not only a suitable framework for contextualizing EQB, but the value system also appears to be a suitable normative framework for marketing professionals.

### **2.3.2.1 Contextualization of Ethically Questionable Behaviour**

Jones (1991) defines EQB as any action that is “... illegal or morally unacceptable to the larger community” (p. 367). Jones’s (1991) contextualization is consistent with other definitions in the ethics paradigm (Kish-Gephart et al., 2010) and has been cited extensively within the business ethics literature (Barsky, 2008). The main criticism of the definition involves judging the ethicality of behaviours using social norms. This approach tends to ignore the EQBs within the norms of society or those that are legal

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<sup>1</sup> Political rent seeking involves lobbying government officials for special treatment (James & Rassekh, 2000).

but perceived as ethically questionable. This is problematic as various activities are legal but not necessarily ethical.

For example, pollution is accepted in certain emerging markets but not in more developed nations. As indicated, limited regulation exists in emerging markets and managers of multinational organisations have been accused of exploiting the environment and local populations for temporary gains. In Ecuador, Texaco was sued for \$18.2 billion for dumping toxic waste in indigenous communities (Barrett, 2011). Cost-cutting measures and a lack of regulations were also associated with the Union Carbide tragedy in Bhopal, India that killed 23,000 and injured 120,000 (Trotter et al. 1989).

Beyond the issues abroad, there are behaviours that are legal, but not necessarily ethical within the U.S. context. The U.S. usury laws were effectively abolished in 1978 (White, 2007), which has resulted in the subsequent exploitation of vulnerable members of society (Karpatkin, 1999). Specifically, certain U.S. firms have targeted the impoverished with exploitative interest rates (Karpatkin, 1999), a practice that has contributed to the deterioration of the U.S. economic system (White, 2007). Consistently, Flannery and May (2000) found managers often frame ethical problems within a legal framework. Morality is considered largely irrelevant. By integrating legislation with morality, McCarty (1988) argued U.S. executives often believe ethics is less important than the law, or ethics are based on legislation.

This mentality can be partially explained by the social norms of U.S. society involving self-interest profit maximization. As indicated, U.S. legislation requires businesspeople to implement strategies associated with increasing shareholder value (van Griethuysen, 2010). However, it appears that decision-makers are taking egoism and, by extension, capitalism out-of-context. Instead of concentrating on their long-term self-interests, they

are focusing on perpetuating their short-term concerns, which is to the detriment of greater society. Richard Dawkins (1976) suspected that if individuals advance their short-term self-interests at the expense of other people, others will begin to follow suit if perceived benefits are attainable from this behaviour. With that said, this change of behaviour will negatively affect the long-term interests of all parties operating within the market economy.

Indeed, a narrow focus on behaving within societal or legislative norms can result in decision-makers believing they are behaving ethically, when they are not (Brooks, 2010). Through Jones's (1991) definition, pollution within the legal limits and targeting usurious rates toward the impoverished are considered ethical. Using more extreme examples, the 18<sup>th</sup> century American witch trials, genocides in Germany, Rwanda, Cambodia, and Sri Lanka, and the 18<sup>th</sup> century slavery in America, which were all within the norms of their respective societies, would be ethical according to Jones's (1991) definition.

From this deduction, Jones's (1991) definition is clearly unsuitable as actions that are legal, but not necessarily ethical are judged as morally acceptable. In other words, EQBs that are within the norms of society are perceived as ethical. However, Jones's (1991) definition does not consider globalization or cross-cultural interactions where certain behaviours might be within the norms of one society, but against the norms of another. From Jones's (1991) definition, the subsequent empirical research (Abdolmohammadi & Sultan, 2002) is primarily based on analyses of behaviours that are unethical and illegal. This research direction has resulted in a dearth of studies that are based on analyzing actions that are legal, but not necessarily ethical.

For these reasons, a revised contextualization of EQB is warranted. In this research, EQB is approached within the broader context of rational egoism. As indicated, rational

egoism involves advancing one's long-term self-interest, pursuing one's values, not sacrificing one's interests for others, and avoiding the maximization of profitability through any means possible (Woiceshyn, 2011).

When individuals act in their long-term self-interests, they do not exploit, deceive, or pollute. By focusing on long-term profitability, decision-makers behave ethically (Primeaux & Stieber, 1994) as ethical behaviour is beneficial to one's long-term self-interest or good ethics is good business (Gaski, 1999). In contrast, unethical behaviour is unprofitable in the long-term (Le Menstrel, 2002). Considering obeying the law results in a reduction of fines, litigation, and the implicit costs of productivity losses, acting in one's long-term self-interests can result in both legal and ethical behaviour. Therefore, EQB is contextualized as any action that conflicts with one's long-term self-interest (Greetman, 2006). As indicated, there are two dimensions of EQB: (1) actions that are illegal and unethical, and; (2) actions that are legal, but not necessarily ethical. To advance Jones's (1991) definition, both dimensions are included in the contextualization of EQB for this research. Throughout this research, when 'EQBs', 'unethical behaviours', or 'malfeasance' are discussed, the behaviour is considered unethical.

### **2.3.3 Irrational Egoism and Machiavellianism**

Beyond rational egoism, there are varying interpretations of egoism. Egoism is often misconstrued, taken out-of-context, and perceived to be ethically problematic (e.g., Fukukawa, 2003), amoral, or immoral. For example, egoists are interpreted as managers that consider exploiting or compromising the interests of others to advance their own (Schwartz & Carroll, 2003). This form of egoism can be best described as 'cynical egoism' or 'irrational egoism'. Cynical egoists reject any standard of morality and behave in any way they see fit. "In other words, cynical egoism advocates dishonesty if

one feels like it, if it helps gratify one's immediate desires, and if its cost (likelihood of getting caught) is low" (Locke & Woiceshyn, 1995, p. 405-6). Rand (1964) contended that focusing on one's self-interest "is not a license 'to do as he pleases' and it is not applicable... to any man motivated by irrational emotions, feelings, urges, wishes, or whims (p. 8)."

According to the results of Wood, Longenecker, McKinney, and Moore's (1988) empirical study of U.S. business professionals and business students, irrational egoism was determined to be a contributing factor to EQB. In addition, irrational egoism was found to not only be firmly ingrained in U.S. business, but also among business school students (Wood et al., 1988).

Irrational egoism is often used interchangeably with Machiavellianism (Fukukawa, 2003), which is a personality trait that involves "... manipulating others for personal gain, often against the other's self interest" (Wilson, Near, & Miller, 1996, p. 285). For centuries, since the publication of his famed opus, Machiavelli has been synonymous with deviant and manipulative behaviour, seen in political leaders, diplomats, and bureaucracy. In the literature, Machiavellians are less concerned with others and have a tendency to behave unethically (O'Fallon & Butterfield, 2005). Machiavellians are conniving, ruthless manipulators who detach from social norms (Robinson & Shaver, 1969) and behave unethically to advance their selfish ends (Calhoon, 1969).

Clearly, Machiavellians are antithetical to rational egoism; they are the epitome of irrational egoism and are inclined to behave unethically (O'Fallon & Butterfield, 2005). The Machiavellian personality might be perceived as an isolated phenomenon, one that is not well-represented in the marketing population. However, Hunt and Chonko (1984) found that marketing professionals had medium to high-levels of the Machiavellian personality trait. Interestingly, marketing professionals were found to be no more

Machiavellian than the general public (Hunt & Chonko, 1984). Consistent with the results from Wood et al.'s (1988) study, it appears Machiavellianism and irrational egoism seems to be prevalent in U.S. society. Therefore, Machiavellianism is analyzed as a potential influential factor in corporate malfeasance.

### **2.3.4 Critique of Normative Theory**

Beyond the philosophical normative theories discussed in this section, researchers often suggest how managers should curb malfeasance. However, these suggestions are often based on assumptions of ethicality and are premature without empirical support (Crane, 1999; Goldman, 1993).

By offering recommendations without adequate evidence, issues can arise. For example, several researchers often conclude the solution to unethical behaviour is ethical training, which many contend can improve ethical decision-making and, subsequently, behaviour (Lee & Sirgy, 1999). However, according to the empirical literature, Sparks and Hunt (1998) did not find ethical training improved ethical behaviour. In addition to ethical training, other researchers contend unethical behaviour can be cured by establishing codes of conduct and ethical corporate cultures (Singhapakdi & Vitell, 1991). Conversely, Cleek and Leonard (1998) offer support that ethical codes do not influence behaviour. Given there is no clear indication that codes of ethics and ethical training can reduce malfeasance, by implementing these programs, organisations could be fruitlessly squandering their resources.

Beyond these recommendations, other researchers suggest unethical behaviour can be remedied through altering the economic system to focus less on profit maximization (Alexander, 2007). However, the economic system might not be the central contributor to unethical behaviour. Using Dawkins's (1976) theory, the cause could be the survival of the fittest mentality derived from natural selection. If Dawkins's arguments are a true

reflection of reality, any suggestion of altering society might be futile as the problem would not be society, the problem would be humans and perhaps, incurable. Foundationally, these proposals do not address the issue and the implementation of recommendations without understanding malfeasance can result in its perpetuation (Leget, Borry, & de Vries, 2009).

Although useful at providing behavioural guidelines for decision-makers and contextualizing EQB, on their own, normative theories are incapable of providing researchers with knowledge of how decisions are made. As a general criticism of the business ethics literature, Bartlett (2003, p. 225) argues that the “business ethics literature has a misplaced emphasis upon underlying philosophical theory and that resources should focus instead upon the more psychological aspects of business ethics, such as behavioural intentions and the beliefs that shape those intentions”. Thus, the main criticism of the normative literature involves the gap between theory and practice (Bartlett, 2003). To explain ethically questionable behavioural intentions, descriptive theories are needed.

### **2.4 Descriptive Theories**

Descriptive theories involve analyzing what individuals actually do. Descriptive theories are useful for providing a schematic outline of the process individuals follow when making decisions. The two decision-making theories discussed in this section are the rationalist decision-making approaches and the intuitive models. The rationalist researchers suspect individuals make their decisions using a logical and linear process whereas the intuitionist theorists believe decision-makers make most of their decisions below the level of consciousness. The latter process is argued to be instantaneous and decision-makers only reason or explain their behaviour *ex post facto*. Both of these theories are the basis of the models discussed in depth in chapters three and four. The



purpose of the following discourse is to provide the reader with a general understanding of the difference between the normative and descriptive theories and, secondly, to outline the difference between the rationalist and intuitionist approaches.

### **2.4.1 Rationalist Approach**

When decision-makers encounter ethical problems, rationalist theorists contend individuals make active judgments. Active judgments involve an examination of the relevant alternatives to an ethical problem, the facts associated with the situation, and an abstract set of moral rules that apply to the dilemma (Reynolds, 2006). As a result of this process, active judgments are deliberate and analytical (Reynolds, 2006).

When individuals make active judgments, the process is argued to be linear in that decision-makers first recognize that their ethical dilemma affects other people (Rest, 1986). The next step involves making a moral judgment by reviewing the possible alternatives and selecting the most moral option. In stage three, managers form their behavioural intention, which subsequently, leads to their behaviour. In general, it is believed that these active judgments are rational and often result in ethical decisions.

In their review of the ethical decision-making models, Bommer, Gratto, Gravander, and Tuttle (1987) determined that most frameworks are within the rationalist context. It was argued that most researchers have determined that several stages are followed in a linear process. First, decision-makers set their objectives. Second, individuals search for alternatives that enable them to reach their objectives. Third, each alternative solution is evaluated against these objectives. Fourth, an option is selected, intentions are formed, and the individual reacts. In the final stage, the decision-maker monitors and controls the results. It is further expected that each stage in this decision process is influenced by the continuous selection, filtering, and processing of information within the context of the individual's value-system (Bommer et al., 1987).

Consistent with the aforementioned approaches, Cooper (1998) suspected that individuals make decisions at two levels: (1) by reviewing moral rules, such as codes of ethics, legislation, values, or theology, and; (2) at a higher level of ethical analysis (Scott, 2002). These two levels of decision-making form Cooper's (1998) rationalist model that consists of five linear stages. Comparable to Rest (1986), the first stage involves recognizing an ethical problem. The second phase involves defining the ethical issue. In phase three, decision-makers review the potential alternatives, which lead to the fourth phase of evaluating the perceived alternatives. In stage four, the alternatives are evaluated against the varying rules outlined in the aforementioned first level of decision-making. Once the preferred alternative is selected, the decision-maker enters stage five – the resolution or behaviour stage (Scott, 2002).

In Ajzen and Fishbein's (1980) theory of reasoned action, the decision-making process is influenced by various individual factors such as personality, social status, knowledge, values, culture, and past behaviour. These factors are argued to influence one's beliefs: (1) toward a particular action and that the behaviour will lead to certain outcomes, and; (2) perceptions of the norms of society. These beliefs influence one's attitude (or judgment) toward a particular behaviour, which in turn affects one's intentions and subsequent action.

Similarly, Trevino (1986) included individual and situational components in her model. In the model, EQB is said to be influenced by the ethical dilemma, the stage of cognitive moral development, individual moderators, such as ego, field dependence, and locus of control, and situational moderators that often involve immediate job context, organisational culture, and characteristics of the work environment. As will be discussed further in chapter three, cognitive moral development theorists (Kohlberg, 1976) contend that as individuals progress with age, they become increasingly

sophisticated with their decision-making abilities and are able to make decisions involving increasing complexity.

Fishbein and Ajzen (2010) argue their model takes into account the ability for decision-makers to misrepresent or bias their perceptions of an ethical dilemma to suit their interests. In the model, the potential for past experiences to influence subsequent behaviour is taken into account (Fishbein & Ajzen, 2010). Although argued to primarily be a deliberative or rational model free from subconscious motives (Ajzen & Fishbein, 1980), Fishbein and Ajzen (2010) contend the model accounts for decisions that are made either rationally or intuitively. Consistently, Simon (1955) argued that if social scientists are to understand how decisions are made, decisions should not be assumed to be logical, linear, or rational.

### **2.4.2 Intuitionist Approach**

By contrast, the intuitionist researchers contend that individuals make their decisions reflexively and instantaneously. Reynolds (2006) argued that decision-makers do not necessarily make decisions through a rational process such as by following various stages linearly. It is believed decisions are made subconsciously and, in many cases, they are made intuitively. Through this process, it is argued decision-makers do not actually deliberate on the issue as extensively as the rationalist researchers suggest.

When reflexive judgments are made, the first step involves gathering the most relevant information to a particular decision. The next step involves processing the extracted information, which engages the cognitive process (Reynolds, 2006). It is believed a comparison of various normative rules occurs below the level of consciousness, which ultimately leads to the decision. However, this comparison of moral rules might be grounded in norms the decision-maker might consciously disagree with (Reynolds, 2006). For example, a marketer might argue that exploiting vulnerable consumers is

wrong but subconsciously said marketer might believe it is acceptable to do so in order to retain one's employment.

These subconscious decisions are formed from intuition, which is based on a marketer's previous experiences. For example, if a marketer has bribed an official in the past, when the opportunity is presented again, the marketer might rely on previous knowledge and simply react without thinking at a conscious level. To address any external challenges, such as other people expressing opposing views associated with a particular decision, the conscious stage is engaged to form rationalizations (Reynolds, 2006). It is only after the decision is made and the marketer is challenged by others that excuses are made (Freud, 1900).

Consistent with these post-hoc explanations, the intuitionist researchers argue the rational models do not account for reflection or intuitive decision-making (Reynolds, 2006). Indeed, individuals are often bothered by their decisions after they are made. Depending on the consequences associated with their decision, individuals can experience trouble eating; they cannot enjoy themselves away from work, or even sleep as they are plagued by their actions (Reynolds, 2006).

### **2.5 Conclusion**

In this chapter, the normative philosophical theories were presented. Considering the U.S. economic system is founded on capitalism, rational egoism was argued to not only be most applicable to the U.S. population, but also most likely to result in ethical behaviour. As such, the broader theory of rational egoism was used to contextualize EQB. In the second part of the chapter, the two broad schools of descriptive theory were discussed. Discourse centred on the rationalist decision-making models and the intuitionist approaches. Consistent with capitalism and the suspected self-interest nature of human behaviour, the rational decision-making approaches are largely based on the

theory of economic rationality. Meaning the motivation of decision-makers is solely concerned with advancing their self-interests – they do not have altruistic inclinations (Dawkins, 1976). However, the intuitionist models are based on a divergent theory – the irrationality of decision-makers and their inability to be perfectly rational. This debate is a central theme of the next chapter involving the theoretical frameworks in irrational decision-making.

# Theoretical Frameworks in Irrational Decision-Making

## 3.1 Introduction

In the last chapter, the methodology of this thesis concerned with understanding how marketing professionals rationalize their ethically questionable intentions and what influence Machiavellianism has on the decision-making process was introduced. The normative philosophical theory of rational egoism, which was demonstrated to be not only compatible with the American capitalist system, but also most likely to result in ethical behaviour, was discussed. As a result, rational egoism was used to contextualize ethically questionable behaviour (EQB). In the latter portions of the chapter, the descriptive theories involving the two streams of decision-making research, the rationalist and intuitionist approaches, were outlined.

Built on the foundation of these two themes, the decision-making theories of economic rationality, bounded rationality, and irrationality are discussed in the first section of this chapter. Within the context of irrational decision-making, the techniques of

neutralization (TON), which are used by individuals to justify their irrational decisions (Sykes & Matza, 1957), are presented. Discussions in the latter portion of the chapter centre on the decision-making frameworks within the business ethics paradigm. To emphasize the relationships found between the relevant latent variables, the results of the empirical literature are included in these discussions.

### **3.2 Decision-Making Theories**

In this section, economic rationality, which is founded on the belief that individuals are perfectly rational and focus solely on maximizing their wealth, is discussed first. Conversely, relying on Herbert Simon's (1955) thesis, the bounded rationality of decision-makers is discussed second. It is believed decision-makers are incapable of being perfectly rational and, at times, can be irrational. In the third section, the irrationality of decision-makers is discussed. By relying on the criminology, delinquency, and social cognition literatures, the rationalization models used to explain irrational decision-making are presented.

#### **3.2.1 Economic Rationality**

Adam Smith's (1776) writings on capitalism have been associated with the development of economic rationality (Wells & Grafland, 2012). Economic rationality theorists contend that the motivations for all human behaviour are oriented toward advancing the self-interests of the individual. The assumption is that organisational decision-makers strive for maximum payoff and that humans are incapable of any behaviour that does not promote their self-interests. In fact, in some circles, it is believed that through natural selection, the human mind is programmed solely to behave in its own self-interest (Dawkins, 1976). This theory forms the foundation of all economic principles (Chiapello, 2007) and free-market competition.

Objectively, it is contended that economic rationality is a universal phenomenon (Simon, 1986). However, the ‘survival of the fittest’ mentality (Spencer, 1872) of economic rationality might only be a ‘Western’ discourse. It is perhaps debatable that economic rationality is even valid from an American context let alone internationally (Zouboulakis, 2001). As contended in chapter two, Confucianism, which is an altruistic philosophical framework, was a founding philosophy in Far East Asia and countless examples contrary to economic rationality exist in that context.

For example, altruistic business practices date back to 520 B.C. to traditional China (Wang & Juslin, 2009). During this era, merchants believed in righteousness and sincerity (two Confucian principles) in their business practices. These traditional Chinese merchants sought harmonious relationships with their stakeholders and the profits gained from their operations were used to assist scholars and the impoverished (Wang & Juslin, 2009).

Various Chinese dynasties lasting several centuries operated under an agricultural-based economy focused on capped production growth and altruistic values (Deng, 2003). For most of the 20<sup>th</sup> century, China embraced socialist values and primarily operated under a communist economic system. Although closer to the capitalist end of the spectrum in the 21<sup>st</sup> century, the economy in China remains planned and continues to embrace socialist values. Moreover, Far East Asians continue to demonstrate collectivist orientations at the individual level (Fang, 2006).

Indeed, it seems plausible that economic rationality might be inapplicable in Far East Asia. However, a thorough analysis of the compatibility of economic rationality cross-culturally is beyond the scope of this research. The purpose of this discourse is to illustrate that decision-makers are expected to be perfectly rational whereas there is a vast literature that evidences otherwise.



Beyond this evidence, even when individuals behave altruistically, economic rationalists contend that the decision-maker was seeking an intangible benefit from the behaviour and, thus, the behaviour was actually selfishly motivated (Greetman, 2006). Even in the face of evidence contrary to economic rationality, theorists retain the position that all behaviours are in some way associated with advancing the self-interest of the individual (Hunt & Vasquez-Parraga, 1993). However, these arguments appear tautological because when the theory does not match empiricism, economic rationalists interpret the evidence to support their theory nonetheless (Greetman, 2006).

Rand (1961) contended individuals have the capacity to behave rationally; however, she believed that rationality is a choice. Individuals can choose to behave rationally and act in their long-term self-interest or they can choose to be irrational by sacrificing their interests for others or sacrificing the interests of others for their own. It is further contended by some economists that perfect rationality is merely an assumption. It is believed that digressions from rationality are rare and that they will become insignificant under the natural functionality of the market (Kahneman, 2003). From this perspective it is believed that when these anomalies occur, the issue resides in the cognitive abilities of the decision-maker (Holton & Naquin, 2005), which might be related to Machiavellian personality traits, cognitive moral development, or situational factors (Jones, 1991).

Consistently, Herbert Simon believed that individuals are rational, but argued it is unreasonable to assume there are no limitations to their level of rationality (Holton & Naquin, 2005). At times, decision-makers do not have the capacity to be rational – they have imperfect decision-making abilities. Simon believed decision-makers have bounded rationality and that instances of less optimal decision-making are not rare, but perhaps more prevalent than contemporary economic theorists care to admit.

### **3.2.2 Bounded Rationality**

Many psychologists challenge the economic rationality discourse and the cognitive abilities of decision-makers (Simon, 1986). It is believed that decision-makers have cognitive limitations (Campitelli & Gobet, 2010) and attempt to make expedient decisions at the expense of accuracy (Jones, 1991). Simon (1955) contended that contemporary economists ignore the psychology literature, everyday work experience, and observations of human behaviour that evidence the inability of individuals to make rational choices (Burrell & Morgan, 1979).

Through his rejection of perfect rationality, Simon developed his bounded rationality theory (Campitelli & Gobet, 2010). Bounded rationality explains the knowledge and computational limitations of decision-makers and their inability to make perfectly rational choices (Lipman, 1995). It is believed that the complexity of the environment coupled with the limited cognitive ability of humans cause maximization to be elusive in administrative contexts (Simon, 1955). Bommer et al. (1987) argue individuals make decisions perceived as 'satisfactory' or 'sufficient' with imperfect information. A full-cost benefit analysis of all available alternatives is not conducted; decision-makers choose an acceptable option that fulfils a preconceived adequacy criterion (Campitelli & Gobet, 2010). This process results in biased decisions (Jones, 1991) as alternative scenarios conflicting with the bias are rejected (Russo, Carlson, & Meloy, 2006).

From the psychology literature, Tversky and Kahneman (1992) demonstrated using prospect theory that individuals make less-optimal and riskier decisions when they perceive the potential to lose monetarily. From the prisoner's dilemma research, which involves a laboratory assessment consisting of a hypothetical vignette, it is rare that participants select the most optimal choice (Rubinstein, 1986). Beyond the laboratory, numerous instances of bounded rationality are apparent in organisational contexts. For

example, executives in Far East Asia are often unwilling to hire the most skilled employee for a position; they frequently rely on nepotism (Redfern & Crawford, 2010).

When decision-makers are threatened or perceive negative consequences, their bounded rationality often results in irrational decisions (Beams et al., 2003). When these irrational decisions conflict with the decision-makers' values, cognitive dissonance can occur (Maruna & Copes, 2004). To alleviate dissonance, individuals have the ability to distort their perceptions through the use of various psychological manoeuvres, such as rationalization (Bersoff, 1999). This phenomenon is the focus of discussion in the next section.

### **3.2.3 Irrationality and the Techniques of Neutralization**

Berns, Zink, Pagnoni, Martin-Skurski, and Richards (2005) found that when individuals are exposed to social pressure, they alter their perceptions. In a laboratory assessment, decision-makers were asked to participate in a simple task involving making judgments about the length of various line segments. Although a basic task, decision-makers provided incorrect answers to follow the responses of a group. Neurological imaging of the decision process revealed that decision-makers actually perceive their incorrect responses as correct. Clearly, decision-makers altered their perceptions to conform to a group and in the process of doing so, believed their incorrect judgments were in fact correct. When queried about their incorrect judgments, a large majority of participants refused to provide an explanation (Berns et al., 2005).

Indeed, decision-makers are not perfectly rational (Simon, 1979), if they encounter the appropriate situation, they will satisfy their immediate concerns by making an irrational decision. By doing this, they will fail to maximize the possible utility associated with behaving rationally. When individuals make irrational (and unethical) decisions, they rely on cognitive distortions to make perceived 'rational' arguments to justify their

choices. Through rationalization, decision-makers can not only opt to perceive a dilemma in a certain way, but they can also choose the way they wish to think (Seligman, 1991). Indeed, decision-makers have the ability to deceive themselves by believing their malfeasance is excusable; however, this is not a new discovery. “Demosthenes referred to this phenomenon in 349 B.C. when he wrote ‘nothing is easier than to deceive one’s self; what a man wishes he generally believes to be true’” (Waldmann, 2000, p. 260).

In the criminology and social psychology literatures, two main theories of rationalization assist decision-makers in relieving themselves of the cognitive burden associated with irrational decision-making. In the first part of this subsection, the TON developed from the criminology and delinquency literatures (Sykes & Matza, 1957) are discussed. In the latter parts, a brief description of Bandura’s (1999) moral disengagement theory from the social psychology paradigm follows.

Sykes and Matza (1957) contended that deviant behaviour is facilitated by neutralization techniques. Neutralization has been defined as “a mechanism that facilitates behaviour that is either norm violating or in contravention of expressed attitudes” (Chatzidakis et al., 2007, p. 89). Through the use of the TON, decision-makers are able to psychologically detach from the norms of society by justifying their malfeasance as a temporary exemption from conventional norms (Siponen & Vance, 2010). However, it is believed that individuals who use neutralization techniques do not reject the norms of society or believe the EQB should be excusable in all situations (Sykes & Matza, 1957). The TON include the denial of responsibility (I had no choice), denial of injury (no one was hurt), denial of victim (they deserved it), appeal to higher loyalties (I did it for my family), and condemning the condemners (everyone else does it).

Neutralizations have been contextualized as defence mechanisms that enable decision-makers to minimize the consequences of their behaviour (McGregor, 2009). According to theory, when neutralizations are used to explain EQB, researchers assume that decision-makers feel guilty for behaving illicitly (Christensen, 2010). The precondition for neutralization and a central assumption of the theory is that individuals perceive themselves as ethical (Mazar, Amir, & Ariely, 2008), but feel guilty when they behave unethically. In this context, the TON can be used to reemphasize one's self-concept as an ethical person. Neutralizations are impression management devices that reduce cognitive dissonance (Christensen, 2010) and enable decision-makers to maintain their self-esteem (Maruna & Copes, 2004). Although capable of minimizing guilt, the TON cannot completely eradicate guilt. In addition, neutralization does not occur in all instances of malfeasance (Minor, 1981) or, more specifically, neutralization is not required if feelings of guilt are not felt.

Using a social cognitive approach, Bandura (1999) developed the theory of moral disengagement (MD), which comprises a list of rationalization techniques that facilitate corruption. These rationalization techniques include moral justification, euphemistic labelling, advantageous comparison, displacement of responsibility, diffusion of responsibility, disparaging victims, attribution of blame, and minimizing consequences. It is argued these rationalization techniques can facilitate unethical behaviour by enabling decision-makers to perceive their actions as ethical whilst minimizing cognitive dissonance. Individuals that morally disengage convince themselves (and others) their illicit behaviours are excusable, socially acceptable, and in the service of moral purposes (Barsky, 2006).

It has been argued that Bandura's rationalization construct overlaps conceptually with Sykes and Matza's (1957) TON (Maruna & Copes, 2004). MD has been slated as a

replication of the TON. Howard and Levinson (1985, p. 191) call the similarities between the two theories “a wasteful duplication of effort that follows from mutual interdisciplinary ignorance” (in Maruna & Copes, 2004, p. 6). Both rationalization techniques are used to excuse decision-makers from social norms (Barsky, Islam, Zyphur, & Johnson, 2006). Pornari and Wood (2010) argue both the TON and MD are rationalizations that facilitate unethical behaviour by minimizing guilt. Ribeaud and Eisner (2010) found the TON and MD explain how decision-makers minimize the cognitive dissonance associated with their malfeasance. These researchers also found that both theories conceptually and empirically overlap. It was determined that the constructs describe the same cognitive processes (Ribeaud & Eisner, 2010).

According to this discourse, it is acknowledged that the TON and MD constructs are based on the same theoretical rationale and it appears they can both be used to investigate how marketers rationalize their ethically questionable intentions. However, the moral disengagement construct has been studied most frequently at the organisational decision-making level (Tsang, 2002) or system wide level (Bandura, 2002) whereas the TON have been studied most consistently at the individual level (Chatzidakis et al., 2007). For this reason, the TON seem to be most applicable to this research.

It is important to note that rationalizations, neutralizations, or excuses do not occur in all instances (Maruna & Copes, 2004). There is empirical evidence that demonstrates if individuals are detached or in disagreement with social norms, they do not rationalize their behaviour as they feel as though they have done nothing wrong (Maruna & Copes, 2004). Therefore, the precondition for rationalization is cognitive dissonance or guilt.

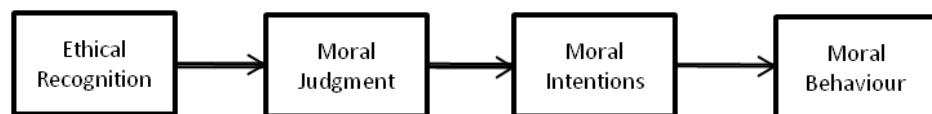
### **3.3 Decision-Making Frameworks in Business Ethics**

In this section, the main decision-making frameworks in the business ethics paradigm are presented. Briefly mentioned at the close of chapter two, the discussions focus on

Rest's (1986) four-component model within the rationalist decision-making context and Jones's (1991) issue-contingent model centred on the perceived moral intensity (PMI) construct. In the latter portion of the section, the factors that have been found to influence malfeasance are discussed.

### 3.3.1 The Four-Component Model

Rest (1986) developed a useful ethical decision-making framework (see Figure 3.1), which includes four components: (1) recognizing an ethical problem, (2) judging the ethicality of the action, (3) forming intentions, and (4) behaving. The model is widely cited in the ethical decision-making paradigm (O'Fallon & Butterfield, 2005) and forms the basis of several contemporary frameworks (Jones, 1991). In his text, Rest (1986) acknowledged the four components of the decision-making process may not occur sequentially; however, it is believed that each component occurs prior to behaviour. Rest and several researchers (Jones, 1991) follow the assumption that if decision-makers do not recognize an ethical problem, the individual would not follow through the decision-making process and the model would be unable to explain EQB. According to the empirical literature, decision-makers that fail to recognize an ethical problem are most likely to develop illicit intentions (O'Fallon & Butterfield, 2005).



Source: Rest (1986) Moral development advances in research and theory

**Figure 3.1 The Four-Component Model**

Cognitive moral development (CMD) is argued to be of central importance to the moral judgment stage of Rest's (1986) model (Jones, 1991). Kohlberg's (1976) CMD theory is based on six hierarchical stages of moral development, which fall into three categories: obedience, conformity, and higher-level universal ethical principles. It is suggested that

when individuals progress through the six hierarchical stages, they are capable of resolving moral dilemmas of increasing complexity. CMD can be measured through Kohlberg's (1976) structured interview approach.

However, the CMD instrument cannot be used to appraise issue-contingent (or situational specific) factors associated with an ethical problem (Jones, 1991). The CMD research fails to consider the context-dependency of the decision-making process and how individuals behave according to variation in particular situations (Valentine & Barnett, 2007). In addition, CMD is solely based on the Kantian philosophical norms of deontology and not necessarily descriptive theory (Valentine & Barnett, 2007). Given an aim of this research is to understand the relationship between issue-contingent phenomenon and the willingness of marketers to minimize the consequences on others to advance their own (McGregor, 2009), Kohlberg's (1976) theory will not be used.

Beyond the omission of issue-contingency, it has been argued that Kohlberg's hierarchical approach may inaccurately depict the stages of moral development of women. Gilligan (1982) argued that Kohlberg developed his theory using male subjects and, at best, the model can appraise the stages of moral development for men, but not women (Carroll & Bucholtz, 2006).

Consistent with Kohlberg (1976), Rest's (1979) defining issues test (DIT) is directly applicable to the moral judgment stage (Jones, 1991). The DIT is the most cited instrument in the CMD research (Abdolmohammadi & Sultan, 2002) and has been validated in over 500 business ethics studies (Tsui & Windsor, 2001). However, the DIT is based on Kohlberg's model and also cannot be used to appraise issue-contingent factors. For this reason, the DIT is inapplicable to this research.

Empirically, Rest's (1986) four-component model has not been tested in its entirety (O'Fallon & Butterfield, 2005). The relationship between recognition and judgment has



been studied sparingly (Trevino, Weaver, & Reynolds, 2006). Researchers that have analyzed this relationship (Valentine & Fleishman, 2003) have shown conflicting results (O'Fallon & Butterfield, 2005). A suspected reason for the conflict and the dearth of research on examining the entire model might be associated with the difficulty in testing recognition followed by judgment. For example, if a participant does not recognize an ethical issue, according to the theory, the model would not function (Jones, 1991). Therefore, if participants do not recognize an ethical problem, it would seem illogical for participants to be asked to judge the ethicality of an action in an ethical problem they do not recognize. Moreover, the very fact the recognition item is included in a questionnaire might artificially prompt participants to recognize the vignette as an ethical problem, when in reality they might not have. Specifically, "comments about a situation's moral issues can highlight what is right, emphasizing moral norms, prompting moral awareness, and suggesting that moral action is appropriate" (Gunia, Wang, Huang, Wang, & Murnighan, 2012, p. 17).

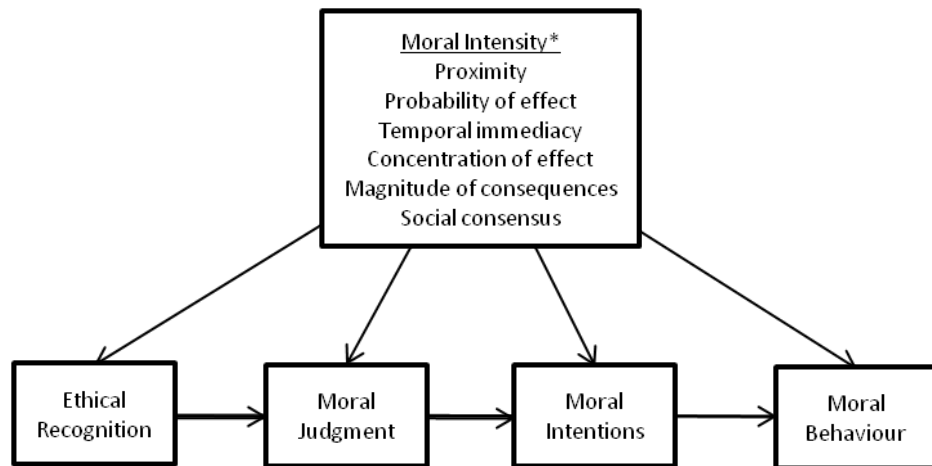
Further to this issue, Rest (1986) argues that because of the ability of decision-makers to rationalize, individuals might not recognize an ethical problem. Consistently, Trevino et al. (2006) argue that if rationalizations are used, an individual has disengaged from the ethicality of the dilemma and, therefore, is not morally aware. However, given rationalizations can be used to minimize guilt, it would seem unnecessary for moral disengagement to be related to awareness in this way. The fact that the individual rationalized is based on their awareness of an ethical problem. If they were unaware and subsequently behaved unethically, they would not need to rationalize as they would not be experiencing any cognitive dissonance associated with developing ethically questionable intentions.

As indicated in chapter two, the Rest (1986) model seems most applicable to ethical decisions that derive from active judgment (Reynolds, 2006). Considering the focus of this research is centred on understanding ethically questionable intentions whilst taking into consideration issue-contingent phenomenon, the Rest framework is inapplicable. In the next section, the issue-contingent model is discussed.

### **3.3.2 Issue-contingent Model**

To address the issue-contingent factors associated with ethical dilemmas, Rest's (1986) four-component framework forms the basis of Jones's (1991) moral intensity model. Jones (1991) defines moral intensity as "a construct that captures the extent of issue-related moral imperative in a situation" (p. 372). Each stage in Rest's (1986) model is directly influenced by the intensity of an ethical dilemma (see Figure 3.2).

Jones (1991) argues moral intensity is constructed of six variables: proximity, probability of effect, temporal immediacy, concentration of effect, magnitude of consequences, and social consensus. Jones (1991) defines the magnitude of consequences as "the sum of the harms (or benefits) done to victims (or beneficiaries) of the moral act in question" (p. 374). Social consensus is defined as "the degree of social agreement that a proposed act is evil (or good)" (Jones, 1991, p.375). Probability of effect is associated with the likelihood the harms or rewards will occur. Proximity is based on the closeness of the harms (or benefits) to the decision-maker. Temporal immediacy involves the lapse of time between the decision and the harm (or benefit). Concentration of effect is based on the number of people that will be harmed (or benefited) by the decision. According to Jones, the dimensions of moral intensity and one's perception of them collectively represent the PMI construct, which in turn influences decision-making.



\* Adapted from Jones (1991) An Issue-Contingent Model of Ethical Decision Making in Organisations

**Figure 3.2 Issue-Contingent Model**

According to the empirical literature, the magnitude of consequences was found to have a significantly positive relationship to recognizing a moral problem, the first stage in Rest's model (May & Pauli, 2002). Singer (1996) found social consensus and the magnitude of consequences were predictor variables of ethical judgment, the second stage in Rest's model (O'Fallon & Butterfield, 2005). Weber (1996) found a significantly positive relationship between the magnitude of consequences and ethical judgment whereas a decrease in magnitude of consequences resulted in less ethical judgments (O'Fallon & Butterfield, 2005). Of the 14 studies reviewed by O'Fallon and Butterfield (2005), PMI had a strongly negative relationship to unethical judgments and unethical intentions (McMahon & Harvey, 2007). When individuals fail to perceive the negative consequences to others or acknowledge the norms of society, ethically questionable intentions are likely.

Most of the research on the magnitude of consequences has been studied within the context of harms (or benefits) to others rather than focusing on the consequences to decision-makers themselves (Gurley, Wood, & Nijhawan, 2007). Although not explicitly stated by Jones (1991), the magnitude of consequences associated with an

ethical quandary could be within the context of the decision-maker as they are often the victim (or beneficiary) of an ethical problem. Through the 'perceived consequences' construct of their marketing ethics framework, Hunt and Vitell (1986, p. 10) argued that "an individual may perceive a particular alternative as the most ethical alternative and, nevertheless, intend to choose another alternative because of certain preferred consequences (e.g., there might be significant positive consequences to oneself as a result of choosing the 'less ethical' alternative)". Indeed, the harms and benefits to decision-makers seem issue-contingent and susceptible to varying levels of intensity.

The empirical literature presented in Table 3.1 represents a portion of the literature review conducted for this research. The literature was compiled using a systematic approach. Searches were conducted primarily through ProQuest, EBSCOhost, and Google Scholar. The key word searches included, but were not limited to, variations and combinations of unethical behaviour, perceived threats (consequences or harms), corporate malfeasance, moral intensity, moral decision-making, ethical decision-making, unethical decisions, organisational pressures, risks versus reward, and corruption. After removing articles that did not fit the aforementioned search criterion, 397 empirical articles were reviewed and 292 were found to be consistent with the context of this research.

According to Table 3.1 of the empirical work involving the perceived consequences to decision-makers, Decker and Calo (2007) found that if decision-makers perceived greater consequences for EQB, ethical judgments were more likely. If greater benefits were perceived, less ethical decisions were likely. In eight studies, perceived increases in financial rewards consistently resulted in decision-makers forming unethical intentions (Schweitzer, Ordonez, & Douma, 2004). In most studies, participants were willing to deceive others for personal gain (Honeycutt, Glassman, Zugelder, & Karande,

2001). Consistently, if decision-makers perceived they would be punished for malfeasance, unethical behaviour declined (DeConinck, 2003; Gurley et al., 2007). When decision-makers perceived an employment risk for ethical behaviour, they were more inclined to behave illicitly (Nill & Schibrowsky, 2005). From these consistent findings, harms or benefits to the decision-maker are clearly an important issue-contingent phenomenon that could have a significant effect on the decision-making process.

**Table 3.1 Influential Factors in the Unethical Decision-making Process\***

SOURCE	INFLUENTIAL FACTOR	FINDINGS
(Bellizzi & Hite, 1989)	Organisational pressures	Managers may only be willing to sanction unethical behaviour if the actions are conducted by poor performers.
(Cadsby, Song & Tapon, 2010)	Organisational pressures	Goal difficulty, the specificity of the goal, outcome-based performance, and rewards can potentially increase unethical behaviour.
(Deconinck, 2003)	Organisational pressures	Organisational pressures of reprimanding previous behaviour can influence future behaviour.
(Hegarty & Sims, 1979)	Organisational pressures	Unethical behaviour can decrease in the presence of an organisational ethics policy.
(Jones & Kavanagh, 1996)	Organisational pressures	Unethical behaviour can be affected by social norms.
(Nill & Schibrowsky, 2005)	Organisational pressures	The willingness to act ethically was dependent on the ethical climate of the corporation.
(Powpaka, 2002)	Organisational pressures	Decision-makers might be willing to engage in unethical behaviour involving the survival of their employers.
(Robertson & Anderson, 1993)	Organisational pressures	Individuals operating under output-based control systems provided less ethical responses.
(Schepers, 2003)	Organisational pressures	Machiavellianism does not interact with organisational profit.
(Schweitzer, Ordonez & Douma, 2004)	Organisational pressures	Found a link between specific financial goals and unethical behaviour.
(Schwepker & Good, 2007)	Organisational pressures	Positive relationship between management's perceived quota difficulty and the probability of them allowing salespeople to act unethically.
(Schwepker, 1999a)	Organisational pressures	Negative relationship between perceived competitive intensity and salespeople's intention to behave unethically.
(Vitell & Festervand, 1987)	Organisational pressures	33% of executives would pay a bribe to obtain business but felt it was unethical; 49% would pay a bribe to obtain business.
(Vitell & Festervand, 1987)	Organisational pressures	When ethical conflicts were encountered, executives were likely to select the most profitable alternative.
(Beams et al., 2003)	Perceived consequences (self)	"The results indicate that subjects are more likely to trade based on insider information to avoid a loss than to achieve an abnormal gain" (Beams et. al., 2003, p. 309).
(Beams, et al., 2003)	Perceived consequences (self)	Americans that anticipated higher profits were more likely to behave unethically.
(Bellizzi, 1995)	Perceived consequences (self)	Pressure to attain intra-firm competitive bonuses had the potential to encourage unethical behaviour.
(Blodgett, Lu, Rose & Vitell, 2001)	Perceived consequences (self)	Americans more willing to act in their own interest above their employer and disparage a competitor.
(Cadogan, Lee, Tarkiainen & Sundqvist, 2009)	Perceived consequences (self)	Greater job insecurity resulted in lower ethical standards.
(Dunkelberg & Jessup, 2001)	Perceived consequences (self)	Six individuals chose to act unethically for additional monetary gains.
(Grover & Hui, 1994)	Perceived consequences (self)	People more willing to lie if they are rewarded.
(Hegarty & Sims, 1978)	Perceived consequences (self)	Rewarding unethical behaviour results in an increase in said behaviour.
(Hegarty & Sims, 1979)	Perceived consequences (self)	High economic orientation positively related to unethical behaviour.
(Honeycutt, Glassman, Zugelder & Karande, 2001)	Perceived consequences (self)	Salespeople with commission-based compensation are more likely to engage in unethical behaviour than those with salary-based compensation.
(Laczniak & Inderrieden, 1987)	Perceived consequences (self)	Proposed sanctions had the only significant effect on behaviour.
(Mazar, Amir & Ariely, 2008)	Perceived consequences (self)	This research shows that people behave dishonestly enough to profit but honestly enough to delude themselves of their own integrity.
(Millington, Eberhardt & Wilkinson, 2005)	Perceived consequences (self)	Gift giving appears to be associated with the pursuit of self-interest.
(Nill & Schibrowsky, 2005)	Perceived consequences (self)	Respondents would act unethically if self-interest was affected.

*Continued...*

**Table 3.1 Influential Factors in the Unethical Decision-making Process (Continued)\***

SOURCE	INFLUENTIAL FACTOR	FINDINGS
(Nill & Schibrowsky, 2005)	Perceived consequences (self)	Rewarding unethical behaviour results in an increase in said behaviour.
(Schwepker & Good, 1999)	Perceived consequences (self)	Salespeople believe they will suffer negative consequences for failing to achieve quota, they are more likely to behave unethically.
(Shapeero, Koh & Killough, 2003)	Perceived consequences (self)	Participants who perceive a greater likelihood of reward are more likely to underreport.
(Sims, 2002)	Perceived consequences (self)	"As employees reported increased financial dependence to the organisation, they also reported increased likelihood of ethical rule breaking."
(Street & Street, 2006)	Perceived consequences (self)	Results found strong support that exposure to an escalation situation increases the likelihood of unethical behaviour on the part of decision makers.
(Tang & Chen, 2008)	Perceived consequences (self)	Love of money is directly related to unethical behaviour.
(Tang & Chiu, 2003)	Perceived consequences (self)	Love of money related to unethical behaviour.
(Tenbrunsel, 1998)	Perceived consequences (self)	The larger a focal actor's incentive, the more likely it is that the actor will misrepresent information.
(Decker & Calo, 2007)	Perceived consequences (self)	If decision-makers perceive higher costs for unethical behaviour, ethical judgments were more likely.
* Portion of the literature review of the empirical studies in business ethics		

Further to the empirical work, Schwepker and Good (1999) found an employment threat for failing to achieve a quota resulted in marketers judging deception to achieve the quota as a minor moral issue. Interestingly, when ethical judgment was analyzed without the self-interest threat, most participants judged deception as ethically questionable. Clearly, the self-interest threat resulted in the change of judgment and provides evidence that when threatened, decision-makers are more sympathetic toward malfeasance. In this context, self-interest becomes more important than the consequences to others.

Indeed, decisions that involve higher levels of intensity tend to be increasingly complex and given their limited cognitive abilities, decision-makers are unable to process all the relevant facts (Marquardt, 2010). When decisions involving a trade-off have to be made, certain values could be traded-off for other more salient interests (Galperin, Bennett, & Aquino, 2011). However, when trade-offs are made and other people are harmed, the self-concept of the decision-maker is negatively affected, which contributes to cognitive dissonance (Maruna & Copes, 2004).

When cognitive dissonance occurs, decision-makers either compromise or maintain their values (Maertz, Hassan, & Magnusson, 2009). If values are compromised, dissonance is remedied through rationalization (Maruna & Copes, 2004) and the self-concept is preserved (Hoshino-Browne, Zanna, Spencer, Zanna, & Kitayama, 2005). However, Schwepker and Good (1999) did not include rationalization in their study and, unfortunately, Jones's (1991) model does not account for the cognitive distortions of decision-makers and their ability to misperceive 'moral intensity' (Barsky, 2011). Although Jones's (1991) and Rest's (1986) frameworks have been heavily cited within an organisational context, neither model accounts for rationalization. Rationalization has yet to be integrated within the ethical decision-making frameworks as an influential factor.

Beyond this limitation, the Jones (1991) or Rest (1986) models do not account for other influential factors that could have a profound effect on the decision-making process. It is believed that EQB cannot necessarily be explained by one or two constructs, malfeasance is complex and can be caused by multiple factors (Kish-Gephart et. al., 2010; Trevino & Youngblood, 1990). To investigate rationalization within the decision-making process and the potential for Machiavellian personality traits to influence the process, the frameworks that consider these constructs are discussed in the following section.

### **3.3.3 Influential Factors**

Vitell and Grove (1987) advanced a decision-making model consisting of the TON. Through the aid of neutralization, it was conceptualized that decision-makers might judge an illicit behaviour as acceptable in one situation, but not in another. In this context, neutralizations enable marketers to judge their behaviours as ethical prior to their implementation (Anand et al., 2005). By believing the behaviour is temporarily



excusable, feelings of guilt are minimized (Bersoff, 1999). However, the model was advanced prior to the development of Jones's (1991) issue-contingent framework and, therefore, Vitell and Grove (1987) did not consider the varying levels of intensity associated with ethical problems in their framework.

To fill the lacuna left by Vitell and Grove (1987), Chatzidakis et al. (2007) suggested that the TON be integrated with Jones's (1991) theory of moral intensity. Through this synthesis, it has been suggested that the TON would have the greatest relationship to judgment and intentions within the decision-making process (Detert, Trevino, & Sweitzer, 2008). In the synopsis of their review of the business ethics empirical literature, O'Fallon and Butterfield (2005) called for researchers to study additional influential factors that can assist in explaining judgments and intentions.

Beyond neutralization as an influential factor in the decision-making process, researchers have demonstrated that various organisational factors seem to influence EQB. In several empirical studies (see Table 3.1), a consistent relationship between aberrant and aggressive organisational cultures and EQB was found (Jones & Kavanagh, 1996). Within the context of these aggressive cultures, a relationship between stringent organisational objectives and malfeasance was found (Bellizzi & Hite, 1989). In their study, Jones and Kavanagh (1996) found participants were willing to behave unethically if their peers were perceived to behave similarly. From this consistent discourse, it appears organisational pressures, which appear to be issue-contingent and subject to varying degrees of intensity, seem to influence the decision-making process.

Beyond organisational pressures, researchers (Trevino & Youngblood, 1990) have contended that EQB is influenced by deviant personality types or those who are predisposed to malfeasance. In the empirical literature, individuals with external locus

of control, Machiavellian personalities (Ford & Richardson, 1995; Loe, Ferrell, & Mansfield, 2000; O'Fallon & Butterfield, 2005), narcissistic tendencies, and higher levels of psychopathology (Stevens, Deuling, & Armenakis, 2012) were found to be more likely to behave illicitly compared to those that did not have these personality attributes.

Individuals with external locus of control personalities believe "... that outcomes and events in life are determined primarily by external forces (e.g., luck, fate, social, context, and other people)" (O'Fallon & Butterfield, 2005, p. 401). It is argued these individuals tend to pass blame onto others, which could be a form of rationalization (Kish-Gephart et al., 2010). In this context, Detert et al. (2008) found rationalization mediated the relationship between locus of control and unethical decision-making. Individuals with external locus of control are not typically inclined to advance their self-interests to the detriment of others through manipulation or exploitation. However, these tendencies are of central importance to the rational egoism normative theme of this research and, therefore, external locus of control is inapplicable to this research.

According to the irrational egoist personalities, an emerging field of personality research involves the dark-triad personality (Paulhus & Williams, 2002). It is argued that the dark-triad personality comprises narcissism, psychopathology, and Machiavellianism. All three personalities have been found to be moderately correlated. Campbell, Hoffman, Campbell, and Marchisio (2011) define narcissism as "a relatively stable individual difference consisting of grandiosity, self-love, and inflated self-views" (p. 269). In general, narcissists believe they are deserving of special treatment and they have been found to contribute to counterproductive work behaviours (Campbell et al., 2011). However, narcissists are vain, erratic and not necessarily, most inclined to exploit the interests of others to advance their own.

According to the psychopathology research, psychopaths are insensitive, callous, and lack remorse (Jonason & Webster, 2010). It is argued psychopathic traits are not only found among criminals and the mentally deranged. On the contrary, psychopaths are found among the general public or more specifically, the general public can possess psychopathic characteristics (Jakobwitz & Egan, 2006). Stevens et al. (2012) argue psychopaths possess the minimal moral aptitude to decipher between right and wrong, but through rationalization, psychopaths can reframe their conception of morality. Stevens et al. (2012) provide empirical evidence that rationalization mediates the relationship between psychopathology and unethical decision-making.

However, compared to Machiavellians, psychopaths are not as manipulative or exploitative in their desire to advance their self-interests. According to the findings compiled in three literature reviews that cover the empirical research in the business ethics paradigm from 1965 to 2005 (Ford & Richardson, 1995; Loe et al., 2000; O'Fallon & Butterfield, 2005) and meta-analyses (Kish-Gephart et al., 2010), it was determined that Machiavellians are consistently inclined to behave illicitly by advancing their interests to the detriment of others. For this reason, Machiavellianism is studied in this research.

Moreover, Chatzidakis et al. (2007) suspected a mediating relationship between personalities, the TON, and the dependent variables in the decision-making process would exist. Indeed, it appears situational, deviant personality traits, organisational pressures, and neutralization factors can influence the decision-making process (Jones & Kavanagh, 1996; Brass, Butterfield & Skaggs, 1998).

### **3.3.4 Intuitionist Models**

It is suspected that when individuals experience stress, they fail to adhere to rational decision-making frameworks (Keinan, 1987). As demonstrated in the previous section,

stress appears to be a function of issue-contingent factors. In stressful situations and perhaps as a consequence of bounded rationality, decision-makers fail to compile all the relevant details associated with an ethical dilemma (Keinan, 1987), which results in the forming of decisions with incomplete information.

As discussed briefly at the close of chapter two, it is believed individuals form most of their decisions reflectively, which occurs below the level of consciousness. According to Freud, “we cannot account for our behaviour solely in terms of our conscious desires, intentions and wishes. There are also unconscious desires and wishes, largely unknown to our conscious selves, and these provide the basis for much of our behaviour” (Greetman, 2006, p. 228).

Built on Freud’s discourse, Reynolds (2006) advanced a neurological cognitive model of ethical decision-making. The model is fundamentally based on neural network modelling, which involve schematic analyses of brain activity whilst individuals make decisions. It is argued neurological transmitters (or prototypes) are used in the decision-making process. Prototypes are multi-dimensional stimuli that operate at the subconscious-level and enable decision-makers to recognize certain situations. When these situations are recognized, individuals make decisions based on their previous experiences. It is contended that this process “... is more unthinking or mechanical and emanates from reflexive judgment” (Kish-Gephart et al., 2010, p. 22). As indicated, it is believed that most decisions are not made through deliberations. They are made intuitively and instantaneously.

Conversely, when individuals rationalize, Reynolds (2006) demonstrates a similar process occurs as outlined by Rest (1986). Specifically, various interactions occur between rationalization and the stages in the decision-making process (Reynolds, 2006). The process of rationalization is argued to be more reflective and occurs at the

conscious level. Freud (1900) argued judgments are controlled by the unconscious mind and rationalizations are used to make publicly acceptable arguments for one's behaviour (Haidt, 2001). In this context, rationalization refers to moral reasoning, which is "an ex post facto process used to influence the intuitions (and hence judgments) of other people" (Haidt, 2001, p. 814). Simply put, to convince others (and themselves) their behaviour is justifiable, decision-makers rationalize.

In general, Reynolds (2006) argues malfeasance occurs through four processes. First, an individual does not recognize an ethical problem. Second, the decision-maker believes the EQB is ethical. Third, even if the decision-maker follows social norms, they can be misapplied in certain contexts. For example, a marketer might believe deception is wrong; however, the marketer might believe deception is excusable to gain a new customer. Finally, malfeasance can occur if the decision-maker is Machiavellian or of a personality type that is predisposed to EQB.

### **3.4 Conclusion**

As presented in this chapter, it appears certain individuals are inclined to behave unethically. Specifically, Machiavellian personality types seem to be most consistent with a disposition to advance their self-interests to the detriment of others. However, according to the literature on issue-contingent factors and organisational pressures, it appears decent individuals could be coerced into malfeasance (Tepper, 2010) by perceived organisational pressures and personal harms (or rewards).

The models that account for the less-optimal decision-making abilities of decision-makers (Simon, 1955) and their willingness to satisfy their immediate concerns by addressing the threat from the ethical problem, but not maximize the possible utility associated with behaving ethically, were discussed. From these models, decision-makers are expected to ignore relevant information, which according to rational egoism, would

be in their best interests to consider, and make irrational (and unethical) decisions to the detriment of others. Through the aid of the TON, decision-makers can deceive themselves by enabling them to believe their EQBs are in fact acceptable.

Even though progress has been made in understanding corporate malfeasance, each of the aforementioned models seem to be one-dimensional and can only paint a small, and perhaps distorted, portion of the greater picture of corporate malfeasance. By synthesizing these portions of the greater whole together, this amalgamated framework can perhaps adequately explain not only how marketers rationalize their EQB and the effect Machiavellianism has on the process, but also corporate malfeasance in general. This phenomenon is of central importance to the model for ethically questionable decision-making presented in the next chapter.

# A Model for Ethically Questionable Decision-Making

## 4.1 Introduction

In the first chapter of this thesis, the research questions of ‘how do marketers rationalize their ethically questionable intentions’ and ‘what influence does Machiavellianism have on the process’, were introduced. In chapter two, the rational egoism normative philosophical framework was demonstrated to be compatible with American capitalism and, also appears to have the greatest propensity to result in ethical behaviour. This broader theory of rational egoism was used to contextualize ethically questionable behaviour (EQB). In chapter three, the economic rationality and bounded rationality decision-making theories were discussed. It was determined that under the right circumstances, such as when decision-makers perceive personal harms, they are incapable of behaving rationally or ethically. When decision-makers behave illicitly, it was demonstrated that rationalizations enable decision-makers to minimize their perceived guilt. In the latter sections of chapter three, the main decision-making models in the business ethics paradigm were presented.

Built from these frameworks, a model for ethically questionable decision-making is presented in this chapter. In the first section of the chapter, the model is outlined. In the latter sections of the chapter, the main variables of interest, which include perceived moral intensity (PMI), the techniques of neutralization (TON), Machiavellianism, behavioural intentions, and ethical judgment, are discussed.

### **4.2 A Model for Ethically Questionable Decision-Making**

Ethicists have demonstrated that the severity of harms caused to stakeholders contributes to ethical decisions (O'Fallon & Butterfield, 2005). However, researchers have yet to analyse the severity of consequences on managers. With this lack of advancement, it remains uncertain if individuals will maintain their ethical predispositions in the presence of personal threats. Indeed, when managers perceive negative consequences associated with an ethical dilemma, they become more tolerant toward malfeasance (Schwepker & Good, 1999). In this context, self-interest becomes more salient than the consequences of the harms inflicted on others. Without studying the consequences on managers involved in malfeasance, researchers are incapable of understanding how executives respond when they encounter many ethical problems. This research lacuna is the focus of this study. By studying harms to decision-makers and stakeholders, this research builds on Jones's (1991) moral intensity construct, the most widely cited model in contemporary ethical decision-making research (O'Fallon & Butterfield, 2005).

When decision-makers harm others, their self-concept can be negatively affected, which contributes to cognitive dissonance (Maruna & Copes, 2004). To develop ethically questionable intentions while maintaining a positive self-concept, decision-makers distort their perceptions and misconstrue the ethical dilemma (Bersoff, 1999). These cognitive distortions are often facilitated by neutralization techniques. As indicated,



neutralization techniques are used by individuals to convince themselves their malfeasance is temporarily excusable (Sykes & Matza, 1957).

However, Jones's (1991) model unfortunately does not account for rationalization and the ability of decision-makers to misperceive moral intensity (Barsky, 2011). Even though O'Fallon and Butterfield (2005) suggested researchers should study various interaction effects in the decision-making process, researchers have yet to integrate rationalization within Jones's (1991) or Rest's (1986) decision-making frameworks. Without this integration, researchers are unable to fully understand the intermediary steps in the decision-making process, how managers rationalize their ethically questionable intentions, and the cognitive limitations of managers. To improve knowledge of the decision-making process, Chatzidakis et al. (2007) urged researchers to integrate neutralization within Jones's (1991) model. These researchers believed that neutralization is likely to influence each stage in Jones's (1991) issue-contingent model. Detert et al. (2008) echoed Chatzidakis et al. (2007) and called for neutralization to be integrated within Rest's (1986) and Jones's (1991) frameworks. In addition, Barsky (2008) argued Jones's (1991) and Rest's (1986) models were incomplete without the use of neutralization.

Considering the Jones (1991) and Rest (1986) models omit rationalization, which are the dominant models in ethics research (O'Fallon & Butterfield, 2005), a significant gap in the business ethics research paradigm exists. Beyond this gap, a dearth of research involving the study of neutralization within an organisational context exists. Given this lack of development, the exact stages in the decision-making process influenced by the TON and the strength of the relationships remain largely unknown (Chatzidakis et al., 2007). In view of this conceptual gap, additional theoretical advancement amalgamating the TON within an organisational decision-making context is warranted.

Decision-making theorists (Trevino & Youngblood, 1990) suggest illicit behaviour is the result of deviant personalities or the term commonly used in business ethics, bad apples. Using simple regression models, researchers have validated direct relationships between various personality traits, such as Machiavellianism, and the dependent variables in the decision-making process (O'Fallon & Butterfield, 2005). Even though significant relationships were found, the coefficient of determination or the effect size is rarely shown in these studies. Without this information, researchers are incapable of understanding how much of a contribution these personality constructs make on the dependent variables in the decision-making process. Ajzen and Fishbein (1980) acknowledge that personality can influence the decision-making process, but personality has not consistently been found to cause significant differences in behaviour. In addition, complex structural equation modelling is rarely undertaken in the business ethics paradigm. Without conducting complex analyses with multiple latent variables present, researchers are unable to understand the impact these variables have on the dependent variables in the decision-making process.

Beyond these analytical issues, the aforementioned validated relationships between Machiavellianism and the dependent variables in the decision-making process, such as intentions might be indirect, mediated through the TON (Chatzidakis et al., 2007). In their study, Detert et al. (2008) found rationalization mediated the relationship between the external locus of control personality and unethical decision-making. If the same results apply to Machiavellianism, deviant personalities might not be the major contributors to the decision-making process; cognitive and situational factors might be the most salient.

It is possible that when decision-makers experience intense consequences to their personal interests, individuals in general could be coerced into behaving in ways

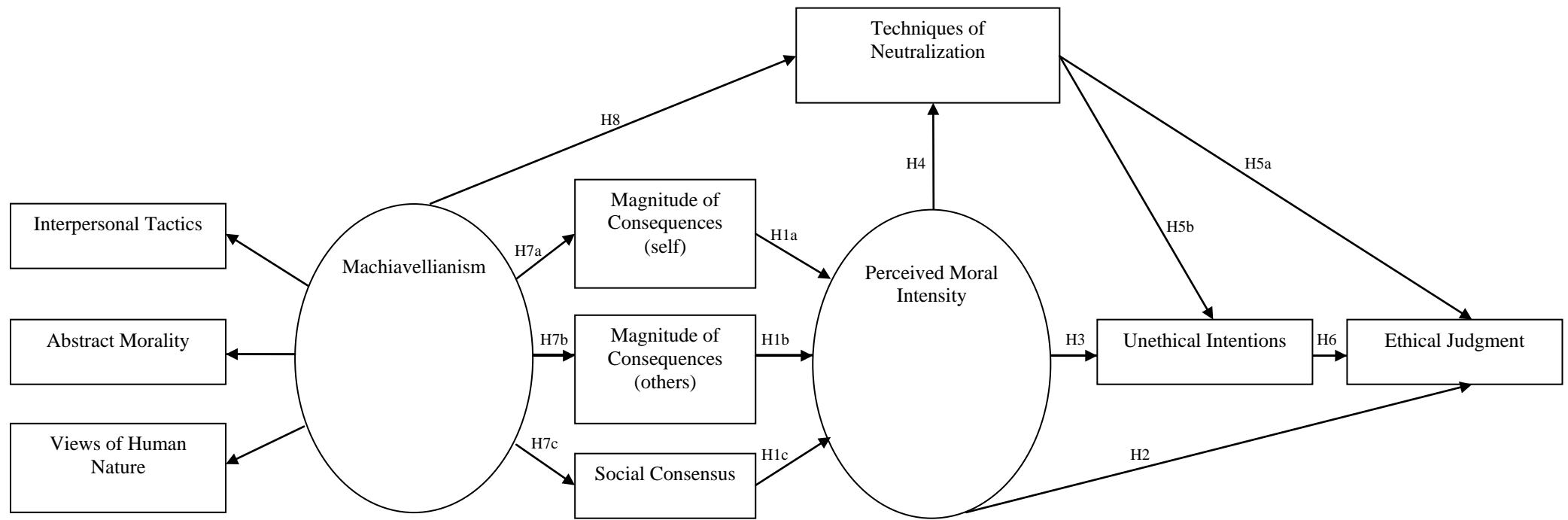
contrary to their typical behaviour (Gellerman, 1989). Examples of this can be found in Nazi Germany (Tsang, 2002). In the Milgram (1964) studies where the vast majority of participants followed orders from an 'authority figure' and gave electric shocks of increasing severity to subjects. The Stanford prison experiment (Zimbardo, 1973), which consisted of a two-week role playing scenario involving psychology students; the students that played the role of the 'guards' behaved heinously by psychological torturing the student 'prisoners'. In fact, the study had to be terminated prematurely as the abuse was becoming increasingly severe. Indeed, depending on the consequences or rewards to decision-makers, the Machiavellian personality trait might be an inconsequential factor in the decision-making process (Gellerman, 1989).

As outlined in chapter one, corporate malfeasance is thought to be widespread, costly, and harmful to stakeholders. Indeed, researchers have not approached this problem by: (1) analyzing the consequences for managers within Jones's (1991) model, and; (2) including rationalization within the decision-making models. To address this void, a model is developed in this research by synthesizing the TON within Jones's (1991) issue-contingent framework (see Figure 4.1).

In this research, it is argued that decision-makers often fail to recognize moral issues (Jones, 1991). However, when individuals recognize the consequences on others associated with an ethical problem, they often consider the issue irrelevant and the harms trivial (Sparks & Hunt, 1998). In this latter instance, how individuals 'minimize' the importance of the consequences on others, is investigated. By amalgamating PMI with the TON, an understanding of this phenomenon can be gained.

Before describing the framework in detail, there are three general assumptions based on the extant literature that are associated with the model for ethically questionable decision-making. First, marketers are not criminals and in general, are good people

(Collins, 2012). Second, marketers perceive themselves as ethical (Detert et al., 2008), but feel guilty when they need to make decisions that are ethically questionable (Sykes & Matza, 1957). Third, marketers will seek to minimize the guilt associated with forming ethically questionable intentions (Bersoff, 1999).



**Figure 4.1 – A Model for Ethically Questionable Decision-making**

### **4.3 Study Variables**

For the remainder of this chapter, the main variables of interest in the model for ethically questionable decision-making are discussed. The independent variables include PMI, the TON, and Machiavellianism. The dependent variables are ethical judgment and behavioural intentions. The established empirical relationships between the aforementioned variables are discussed, which leads to the development of the hypotheses for this thesis.

#### **4.3.1 Perceived Moral Intensity**

Founded in moral philosophy, tort law, and retribution (Morris & McDonald, 1995), Jones (1991) provides a useful framework for ethical decision-making with his moral intensity construct. As discussed in chapter three, Jones (1991) defines moral intensity as a multidimensional construct that captures the most salient factors pertinent to an ethical problem. PMI is comprised of six dimensions: proximity, probability of effect, temporal immediacy, concentration of effect, magnitude of consequences, and social consensus. In empirical studies, the magnitude of consequences and social consensus are the most robust factors of the PMI construct (Stein & Ahmad, 2009) and are most relevant to the decision-making process. The other four factors were found to be insignificant (Singer & Singer, 1997; Singhapakdi et al., 1996). Therefore, only the magnitude of consequences and social consensus are included in the PMI construct within the model for ethically questionable decision-making.

In the literature, researchers have modelled the dimensions of moral intensity as first-order reflective constructs (McMahon & Harvey, 2007). Meaning the dimensions of moral intensity independently influence the decision-making process. However, this approach is inconsistent with Jones's (1991) multidimensional theory. According to Jones (1991), the dimensions of moral intensity and one's perception of them

collectively represent the PMI construct, which in turn influences decision-making. Jones (1991) argues the dimensions of moral intensity are all characteristics of the ethical problem. The construct is:

... expected to increase (monotonically) if there is an increase in any one (or more) of its components, and it is expected to decrease if there is a decrease in any one (or more) of its components, assuming the remaining components remain constant (Jones, 1991, p. 378).

Consistent with this theory, McMahon and Harvey (2006) demonstrated that each dimension of moral intensity measures a different facet of the PMI construct. Kish-Gephart et al. (2010) emphasize that as any of the dimensions of moral intensity change, the PMI construct changes proportionately. Moreover, the dimensions are relatively independent weighted contributions of PMI, are not highly correlated, and so variation in one dimension has no effect on the remaining dimensions. In view of this contextualization, the PMI construct is conceptualized as a Type II second-order formative model (Diamantopoulos & Winklhofer, 2001; Jarvis, Mackenzie, Podsakoff, Mick, & Bearden, 2003).

***Social consensus.*** Jones defines social consensus as “the degree of social agreement that a proposed act is evil (or good)” (1991, p. 375). Researchers using this definition measure social consensus by how one perceives others appraise an EQB. However, Jones (1991) emphasized that illicit behaviour can result from managers that misperceive the morality of a situation (or social consensus). In this case, social consensus is normative (Reynolds & Ceranic, 2007) and managers are influenced by their perceptions of social norms (Valentine & Bateman, 2011). Thus, an individual level perspective of social norms is associated with social consensus. To this end, social consensus is defined broadly as the degree managers perceive that other people agree

with a proposed act and the degree that they also accept the behaviour. In this research, social norms and social consensus are used interchangeably.

Consistent with this discourse, Agnew (1994) argued researchers (i.e., Hindelang, 1970) typically fail to test the approval of social norms effectively and ultimately, the relationship between neutralization, judgment, and behaviour. In self-administered questionnaires, researchers (Hindelang, 1970) often ask participants if they approve of an EQB. When participants answer affirmatively, researchers (i.e., Hindelang, 1970) conclude inaccurately that neutralization is unrelated to malfeasance as individuals are perceived to be disconnected from social norms and would not feel guilty for behaving illicitly.

However, the aforementioned approach does not adequately test social norms as it does not measure participants' acceptance of conventional norms in general. The measure is perceived as vague and could be interpreted as testing either a participant's agreement with the behaviour in general or as an exception involving extenuating circumstances (Agnew, 1994). In other words, the measure is likely to confuse the individuals that believe an EQB is conditionally acceptable (i.e., those more inclined to neutralize) with those that believe an EQB is unconditionally acceptable (i.e., those that reject social norms) (Agnew, 1994). Put plainly, "at the heart of neutralization theory lays the acceptance of both a conventional norm and the situational exceptions to it" (Chatzidakis et al., 2007, p. 95). To test if neutralization is related to EQB, it is argued researchers must measure one's acceptance of social norms at the general level (Agnew, 1994).

To address this methodological concern, Agnew (1994) and Minor (1981) tested participants' general approval of an EQB. Through this method, if decision-makers accept the norms of society, agree with various neutralizations, and behave unethically,



it is assumed neutralization facilitated EQB (Agnew, 1994). By using this method, the Agnew (1994) and Minor (1981) studies have been hailed as methodologically superior (Maruna & Copes, 2004).

Conversely, by only testing social norms using the Agnew (1994) and Minor (1981) approach, the broader level of how decision-makers perceive other people agree with the norms of society is omitted. To ensure social consensus is adequately represented, the construct is contextualized in this research through a: (1) context-specific focus of how one perceives others appraise an EQB (Singhapakdi et al., 1996), and; (2) general focus of how decision-makers perceive social norms at the individual level (Agnew, 1994). By including all facets of social consensus, the construct is advanced beyond the contextualization used by both Singhapakdi et al. (1996) and Agnew (1994), which can not only enhance internal consistency, but can also ensure one's reliance on neutralization is adequately measured.

***Magnitude of consequences.*** Jones defines the magnitude of consequences as “the sum of the harms (or benefits) done to victims (or beneficiaries) of the moral act in question” (1991: 374). As previously observed, most research on the magnitude of consequences has been within the context of others rather than that for the decision-makers themselves (Gurley et al., 2007). However, Hunt and Vitell (1986) argue that if decision-makers perceive preferred consequences, such as attractive financial benefits associated with an ethically questionable alternative, they are likely to pursue a less optimal decision if it is favourable to their performance. In his research on white collar criminals, Heath (2008) contended that for reasons of financial desperation, these criminals behaved illicitly out of fear and anxiety as opposed to merely greed.

Clearly, there are consequences to managers for certain behaviours as they are often the victim (or beneficiary) of an ethical problem. As such, it is logical to include the

magnitude of consequences to the manager within Jones's (1991) model. To this end, the construct is divided into two first, the magnitude of consequences, as defined by Jones (1991) and second, as a construct involving consequences to managers. The first is called the magnitude of consequences (others); the second is the magnitude of consequences (self). Therefore, the PMI construct is formatively comprised of three first order latent variables (magnitude of consequences (self and others) and social consensus).

*Hypothesis 1a: The magnitude of consequences (self) is a formative dimension of perceived moral intensity.*

*Hypothesis 1b: The magnitude of consequences (others) is a formative dimension of perceived moral intensity.*

*Hypothesis 1c: Social consensus is a formative dimension of perceived moral intensity.*

Marta and Singhapakdi (2005) found participants respond to ethical problems by perceiving moral intensity (PMI) through varying levels. To quantify the varying levels of PMI, Stein and Ahmad (2009) conducted an analysis using American legislative data. They analyzed the economic awards within the American judicial system in relation to various harms. According to the results, moral intensity was categorized within physical, economic, and psychological harms. Ethical problems involving physical harms were rated the highest in intensity, economic harms were considered moderately intense, and psychological harms were considered of lower levels of intensity. Consistent with this discourse, Collins (1989) also defined harms within the context of physical, economic, and psychological. It is generally argued that as harms increase, PMI increases (McMahon & Harvey, 2007).

According to the empirical work involving ethical recognition, O’Fallon and Butterfield (2005) found a higher level of PMI was related to participants recognizing an ethical problem. Within the context of Rest’s (1986) model, Singhapakdi et al. (1996) found ethical intensity significantly influenced ethical recognition (O’Fallon & Butterfield, 2005), which was further found by Singhapakdi, Vitell, and Franke (1999) in that increases in intensity would result in increases in recognition. Barnett (2001) argues that “when moral intensity is low, decision-makers are unlikely to devote extensive cognitive effort when forming ethical judgments, but when issues or actions have greater moral intensity, they should elicit more sophisticated reasoning” (p. 1042). To ensure participants perceive the ethical problems in this study as intense, economic harms are used as the primary harm against both decision-makers and other stakeholders (Stein & Ahmad, 2009).

Jones (1991) argued that when moral intensity increases “judgments regarding the appropriate action to be taken in the situation should lean more toward ethical action; behavioural intention should be to act in a more ethical manner; and behaviour should be more ethical” (McMahon & Harvey, 2007, 352). According to the empirical work, PMI has been positively related to ethical judgments (Singer, 1996) and behavioural intentions (Barnett & Valentine, 2004; Singhapadi et al., 1996). These relationships are well-established in the literature (Harrington, 1997). According to their literature review, O’Fallon and Butterfield (2005) demonstrated that PMI had an empirical relationship to judgment in 14 studies and intentions in eight studies.

For completeness, the paths between PMI and intentions and PMI and ethical judgment are included in the model to represent the corresponding relationships. As indicated in the introduction of the model for this research, it is expected that marketers recognize the consequences on others associated with an ethical problem. However, when they

encounter personal harms for ethical behaviour, they consider the harms against other stakeholders as inconsequential (Sparks & Hunt, 1998) and, subsequently, develop ethically questionable intentions. Similarly, they are likely to judge their ethically questionable intentions as ethical. These relationships are reflected in the following hypotheses.

*Hypothesis 2: The perceived moral intensity construct is negatively related to ethical judgment in which an ethically questionable behaviour is judged as ethical.*

*Hypothesis 3: The perceived moral intensity construct is negatively related to unethical intentions.*

In summary, when decision-makers encounter equal threats to their self-interests as other stakeholders, a utility analysis of the ethical problem is conducted (Smith, Simpson, & Huang, 2007). If the benefits associated with the EQB outweigh the costs of ethical behaviour, malfeasance is likely to occur (Murphy, 2008). Through this cost-benefit analysis, marketers are expected to distort their perceptions of the harms on others (Sonenshein, 2007), perceive the harms against their self-interest as most salient, and misperceive social norms. In these situations, Barsky (2008, p. 65) argues that marketers:

... may be less willing to behave ethically, as they may link harmful or deceitful actions to worthy purposes... rationalizations serve to morally disengage the individual by neutralizing internal and social pressures to act ethically when the opportunity for wrongdoing is presented.

Marketers perceive their self-interest as most salient (Bersoff, 1999) and in order to behave unethically, neutralization is used to justify the decision. In this context, neutralization will likely facilitate the implementation of biased judgments, “which in turn leads to the belief that the act is legitimate. Thus, the belief appears, at least

superficially, to emanate from a rational procedure rather than a selfish motive” (Bersoff, 1999, p. 422). For example, marketers might argue a perceived choice did not exist and their self-interests had to be preserved (Vitell & Grove, 1987).

### **4.3.2 Techniques of Neutralization**

To understand how marketers rationalize their ethically questionable intentions, neutralization theory, a literature drawn from criminology and delinquency, is discussed in this section. To explain norm-violating behaviours, criminologists Sykes and Matza (1957) developed a framework of neutralization. As indicated, the five original TON that construct Sykes and Matza’s (1957) model include the denial of responsibility (DOR), denial of injury (DOI), denial of victim (DOV), condemning the condemners (CTC), and appeal to higher loyalties (AHL).

The DOR is used when decision-makers believe they have no choice, they have to behave unethically (Anand et al., 2005). Reasons might be associated with financial threats or employment repercussions. The magnitude of consequences (self) could trigger the use of the DOR. When managers believe they have no choice and have to behave illicitly, they use the DOR to justify this (Anand et al., 2005). When this occurs, managers blame their behaviour on the situation and argue there was no other reasonable option.

When managers perceive the magnitude of consequences (others) as benign (Chatzidakis et al., 2007) they are likely to use the DOI to convince themselves (and others) an injury has not occurred (Anand et al., 2005). In situations involving bribery, decision-makers have argued bribery does not directly harm others (Vitell & Grove, 1987). In this context, bribery is considered a cost of business or an overhead expenditure. In a pollution context, managers could argue the consequences could be worse in other circumstances (Ashforth & Anand, 2003). For example, individuals will

likely perceive pollution in an urban setting as more heinous than pollution in a rural location due to the relative number of individuals affected. In this context, marketers can convince themselves an injury has not occurred (Anand et. al., 2005) and the action is simply unimportant (McDonald & Pak, 1996).

The DOV occurs when a marketer does not recognize a victim as the target wilfully participated (Anand et al., 2005). To minimize the consequences on others, managers use the DOV (Vitell & Grove, 1987). This neutralization can occur in instances of exploitation. For example, marketers could justify pursuing subprime lending strategies by arguing consumers seek credit and therefore, are not victims. To further deny a victim, marketers could argue they have no control if consumers over-borrow and cannot afford their repayments. To deny consumers as victims, marketers categorize consumers by income level when segmenting their markets (Kotler & Keller, 2007), which can assist marketers in dehumanizing consumers as they can appear in a lesser socioeconomic class.

Sykes and Matza (1957) developed the condemning the condemners (CTC) variable; however, Anand et al. (2005) argue CTC is within a broader category known as social weighting (SW). SW “refers to how much attention and credence one actor gives to the values and beliefs of another. Condemning condemners involves impugning the legitimacy of those who would cast the act or actor as corrupt” (Ashforth & Anand, 2003, p.20). Individuals who condemn their condemners are often cynical and believe their accusers are illegitimate themselves. Similar to the denial of injury, SW can be used to compare an EQB with more extreme behaviours. Anand et al. (2005) argue “because corrupt acts can make individuals appear bad, they are motivated to find examples of others who are even more corrupt and thereby demonstrate that ‘we’re not so bad’” (p. 13). The SW neutralization is also used by decision-makers when society

condones certain EQBs or if the behaviour is perceived as common. To assist managers in misperceiving social consensus, individuals use social weighting when they erroneously believe they are only behaving similarly to everyone else (Vitell & Grove, 1987).

The appeal to higher loyalties (AHL) is similar to the denial of responsibility in that participants believe their actions are excusable as no other choice was present that would achieve their higher goals. Marketers use the AHL when they believe their behaviour is associated with attaining a higher good. This neutralization is often used when illicit actions benefit one's employer (Vitell & Grove, 1987). In addition, Heath (2008) found that corporate criminals often justify their behaviour by arguing they behaved illicitly for their family. Therefore, to implement unethical intentions that benefit their employers or their families, decision-makers might neutralize through the AHL and judge their behaviour as acceptable.

Beyond the original techniques, Ashforth and Anand (2003) developed the legality neutralization technique. Legality is based on the philosophy that if an act does not conflict with any legislation, the behaviour is morally acceptable (Aguilera & Vadera, 2008). When neutralizing, "actors may excuse corrupt practices on the grounds that they are not actually illegal" (Ashforth & Anand, 2003, p. 18). This neutralization technique could be particularly useful for executives when they rationalize behaviours that are legal but not necessarily ethical.

To demonstrate this in a pollution context, executives of multinational corporations have used the legality neutralization when rationalizing their illicit behaviours abroad. For example, in response to the allegations that Chevron Texaco devastated the rain forests of Ecuador, executives argued no specific legislation prohibited their behaviour (The Economist, 2003). According to the empirical literature, Laczniaik and Inderrieden

(1987) found participants' responses to illegal scenarios were more ethical compared to the responses to the legal but not necessarily ethical scenarios.

According to Kohlberg's (1976) cognitive moral development theory, it is suggested that when individuals progress through the six hierarchical stages in the model, they are capable of resolving moral dilemmas of increasing complexity. However, empirical evidence of the higher levels is rare (Rest, 1986). Researchers have also demonstrated that the majority of the U.S. population typically relies on rules or legislation to formulate their ethical judgments, which is stage four (Wood et al., 1988). Therefore, managers may use the legality neutralization to justify pursuing an ethically questionable activity when this is within the confines of the law.

In addition to the aforementioned neutralization techniques, Minor (1981) developed the defence of necessity (DON) neutralization. The DON is derived from the defence of necessity used within a judicial context. In the criminology literature, defendants often argue they behaved illegally to avoid a greater evil and, therefore, their illegal act is justified (Arnolds & Garland, 1974). Within the context of neutralization, Minor (1981) defines the DON as an act that is perceived as necessary and by its commission, deviants need not feel guilty.

In general, the DON is used by individuals when they feel their behaviour is associated with a necessary purpose (Christensen, 2010). These individuals typically acknowledge their behaviour is illicit, but claim their actions are necessary. In these situations, decision-makers feel they have no other recourse. They believe the sustainability of their self-interests and the interests of their family are more important than acting within the norms of society (McGregor, 2009). In the literature, the DON was used by decision-makers when an EQB was implemented to improve the financial performance



of their employer, to feed their family (Christensen, 2010), to defend their employment or business (Enticott, 2011), and to avoid possible layoffs (Gray, 2006).

To summarize, it is argued neutralizations can assist decision-makers in forming biased decisions by believing the magnitude of consequences are more benign than actuality (Chatzidakis et al., 2007). In other words, PMI appears to inform the TON. “For Sykes and Matza, people who commit deviant acts are generally committed to mainstream norms and know that they will feel shame and guilt over their violations of conventional norms” (Christensen, 2010, p. 559). Conversely, it is argued that if one is indifferent to perceived social norms, neutralizations are unnecessary. In these cases, individuals or most likely delinquents follow divergent norms from conventional society and when they behave illicitly, they are behaving within these alternative norms (Agnew, 1994). Subsequently, they do not experience guilt or require the aid of neutralization techniques. However, researchers (Agnew, 1994) have found that individuals rely on neutralizations when they misperceive social norms. In this context, managers are often motivated to perceive their intentions and judgments as consistent with other people (Flynn & Wiltermuth, 2010). They appreciate that certain people will believe the behaviour is wrong, but believe most do not (Harris & Dumas, 2009); ultimately they use neutralization techniques to minimize cognitive dissonance.

As outlined in the general assumptions of this chapter, a priori, it is anticipated that most marketers are not delinquents (Tepper, 2010), are therefore attached to social norms, but can use them inappropriately (Reynolds, 2006). When marketers misperceive social consensus, they experience cognitive dissonance. Thus, it is expected that social consensus and the magnitude of consequences (self and others), which are formative dimensions of PMI, are negatively related to the TON.

*Hypothesis 4: Perceived moral intensity is negatively related to the techniques of neutralization.*

Empirically, Harrington (1996) was one of the pioneers to study the TON within business ethics. In an information systems context, Harrington (1996) found high-levels of the denial of responsibility are highly correlated to judging an EQB as ethical and the willingness to behave concurrently. Unfortunately, the other TON were excluded from the study. Agnew (1994) found neutralization techniques informed the EQBs of adolescents. Based on these findings, it is expected that the TON are positively related to judging an EQB as ethical. It is also anticipated that individuals who use neutralization techniques are more likely to develop ethically questionable intentions.

*Hypothesis 5a: The techniques of neutralization are positively related to ethical judgment in which an ethically questionable behaviour is judged as ethical.*

*Hypothesis 5b: The techniques of neutralization are positively related to unethical intentions.*

In their study of neutralization within a professional protocol context and not an ethically questionable context, Siponen and Vance (2010) conceptualized the TON as a second-order formative construct. Conversely, Ribeaud & Eisner (2010) conducted factor analyses using five neutralization techniques within an ethically questionable context. Based on their findings, the construct is unidimensional and best represented as a single factor, which is consistent with other studies in the ethics paradigm (McDonald & Pak, 1996).

Consistent with these empirical results, many of the neutralization techniques overlap theoretically. For example, denial of responsibility (DOR) and the defence of necessity (DON) are based on decision-makers arguing there was no choice. The appeal to higher loyalties also overlaps with DOR and DON. As having to keep one's job, 'doing it for

my family’, and ‘I had no choice’ are all essentially the same justification. In addition, Enticott (2011) contend there is little difference between the denial of injury and the denial of victim. Using Jarvis et al.’s (2003) framework for categorizing latent variables, the TON have the same antecedent (PMI), have the same consequences (unethical intentions), are reasonably highly correlated, and have a common theme (minimizing guilt). In view of this theoretical categorization and Ribeaud and Eisner’s (2010) empirical findings, the TON are conceptualized as a first-order reflective latent variable.

### **4.3.3 Reflexive Decision-making**

As indicated in chapters two and three, rationalist decision-making theorists (Rest, 1986) suggest individuals make active judgments through four processes: recognizing an ethical problem, making an ethical judgment, developing intentions to behave, and subsequently, acting on these intentions. Although rare, active judgments are linear, reasoned, and deliberate analytical processes. When active judgments are made, individuals are consciously aware of their decisions, which can result in greater instances of ethical behaviour (Reynolds, 2006).

According to the empirical work, Singhapakdi, Vitell, Lee, Nisius, and Yu (2012) found that the marketers, who were most willing to make an ethical judgment by judging an EQB as illicit, were more inclined to behave ethically. Barnett (2001) found when participants judged an action as ethical, they were more willing to form intentions to act similarly. Wagner and Zanders (2001) noted participants that judged an EQB as unethical were less willing to behave unethically (O’Fallon & Butterfield, 2005). According to these consistent findings, if participants judge an EQB as unethical, they will typically behave ethically. If the EQB is judged as ethical, participants will behave as they perceive ethically (O’Fallon & Butterfield, 2005).

By contrast, the intuitionist theorists argue individuals make decisions reflexively without deliberation. When individuals make reflexive judgments, it is believed decision-makers have a greater propensity to behave illicitly (Gunia et al., 2012). As indicated in chapter three, judgments are expected to occur subconsciously and individuals subsequently use rationalizations to make publicly acceptable arguments for their behaviour (Haidt, 2001).

In comparing Rest's (1986) model with the intuitive decision-making process, Reynolds (2006) argues rationalists fail to account for reflection. Through his neurological cognitive model, Reynolds (2006) demonstrated retrospection is intrinsic to the decision-making process and decision-makers are often troubled by their actions. In their study, Gunia et al. (2012) found individuals felt remorse for lying. Similarly, Vitell and Festervand (1987) found managers were willing to pay bribes to increase profitability, but considered bribery to be ethically questionable. It therefore appears managers might believe their unethical intentions are ethically questionable.

Notwithstanding, after individuals behave unethically and experience dissonance, Murphy and Dacin (2011) argued decision-makers reduce their guilt by changing their attitudes toward their behaviour. Rick and Lowenstein (2008) contended that if decision-makers encounter significant pressures to behave illicitly, they can "persuade themselves of almost anything, including why behaviour they normally would consider unethical is morally acceptable" (p. 645). Consistent with the purpose of the TON, Palazzo, Krings, and Hoffrage (2012) found that depending on the situation, ethicality might not be readily perceived by decision-makers. It is possible for them to behave illicitly without being fully aware and if their behaviour is challenged after the fact, they are convinced their malfeasance was appropriate (Palazzo et al., 2012).

Schwepker and Good (1999), in their study of marketing managers in the financial services industry, found when they faced an employment threat for failing to achieve a sales quota, marketers judged deception, as a minor moral issue. Interestingly, when ethical judgment was analyzed without any negative employment repercussions, most participants judged deception as ethically questionable. This attitude adjustment is further consistent with neutralization theory in that to preserve their self-concept; managers believe their malfeasance is excusable. Therefore, when decision-makers develop ethically questionable intentions, they believe their intentions are acceptable. To wit, a relationship between unethical intentions and ethical judgment is expected:

*Hypothesis 6: Unethical intentions are positively related to ethical judgments in which managers judge an ethically questionable behaviour as ethical.*

To this point, PMI was hypothesized as a second-order formative construct. PMI is expected to be negatively related to the unethical intentions, unethical judgment, and TON. The TON are hypothesized as positively related to unethical intentions, and neutralization is argued to be positively related to ethical judgment. Finally, unethical intentions are expected to be positively related to ethical judgment. To complete the theoretical model of this research, Machiavellianism is discussed in the next section.

#### **4.3.4 Machiavellianism**

As contextualized in the second chapter, Machiavellianism is defined as “a personality style marked by the use of such tactics as deception and manipulation so as to perform well and achieve power, status, or material wealth” (Verbeke, Rietdijk, van den Berg, Dietvorst, 2011, p. 205). Wilson et al. (1996) contend Machiavellians manipulate and exploit others for personal gain. Calhoon (1969) argues Machiavellians are conniving, ruthless manipulators who concern themselves only with advancing their selfish ends. In their meta-analysis, Kish-Gephart et al. (2010) found high levels of Machiavellianism

were positively related to unethical intentions. In their review, O'Fallon and Butterfield (2005) consistently found high Machiavellians judged more EQBs as ethical and had intentions to behave unethically.

Based on these consistent findings, Machiavellians could therefore have a profound effect on all aspects of ethical decision-making. Intuitively, Machiavellians are most concerned with advancing their self-interest, usually to the detriment of others, and this influences their perception of moral intensity. They are likely inclined to behave unethically when exposed to ethical problems that involve a threat to their self-interest. McMahon and Harvey (2007) argued that by testing Machiavellianism within the context of PMI, a greater understanding of the ethical decision-making process would emerge. Considering a relationship between Machiavellianism and PMI has not been examined, the analysis is included in the empirical investigation of this study. Specifically, Machiavellians are likely to minimize or disregard the consequences on others, perceive the consequences against their self-interests as most salient, and misperceive social consensus. These expectations are reflected in the following hypotheses:

*Hypothesis 7a: Machiavellianism is positively related to the magnitude of consequences (self) in that Machiavellians will perceive the consequences against their self-interests as most salient.*

*Hypothesis 7b: Machiavellianism is positively related to the magnitude of consequences (others) in that Machiavellians will minimize or disregard the consequences on others.*

*Hypothesis 7c: Machiavellianism is positively related to social consensus in that Machiavellians will be indifferent to social consensus.*

Machiavellians are argued to be egoistical and disinclined to feel remorse for behaving illicitly (Ferrell, Gresham, & Fraedrich, 1989). Individuals who lack remorse are less likely to use neutralization techniques. Given their selfish nature and lack of empathy (Jakobwitz & Egan, 2006), Machiavellians appear to fit into this category. However, Machiavellians are not immoral, in the sense that they continuously manipulate others. They simply have a ‘cool detachment’ from others (Robinson & Shaver, 1969) and selectively deviate from social norms when they perceive an opportunity for selfish gain (Dahling, Whitaker, & Levy, 2009). This predisposition is consistent with the purpose of the TON, namely, managers use them to exempt themselves, temporarily, from social norms. Neutralization theory “holds that most offenders are not involved in offenses all the time. They drift back and forth between acceptable and offensive, or delinquent, behaviour” (McGregor, 2009, p. 265).

In general, high Machiavellians are inclined to implement manipulative and deceptive strategies to attain their personal ends. In this context, the denial of responsibility could be used to justify EQBs motivated by self-interest. By arguing their self-interest had to be advanced, Machiavellians could deny their responsibility associated with their EQB, which would enable them to justify said behaviour. Given this deduction, a relationship between Machiavellianism and the TON is expected.

*Hypothesis 8: Machiavellianism is positively related to the techniques of neutralization.*

In this study, the research questions are answered by measuring marketers’ acceptance of various neutralization techniques, testing if marketers judge their ethically questionable intentions as ethical and measuring marketers’ perception of moral intensity. The primary objective is to synthesize the TON within the framework of

Jones's (1991) model. The secondary objective is to understand if Machiavellianism influences the decision-making process.

#### **4.4 Conclusion**

In this chapter, the model for ethically questionable decision-making was presented. This model is built on the synthesis of four main decision-making theories: (1) the bounded rationality of individuals and their less-optimal decision-making abilities (Simon, 1955), (2) the moral intensity construct (Jones, 1991) and the willingness of decision-makers to satisfy their immediate concerns by perceiving their self-interests as most salient, perceiving the harms against others as inconsequential, and misapplying the norms of society, (3) the techniques of neutralization (Sykes & Matza, 1957) in which decision-makers can deceive themselves by enabling them to believe their EQBs are in fact acceptable, and; (4) the bad apples thesis (Trevino & Youngblood, 1990) in which deviant personalities are expected to influence the decision-making process. As such, the main variables of interest in the model include PMI, which is a second-order formative construct comprised of the magnitude of consequences (self), magnitude of consequences (others), and social consensus, the techniques of neutralization, Machiavellianism, ethical judgment, and unethical intentions.

The major contribution of knowledge of this research is the synthesis of two streams of theories: one theory involves decision-making and the situational factors (Jones, 1991); the other theory is centred on influencing factors, such as cognitive and individual (Chatzidakis et al., 2007). The aims of the research are to understand: (1) the rationalization techniques used in the decision-making process, (2) the irrational egoism tendencies of decision-makers, (3) the relationship between perceived moral intensity and the techniques of neutralization, and; (4) if decision-makers believe their illicit behaviours are acceptable.



As indicated in chapter two, a dearth of research involving analyses of various legal, but not necessarily ethical behaviours is apparent. In view of this void in the empirical literature and considering the consequences of such behaviour can be severe (i.e., the subprime lending crisis), ethically questionable but legal behaviours are studied in this research. By studying behaviours that are legal and unethical, this research uniquely contributes to knowledge by offering a deeper understanding of the EQBs marketers are willing to implement. In the next chapter, the methods used to test the model for ethically questionable decision-making are presented.

# Methodology

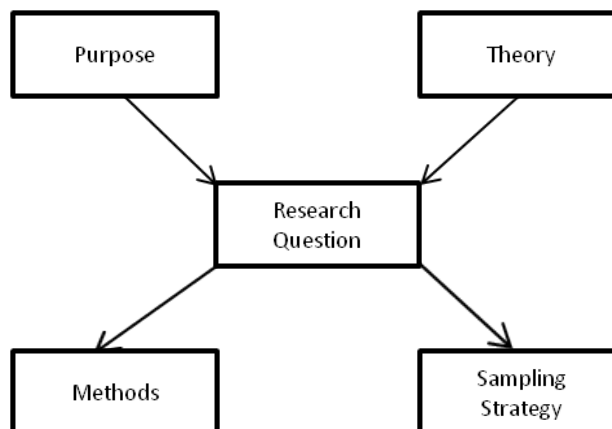
## 5.1 Introduction

In the last chapter, the model for ethically questionable decision-making was presented. As outlined, the main variables of interest are the perceived moral intensity (PMI) construct, the techniques of neutralization (TON), Machiavellianism, behavioural intentions, and ethical judgment. In this chapter, Robson's (2002) research design (see Figure 5.1) is used to outline the strategies to test the model of this research. Robson's (2002) model is consistent with other designs used in business ethics research (McDonald & Pak, 1996). Included in Robson's (2002) model is the purpose of the project, the theory, the research question, the methods, and the sampling strategy. As defined in chapter one, the purpose of this research is to: (1) identify the impact between PMI and the TON, (2) investigate how Machiavellianism influences the decision-making process, (3) examine the effect of the TON on judgments and intentions, (4) understand if marketers believe their malfeasance is acceptable, and; (5) understand if decision-makers are willing to behave illicitly in certain contexts but not in others.

As defined in chapter four, this research is guided by the synthesis of two streams of theories. One theory involves decision-making and the situational factors (Jones, 1991);

the other theory is centred on the influencing factors (Chatzidakis et al., 2007). As indicated, the research questions of this thesis are: ‘how do marketers rationalize their behaviours in (an) ethically questionable context(s)’ and ‘what influence does Machiavellianism have on the decision-making process.’ The first research question addresses purposes one, three, and four whilst the second research question addresses the second purpose. To address the fifth purpose, various EQBs are manipulated and compared in this study.

In the first section of this chapter, the major issues in the business ethics research paradigm are discussed. Discourse centres on socially desirable response bias, vignette-based questionnaires, and the use of intentions as proxies of behaviour. In further reference to Figure 5.1, the choice of methods is outlined in section two. Specifically, justifications for using self-administered questionnaires (i.e., methods) and using surrogates for marketers (i.e., sampling strategy) are provided. In section three, the procedures used to develop the measurement instrument are discussed. In the final section, the data collection strategy is presented.



Source: Robson (2002) Real world research

**Figure 5.1 – Robson (2002) Research Design Framework**

## **5.2 Current Issues in Ethics Research**

The main methodological issues pertain to socially desirable response bias (SDRB), using intentions as proxies for behaviour, and the use of vignettes. Discussions are focused on how these issues are overcome in this research, the strengths of these methods, and the possible limitations.

### **5.2.1 Socially Desirable Response Bias**

O'Fallon and Butterfield (2005) argue that the most prevalent methodological issue within the business ethics research paradigm involves SDRB. SDRB is caused by participants who provide responses they believe the researcher is seeking (Robson, 2002), which can negatively affect the reliability and validity of a study (Lalwani, Shrum, & Chiu, 2009). It is argued, socially desirable responses (SDR) can occur among participants through self-administered instruments (Robertson & Anderson, 1993). It is also argued that offering participants' anonymity and using a self-administered questionnaire distributed through a neutral medium such as, mail can minimize SDRB (Flannery & May, 2000; Mick, 1996). It is believed that online questionnaires are less intimidating, can further minimize SDR as an additional element of anonymity is offered (Shulruf, Hattie, & Dixon, 2011), and can therefore enhance internal validity (Gattiker & Kelley, 1999).

Alexander and Becker (1978) argued the use of vignettes can increase face validity and internal reliability whilst minimizing SDRB (Robertson & Anderson, 1993). The vignettes used in this research are short-stories that involve typical ethical problems encountered by marketers during their careers. To minimize SDRB, indirect questioning or projective reasoning through the use of vignettes is useful. Projective reasoning involves using indirect question wording by asking participants how the protagonist

depicted in a hypothetical scenario should resolve the ethical dilemma (Robertson and Anderson, 1993).

Fisher (1993) argues that compared to direct questioning; the use of indirect questioning can effectively reduce SDRB. Indirect questioning enables participants to dislocate themselves from the social implications associated with responding to questions, which does not appear to bias their responses (Fisher, 1993). In general, projective techniques elicit more candid responses and have significant advantages over direct questioning (Robertson & Anderson, 1993). Although projection is useful in reducing SDRB, projection cannot completely eliminate SDRB. To further minimize it, questionnaire items should be created using non-threatening language (Flannery & May, 2000).

On its own, projective reasoning is less useful in eliciting actual intentions and the strategy might limit external validity. However, by using both direct and indirect question wording, the problem could be addressed. To understand if SDRB is a problem, Fisher (1993) included both direct and indirect items; the items were compared to assess if any differences existed. This method was also used by Vitell and Festervand (1987) and the strategy appears to be a useful tool in developing a more informed understanding of behavioural intentions. A similar approach will be used in this study.

In her study based on Jones's (1991) magnitude of consequences and the denial of responsibility (DOR) from the TON, Harrington (1997) tested for SDRB and noted that it moderated the relationship between DOR and unethical intentions. However, a relationship between the DOR and unethical intentions was found and given SDRB was an issue, participants were understating their unethical intentions. Therefore, the results were conservative in explaining the relationship between the DOR and unethical intentions.

Considering the participants of this study might also be conservative when revealing their behavioural intentions, the results could be an underestimate if SDRB poses a problem. However, Detert et al. (2008) found U.S. respondents often speak candidly about their history of malfeasance and SDRB is not typically a concern among U.S. samples. Consistent with the discourse of this section, to reduce SDRB, projective techniques, non-threatening language, anonymity, vignettes (Flannery & May, 2000), and online questionnaires (Schwepker & Good, 2011) will be used. As a test for SDRB, Fisher's (1993) method of comparing direct and indirect question wording will also be conducted.

### **5.2.2 Vignette-based Questionnaires**

To test models of ethical decision-making, vignette-based questionnaires are advantageous as participants respond through the variables the researcher intends to measure, the variables can be manipulated (O'Fallon & Butterfield, 2005), and vignettes can offer a clear account of the decision-making process. In addition to the control held by researchers, "subjects may also find a vignette more interesting and involving than an abstract question, thereby improving the representativeness and candour of their responses" (Robertson & Anderson, 1993, p. 626). A vignette-based approach enables intentions (or behaviour) to be tested prospectively whereas traditional questionnaires (Agnew, 1994) rely on past behaviour as the dependent variable, which has the potential to cause measurement error (Siponen & Vance, 2010). In general, measuring intentions through the use of vignette-based questionnaires come highly recommended in the TON literature (Siponen & Vance, 2010). The use of vignettes is also widely supported in the business ethics literature (Bass, Barnett, & Brown, 1999; Weber, 1992).

Although a useful tool, the most significant problem with vignettes pertains to the implied assumption that it represents an ethical problem for the participant (O'Fallon &

Butterfield, 2005). However, the issue raised by O'Fallon and Butterfield (2005) is inconsequential as an interest of this research is not to understand if the vignettes represent ethical issues to marketers, but rather to understand how marketers rationalize their ethically questionable intentions when they encounter ethical dilemmas. It is anticipated that participants in this research might suppress the ethicality of the problem and by doing so, will likely believe the vignette does not represent an ethical problem. When participants form ethically questionable intentions, O'Fallon and Butterfield's (2005) concern is expected as it is associated with Hypothesis 6.

Robertson and Anderson (1993) argued vignettes can be subject to errors and misinterpretations. However, by using multiple scenarios, the issue can be minimized whilst improving reliability and validity. Most importantly, self-administered questionnaires are argued to be an effective tool at addressing the most significant research issue in business ethics - reducing socially desirable responses (Alexander & Becker, 1978). To address these advantages, a vignette-based approach through multiple scenarios is used in this research.

### **5.2.3 Intentions as Approximates for Behaviour**

Considering actual behaviour cannot be tested through self-administered questionnaires (Vitell & Ho, 1997), actual behaviour will not be tested in this research. However, examining proxies for behaviour by testing intentions, which is widely accepted in business ethics research (Singhapakdi et al., 1999), will be used. Ethically questionable behavioural intentions are defined as "the expression of one's willingness or commitment to engage in unethical behaviour" (Kish-Gephart et al., 2010, p. 2).

Consistent with the theory of reasoned action (Ajzen & Fishbein, 1980) discussed in chapter two, Hunt and Vitell (1986) suspected that intentions are predictors of behaviour. According to their review of the empirical literature, O'Fallon and

Butterfield (2005) found intentions led to behaviour, which is consistent with the work of Rest (1986), Jones (1991), and Ajzen (1991). Al-Jabri and Abdul-Gader (1997) found the participants that developed intentions to behave ethically followed through with their intentions and behaved ethically. Fishbein and Ajzen (2010) demonstrated intentions are antecedent to behaviour and when there are changes in intentions, behaviour changes accordingly.

However, there is a debate in the literature with researchers arguing that intentions do not always lead to behaviour. According to the results of their meta-analysis, Kish-Gephart et al. (2010) concluded that intentions do not always precede behaviour. They found other independent variables, such as locus of control held stronger relationships to behaviour than intentions. From a neurological cognitive perspective, it is argued intentions and behaviour are the same phenomenon. Conversely, intentions established in a hypothetical setting do not necessarily translate to behaviour in reality. Specifically, different sensory receptors are used in hypothetical contexts (e.g., reading) versus reality (e.g., hearing a voice), which is “not surprising that these differences can and do lead to different outcomes” (Reynolds, 2006, p. 742). Given the potential for differences, when intentions are measured, the results should only be generalized to behaviour when the intentions to behave are strong. In other words, the stronger the intentions to behave, the greater the propensity decision-makers will act on their intentions (Fishbein & Ajzen, 2010).

### **5.3 Choice of Methods**

In this section, the instruments chosen to measure the independent and dependent variables of this research are discussed. In the first subsection, the types of vignettes covering: environmental pollution, packaging deception, and subprime lending, are discussed. These vignettes are exhibited in Appendix C. In the remaining subsections,



the scales used to measure the TON, PMI, Machiavellianism, behavioural intentions, and ethical judgment are discussed. To address the dearth of research on the TON in the business ethics literature (Chatzidakis et al., 2007), magnitude of consequences (self), and social consensus using the contextualization developed in this research, existing questionnaire items were appropriately modified to fit the context of this research. These modified questionnaire items are both included in Appendix B. The complete questionnaire can be found in Appendix C.

### **5.3.1 Vignettes**

The major studies that deal with the ethically questionable behaviours (EQBs) examined in the business ethics paradigm and that has influenced this research, are summarized in Table 5.1 and exhibited in Appendix A. Interestingly, only one illicit action was examined in the majority of the studies (approximately 49%). By investigating only one EQB, generalizations cannot be made across various behaviours and secondarily, researchers are unable to understand if marketers would be willing to behave illicitly in one context, but not in another. Of the studies that include several EQBs, most of these behaviours were pooled together (Blodgett, Lu, Rose, & Vitell, 2001). However, the relationships between the variables of interest were not compared across the vignettes. Without these, only limited conclusions can be made as certain behaviours might be perceived as more salient than others.

In their study of neutralization within an information systems context, Siponen and Vance (2010) designed three vignettes. By using three vignettes, it is proposed that the study results can be generalized across divergent contexts and by including various behaviours, it is argued that knowledge of the affect EQB has on intentions will be gained (Siponen & Vance, 2010). Therefore, consistent with Siponen and Vance (2010), three vignettes are used in this research.

**Table 5.1 Summary Table of Types of Ethically Questionable Behaviours in Business Ethics**

TYPE OF BEHAVIOUR STUDIED	NUMBER OF TIMES APPEARED
Deception	59
Bribery and gift giving	50
Exploitation	16
Pollution	14
Industrial espionage	12
Insider trading	7
Poor labour practices	5

\* Total of 146 articles reviewed; there were multiple vignettes included in 51% of the articles.

As discussed, each vignette in this research contains comparable harms to stakeholders and the decision-maker. To ensure participants perceive the ethical problems in this study, as at least, moderately intense, economic harms are used as the primary harm against decision-makers, stakeholders, and the decision-makers' employer (Stein & Ahmad, 2009). Specifically, three harms are included in each vignette: harm to stakeholders for unethical behaviour, harm to one's employer for ethical behaviour, and personal harm to the protagonist for ethical behaviour. If the protagonist behaves ethically, they could be dismissed for squandering short-term profitability. However, if unethical behaviour is selected, stakeholders could be negatively affected, but the protagonist would not experience any legal ramifications. In this context, it is anticipated that the negative personal harms will cause decision-makers to diminish the importance of the perceived harms on others (Davis, Johnson, & Ohmer, 1998). It is of interest to see if trade-offs would occur when marketers are equally threatened. If trade-offs occur, the harms to stakeholders are expected to induce feelings of guilt, which would typically result in the individual relying on neutralization techniques to justify their actions.

As indicated, behaviours that are legal, but not necessarily ethical are studied in this research. Prior to each vignette, participation respondents were notified that the

behaviour depicted within the scenarios of each vignette was legal. In each scenario, the protagonist was given a gender-neutral name to help participants from both genders to engage in the scenarios (Butterfield et al., 2000). To ensure the vignettes are perceived as realistic, it is argued that studies using neutralization techniques should include specific details in the vignettes such as names and companies (Siponen & Vance, 2010). This approach was adopted in the vignettes for this research. Each vignette was carefully crafted to contain similar ethical content, length, and composition, such as: company name, protagonist name, and harms (Butterfield et al., 2000). The only manipulation in the study involved the three marketing behaviours. Through this approach, the results of each vignette could be pooled together to facilitate data presentation (Butterfield et al., 2000). Discussions of the specific procedure used are provided in chapter six.

Considering all decisions involving consumers are marketing decisions (Ferrell & Gresham, 1985), the package downsizing, exploitation, and pollution vignettes in this research involve customer driven requests and, thus, are within the marketing context. In addition, the vignettes were derived from the marketing literature (Gupta et al., 2007) and industry examples. Generally, it is argued vignettes must describe common or realistic situations (Siponen & Vance, 2010). To ensure the vignettes represent typical marketing situations, marketers were consulted during each stage of instrument development. The process here is discussed in a subsequent section of this chapter. The resulting vignettes presented scenarios for package deception, environmental pollution, and subprime lending.

#### **5.3.1.1 Packaging Deception**

Package downsizing has not been studied empirically within the business ethics paradigm. Given the dearth of research and suitable available vignettes, Gupta et al.'s

(2007) work was used as a template for vignette development. According to Gupta et al. (2007), package downsizing involves reducing the product quantity without changing the package or the price of the product. The only change to the package is the fine print stating the updated product quantity. Given consumers typically fail to notice the change, the strategy effectively supports an ‘invisible’ cost-increase to consumers. This strategy has been used by many major brand consumer product manufacturers, such as Clorox Bleach, Maxwell House, and Pizza Hut (Gupta et al., 2007).

In the vignette used for this scenario, a customer-driven cost-reduction was the antecedent of the desire for the marketer to consider implementing a package downsizing strategy<sup>2</sup>. Consistent with each vignette in this research, the package downsizing vignette includes three harms: harm to other stakeholders for unethical behaviour, harm to one’s employer for ethical behaviour, and personal harm to the protagonist for ethical behaviour. Specifically, consumers would be financially harmed for not receiving similar value for their purchases. If the marketer depicted in the vignette failed to offer the cost-reductions, the customer would likely source a new supplier and the marketer could be penalized for losing the account.

#### **5.3.1.2 Environmental Pollution**

For the environmental pollution vignette, Paternoster and Simpson’s (1996) air pollution vignette was used as a template. In the vignette, an employee was coerced into releasing emissions that failed to meet pollution standards. If the emissions were released, the employee could be dismissed. In a similar context, Premeaux and Mondy (1993) developed a pollution vignette within a manufacturing context. According to the

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<sup>2</sup> In each vignette, a business-to-business context was used. In the packaging deception vignette the ‘account’ or ‘customer’ requested a cost-reduction from the marketer depicted in the scenario. To provide the cost-reduction, the marketer would need to implement a packaging deception strategy.

vignette, an increase in production output would cause the emissions of a factory to exceed the legal limit.

Both vignettes represent useful templates and were modified to fit a marketing context. Here, a customer-driven increase in demand would cause the manufacturing facility depicted in the vignette to exceed the safety limits for water pollution which, if violated, would affect a local agricultural economy. Given that the U.S. pollution legislation is stringent and to ensure the vignette is perceived as realistic, the manufacturing facility in the vignette is located abroad. This presentation is consistent with various examples of international entities operating in nations with low or non-existent pollution legislation, examples of which are Chevron Texaco in Ecuador and Shell in the Niger Delta, which have resulted in devastating pollution and a destruction of crops.

### **5.3.1.3 Subprime Lending**

Vignettes with a subprime lending context are nonexistent in business ethics research. To develop a hypothetical vignette within a marketing context, industry cases were used. For example, subprime lending was used by the General Motors Company as the company targeted loans to consumers with poor credit ratings (Krisher, 2010). Numerous U.S. retailers offer in-store credit cards to consumers. As of 2010, Sears charged an annual interest rate of 25.24% on purchases at their retail outlets (Anderson & Jackson, 2010), a rate substantially in excess of inflation rates.

In the U.S., credit card companies or retailers that extend credit to consumers are unregulated (Jekot, 2005). Given the lack of constraints, creditors increase the interest rates to consumers with low-incomes and poor credit ratings (Tribue, 2009). These consumers often pay interest rates within the 30% range (Somer, 2011) and if these subprime consumers do not default, they represent a lucrative market (Jekot, 2005).

However, the potential repercussion associated with subprime lending is default and this led to the 2008 U.S., and subsequent worldwide recession.

In the associated vignette, the customer-driven subprime lending strategy has the potential to negatively affect the finances of borrowers. The interest rate included in the vignette is 38%. As indicated, this interest rate is consistent with the rates offered to subprime borrowers by U.S. creditors (Somer, 2011).

### **5.3.2 Techniques of Neutralization**

In this section, the available instruments to test the TON are presented. The TON are mechanisms that facilitate norm-violating behaviours for the decision-maker (Chatzidakis et al., 2007). As discussed in chapter four, the TON to be studied in this research include the denial of responsibility (DOR), denial of injury (DOI), denial of victim (DOV), social weighting (SW), appeal to higher loyalties (AHL), defence of necessity (DON), and legality.

Maruna and Copes (2004) argue that testing neutralization as an antecedent of EQB is complex and has rarely been completed successfully. Ward and Beck (1980) argued that testing the TON as an antecedent of EQB can be successfully conducted using longitudinal studies. Through a longitudinal study, Minor (1981) found the TON were used pre-behaviourally. Similar results were found by Agnew (1994) and more recently, Ribeaud and Eisner (2010) also used a longitudinal analysis to successfully test neutralization pre-behaviourally.

Although this research is concerned with analyzing ethically questionable intentions, that also occur pre-behaviourally, longitudinal studies may not, however, be required. For example, using cross-sectional data, De Bock and Kenhove (2011) found neutralization was positively related to ethical judgments. Through cross-sectional data, Siponen and Vance (2010) found neutralization sustained a significant relationship with

behavioural intentions. Given these results and considering that intentions precede behaviour (Ajzen, 1991), cross-sectional data was used.

Boardley and Karvassanu (2007) argue the instruments used to appraise neutralization should be context specific. To develop context specific questionnaire items, researchers are often required to create new instruments to address the various nuances of their studies (Maruna & Copes, 2004). As opposed to developing new testing instruments, other researchers have modified existing questionnaire items (Ribeaud & Eisner, 2010).

According to their review of neutralization theory from 1957 to 2004, Maruna and Copes (2004) noted the survey work typically included a list of statements and participants were required to state their level of agreement or disagreement through Likert-scales. The statements were within hypothetical vignettes. In their business ethics study, McDonald and Pak (1996) used a vignette approach to test the TON. In an organisational context, Siponen and Vance (2010) tested six neutralizations through three hypothetical vignettes.

Given a TON instrument has not been developed within the marketing context, an instrument is developed specifically for this study. To increase the likelihood that the instrument is valid, the items were modified from existing questionnaire items (Agnew, 1994; Minor, 1981; Siponen & Vance, 2010) and in most cases, only the context changed. Neutralization theory (Anand et al., 2005; Ashforth & Anand, 2003; Heath, 2008; Vitell & Grove, 1987) was also used to assist in modifying the existing items. As indicated, the original questionnaire items and the modified items are exhibited in Appendix B.

Neutralization items were created to fit the context of each vignette. In the study, participants were presented with the aforementioned hypothetical vignettes, which followed with a list of neutralization statements and participants were asked to respond

with their level of agreement or disagreement. Each vignette had eight neutralization items (composite reliability = 0.96). To test internal consistency, researchers often use Cronbach alpha. However, Cronbach alpha is argued to underestimate the reliability of measures (Henseler, Ringle, & Sinkovics, 2009). To address this concern and consistent with Cordano and Frieze (2000), internal consistency is appraised in this research using the composite reliability measure of Dillon and Goldstein (Wertz, Linn, & Joreskog, 1974). It is argued that composite reliability scores above 0.7 for the early stages of research development and 0.8 to 0.9 for more established stages are considered acceptable (Hair, Tatham, Anderson, & Black, 1998; Henseler et al., 2009).

### **5.3.3 Perceived Moral Intensity**

The PMI construct is formatively comprised of how managers construe the issue-contingent characteristics of an ethical problem. Jones (1991) contends the six PMI variables are characteristics of the ethical problem, all variables interact at the same level, and the six variables should be included within a single construct. However, Singhapakdi et al. (1996) found the six variables load onto two constructs, which involve the magnitude of consequences (sum of harms or benefits associated with the behaviour) and social consensus (degree of societal acceptance of the behaviour). As argued in chapter four, these two variables are: all that are needed to test PMI (Gurley et al., 2007), the most robust factors of PMI (Stein & Ahmad, 2009), and; most relevant to the decision-making process (O'Fallon & Butterfield, 2005). Consistent with the development of the TON items, the PMI items were appropriately modified to fit the context of the vignettes for this research.

To test PMI, several researchers (Flannery & May, 2000) did not test participants' perceptions of moral intensity directly; they relied on the varying response patterns for the manipulated construct in the scenarios. Specifically, Flannery and May (2000) used



a scenario approach by manipulating the harm in the vignettes, the scenarios were then coded as low and high harm and the outcomes were studied using regression models. Through this method, researchers do not test directly a participant's perception of the level of intensity; however, participants might not have perceived the scenario as intended (Marshall & Dewe, 1997). Participants' might not perceive the low harm scenario as intended and without testing perceptions directly, researchers are unable to claim with confidence if PMI influenced the decision. Similarly, the magnitude of consequences might not have influenced their decision, which occurred in Marshall and Dewe's (1997) study. To address this concern, the decision-makers' perception of the intensity of the vignettes is tested directly in this research.

To measure the magnitude of consequences, Barnett (2001) used three-items with semantic differential anchors. Respondents were asked "do you believe any harm resulting from the depicted action will be minor versus severe, insignificant versus significant, and slight versus great" (p. 1044)? Social consensus was also tested through the use of three-items. However, social consensus is only measured by testing how one believes other people perceive the EQB. An individual-level perspective is not included. Therefore, Barnett's (2001) instrument was not used in this research.

Singhapakdi et al.'s (1996) instrument and, the work of Frey (2000) were used in the development of McMahon and Harvey's (2006) perceived moral intensity scale (PMIS), which had an internal reliability Cronbach alpha value of 0.79. In the instrument, each dimension of moral intensity has two-items. In this research, McMahon and Harvey's (2006) items measured on a 7-point Likert scale were used to test the magnitude of consequences (self) and the magnitude of consequences (others).

The items for the other PMI dimensions from McMahon and Harvey's (2006) scale such as proximity of effect, concentration of effect, and temporal immediacy, were

excluded as these were found to not contribute significantly to the decision-making process (Singer & Singer, 1997). Considering a revised contextualization of social consensus was used in this research, the two items for social consensus from McMahon and Harvey's (2006) scale were also excluded.

As a test for social consensus, using a mono-method approach, Singhapakdi et al. (1996) asked participants through a 9-point Likert-type scale to agree or disagree with the following statement: "most people would agree that the [marketer's] action is wrong" (p. 43). Singhapakdi et al.'s (1996) instrument has been used extensively in business ethics research (Marta & Singhapakdi, 2005) and the instrument represents a suitable measure of social consensus for this study.

In this research, social consensus is contextualized broadly as the degree marketers perceive that other people agree with a proposed act and the degree that they also accept the behaviour. To this end, the social consensus scale is advanced by measuring both: (1) a context-specific focus of how one perceives others appraise an EQB (Singhapakdi et al., 1996), and; (2) a general focus of how decision-makers perceive social norms at the individual level (Agnew, 1994). To develop the second social consensus item, the work of Minor (1981) and Agnew (1994) was used. Through a five-point Likert scale involving 'agree' versus 'disagree' anchors, Minor (1981) asked participants if "it is all right for J. to do this, whatever the reason" (p. 305). Somewhat differently, Agnew (1994) used the question "how wrong is it for someone your age to hit or threaten to hit someone without any reason" (p. 559). Consistent with these examples, participants were asked to 'agree' or 'disagree' with an evaluative statement. For example, 'it is alright for someone to pollute the environment without any reason,' was used.

Therefore, to measure the magnitude of consequences (others) (composite reliability = 0.87), the two items from McMahon and Harvey's (2006) instrument were used (see

Appendix B). To measure the magnitude of consequences (self) (composite reliability = 0.85), the same two items from McMahon and Harvey's (2006) instrument were modified. To measure social consensus (composite reliability = 0.76), the item from Singhapakdi et al.'s (1996) scale and the item from Agnew's (1994) work were modified. This approach not only provides a broader perspective of social consensus by enhancing internal consistency, but can also be used to test one's reliance on neutralization to justify malfeasance (Agnew, 1994).

It is argued that 9-point rankings are cognitively demanding and participants often have difficulties in choosing appropriate responses. Miller (1956) argued that "the human mind has a span of absolute judgment that can distinguish about seven distinct categories, a span of immediate memory for about seven items, and a span of attention that can encompass about six objects at a time" (Colman, Norris & Preston, 1997, p.355-6). This issue can result in fatigue, missing data, and inaccurate responses (Tadepalli, 1995). It is therefore recommended to avoid scales beyond seven points (Colman et al., 1997). Colman et al. (1997) found that converting scale items did not alter the reliability of the instrument and the results of both instruments compared between two samples were essentially equivalent. Consistent with these arguments, Tadepalli (1995) converted a marketing behaviour instrument from 9-point ratings to the more conventional 7-point format. Similarly, McMahon and Harvey (2006) converted Singhapakdi et al.'s (1996) 9-point items to a 7-point rating scale. Moreover, Paolillo and Vitell (2002) used the 7-point version of Singhapakdi et al.'s (1996) PMI scale.

Consistent with McMahon and Harvey (2006) and Paolillo and Vitell (2002), the social consensus item for this research is converted to a 7-point rating. In his study, Dawes (2008) found "that the 5 and 7-point scales produced the same mean score as each other,

once they were rescaled” (p. 61). They were also highly correlated and showed higher statistical power. Given these findings, the item modified from Agnew’s (1994) work was rescaled to a 7-point rating.

### **5.3.4 Ethical Judgment**

Barnett (2001) defines ethical judgment as the ethicality associated with the behaviour depicted in an ethical problem. Bass et al. (1998) define ethical judgment as the degree an action is perceived as ethically acceptable. Barnett and Valentine (2004) define ethical judgments as the “beliefs about the moral rightness or wrongness of an action” (p. 340). To address the varying definitions and discourse used to explain ethical judgments, participants in the questionnaire were asked to evaluate the ethicality of an EQB through various semantic differential items all with 7-point scales.

To test ethical judgments, Rest’s (1979) defining issue test (DIT), which was discussed in chapter three, could be used. “Theoretically, the DIT is designed to measure how concepts of justice influence the process of moral judgment; in contrast, attitude measures are characterizations of the conclusions of judgments” (Rest, 1986, p. 152). As indicated, ethical judgments or attitudes involve the participants’ appraisals of the rightness or wrongness of an action within the context of an ethical problem (Barnett & Valentine, 2004). As mentioned in chapter three, the DIT is also incapable of testing judgments within various issue-contingent contexts and for this reason, the DIT was not used. Moreover, Kohlberg’s CMD hierarchy is not a predictor of ethical judgments and for this reason (Robin, Gordon, Jordan, & Reidenbach, 1996), Kohlberg’s instrument was also not used.

To test context specific ethical judgments, several instruments are available (Cherry & Fraedrich, 2000). In general, these items are useful as they can be easily customized and adapted to newly developed vignettes. For example, Harrison (1996) asked participants

in her study if the protagonist depicted in the vignette ‘was justified’ or ‘did nothing wrong’. Similarly, the moral equity portion of Robin and Reidenbach’s (1990) multidimensional ethics scale consisted of four semantic differential scale items with anchors involving ‘just’ versus ‘unjust’, ‘fair’ versus ‘unfair’, ‘morally right’ versus ‘not morally right’, and ‘acceptable to my family’ versus ‘not acceptable to my family’. This four-item scale sustains a reliability measure of 0.93 and has been found to correlate highly with single item measures (Barnett & Valentine, 2004). Robin and Reidenbach’s (1990) instrument could be used in this study; however, the semantic differential items do not include ‘ethical’ versus ‘unethical’ anchors. Given the ethical judgment construct involves asking participants to judge the ethicality of scenarios depicted in vignettes, ‘ethical’ versus ‘unethical’ anchors should be included. In lieu of their omission, Robin and Reidenbach’s (1990) and Harrison’s (1996) instruments were consequently not used in this study.

Dabholkar and Kellaris (1992) developed a six-item instrument to appraise ethical judgments. Through semantic differential anchors involving ‘acceptable’ versus ‘unacceptable’, ‘ethical’ versus ‘unethical’, ‘correct’ versus ‘incorrect’, ‘moral’ versus ‘immoral’, ‘right’ versus ‘wrong’, and ‘good’ versus ‘bad’, participants were asked to answer “now, given the limited information available, how would you evaluate the salesman’s behaviour as described above” (p. 319)? To reduce the length of Dabholkar and Kellaris’s (1992) instrument, Cherry and Fraedrich (2000) used a modified four item scale. The anchors used in their study included ‘correct’ versus ‘incorrect’, ‘immoral’ versus ‘moral’, ‘good’ versus ‘bad’, and ‘right’ versus ‘wrong’. The refined instrument had a reliability Cronbach alpha measure of 0.92. However, consistent with the issues described with Reidenbach and Robin’s (1990) and Harrison’s (1996) work,

Cherry and Fraedrich's (2000) instrument omits the 'ethical' versus 'unethical' anchors. Given this omission, Cherry and Fraedrich's (2000) revised instrument was not used.

In general, most of the aforementioned scales can be used to test ethical judgments, as typically, the items are not all that different semantically, and most scales tend to have high levels of internal consistency (Dabholkar & Kellaris, 1992). For example, Weeks, Moore, McKinney, and Longenecker (1999) include anchors pertaining to acceptability, Robin and Reidenbach (1990) focus on morality and similarly, Dabholkar and Kellaris's (1992) scale involves 'ethicality', 'acceptability', and 'rightness' anchors. However, several of these instruments contain far too many manifest variables and given the high internal consistency, many of these variables could be redundant.

To attain the objective of reducing the length of Dabholkar and Kellaris's (1992) instrument, the scale developed for this study follows Cherry and Fraedrich's (2000) approach. Within the context of the question wording derived from Dabholkar and Kellaris's (1992) work, the semantic differential anchors used for this questionnaire involve 'ethical' versus 'unethical', 'acceptable' versus 'unacceptable', 'good' versus 'bad', and 'right' versus 'wrong' (composite reliability = 0.98). Given the extremely high composite reliability, the ethical judgment construct appears to be robust and therefore adequately represented.

### **5.3.5 Unethical Intentions**

As indicated, Kish-Gephart et al. (2010, p. 2) define unethical intentions as "the expression of one's willingness or commitment to engage in unethical behaviour". Consistent with the ethical judgment scale, most scales that measure behavioural intentions are quite similar in question wording. For example, most scales contain anchors that are essentially identical semantically (Valentine & Barnett, 2007). Given the similarity, the internal consistency of the behavioural intentions scales are typically

in the high 0.90s. However, consistent with the ethical judgments instruments, many of the available scales contain excessive questionnaire items and considering the high internal consistency, the additional associated manifest variables are unlikely to be representing varying dimensions of the construct. Therefore, condensed versions of the available instruments are used in this research.

To test ethical intentions directly, several instruments are available. Through ‘highly probable’ to ‘highly improbable’ anchors, Schwepker (1999) asked participants “what is the probability of you behaving in the same manner as did the individual in the scenario?” (p. 307). Using Likert scale items with agree versus disagree as anchors, Harrison (1996) asked participants to respond to the item “I would do the same thing if I knew how” (p. 267). However, the Schwepker (1999) and Harrison (1996) studies used a mono-method approach and thus, might not have sufficient internal consistency, and cannot be reproduced as only a single method is used.

To enhance instrument reliability, multiple item instruments to appraise behavioural intentions have been developed. Specifically, Cherry and Fraedrich (2000) measured behavioural intentions by modifying Fritzsche and Becker’s (1984) instrument. Through semantic differential scales with the anchors ‘definitely would’ versus ‘definitely would not’, ‘likely’ versus ‘unlikely’, ‘possible’ versus ‘impossible’, and ‘probable’ versus ‘improbable’, participants were asked to respond to the item “if you were responsible, what are the chances that you would make the payment” (p. 188). The instrument is widely cited in ethics research (Barnett & Valentine, 2004; Valentine & Barnett, 2007). Given the acceptance in the business ethics literature, the instrument was used in this research. Through identical semantic differential scale measures, participants were asked to answer an item stating ‘if you were responsible, what are the chances you would provide the cost-reductions?’

To address socially desirable response bias, Robertson and Anderson's (1993) work was used to develop the projective reasoning item. Specifically, through the use of a 7-point scale involving 'definitely should' versus 'definitely should not' anchors, Robertson and Anderson (1993, p. 629) asked participants "whether his/her colleague, John, should undertake an action suggested in the scenario". Using this item as a template and identical anchors, the projective items for this research involve asking participants to respond to the item 'in this situation, Jessie should implement the behaviour depicted in the scenario'. Therefore, including the direct items, unethical intentions was measured through five items (composite reliability = 0.99).

As discussed, business ethics studies are often criticized for eliciting socially desirable responses (O'Fallon & Butterfield, 2005). To address this concern, Fisher's (1993) approach of comparing the means of the indirect questions and direct items was used. Using a one-way ANOVA, the direct questions were compared to the indirect questions and no significant differences were found in the mean values (Vignette 1:  $F_{4,2770} = 0.35$ ;  $p = 0.86$ ; Vignette 2:  $F_{4,2770} = 0.89$ ;  $p = 0.47$ ; Vignette 3:  $F_{4,2770} = 0.71$ ;  $p = 0.59$ ), which implies socially desirable response bias, is unlikely.

### **5.3.6 Machiavellianism**

The Machiavellian test (Mach IV) was developed through the use of scale items derived directly from the works of Nicolo Machiavelli and also, items that were considered Machiavellian (Dahling et al., 2009). It is believed that Machiavellians have three personality attributes: interpersonal tactics, lack of abstract morality, and views of human nature (Christie & Geis, 1970). Individuals with interpersonal tactics manipulate others to get what they want and lack a moral view in their interactions with others. Machiavellians further take an unflattering and cynical view of human nature (Christie & Geis, 1970). Mach IV initially comprised 71-items, but was refined through four pilot



studies and eventually condensed to a 20-item scale (Christie & Geis, 1970). The items consist of three types of statements representing cynical views of human nature, interpersonal tactics, and abstract morality.

In general, the Mach IV test has been criticized for eliciting socially desirable responses (Christie & Geis, 1970). To address this issue, Christie and Geis (1970) developed the Mach V scale. However, dichotomous items are used and the data derived from this form of questioning cannot be used to validate structural equation models. In addition, the Mach V has been criticized for low reliability with regular Cronbach alpha coefficients below 0.6 (Dahling et al., 2009). In a review of various studies using the Mach IV test, Christie and Geis (1970, p. 49) found that “the material examined to date indicates that high as contrasted to low Machiavellians have a negative view of people in general and are more likely to admit to socially undesirable statements about themselves”. Consistent with this argument and as demonstrated in the foregoing section, socially desirable responses does not appear to be a problem in this study.

Christie and Geis (1970) developed their Mach IV a priori and not through a factor analysis, which has subsequently resulted in inconsistent findings in the literature. Researchers have found the construct was represented best by: five factors (Ahmed & Stewart, 1981), four factors (Corral & Calvete, 2000; Hunter, Gerbing, & Boster, 1982), and; three factors (O’Hair & Cody, 1987). In each study, the factor structures were different from Christie and Geis’s single-factor model (1970). In addition to the inconsistent factors, researchers have found large variability in the reliability of Mach IV (Dahling et al., 2009). As a result of these issues, researchers have removed indicators to fit their models: Ahmed and Stewart (1981) deleted four items, O’Hair and Cody (1987) deleted five, and Hunter et al. (1982) deleted seven.

Clearly, there are issues with the Mach IV construct; however, the only alternatives in the literature are Dahling et al.'s (2009) Machiavellian Personality Scale (MPS) and the dirty dozen instruments (Jonason & Webster, 2010). Jonason and Webster's (2010) dirty dozen instrument is a measure of the dark-triad which, as discussed in chapter three, is a personality type comprising Machiavellianism, narcissism, and psychopathy. Conversely, the dirty dozen only tests Machiavellianism through four-items and the instrument has been criticized for low internal consistency (Jonason & Webster, 2010). Considering the low consistency, the instrument might be incapable of appraising Machiavellianism as effectively as the Mach IV. In addition, reliability issues might also be apparent if the Machiavellian items are tested separately from the other personalities. Given these concerns, Jonason and Webster's (2010) instrument was not used.

The MPS developed by Dahling et al. (2009) has been shown to have greater reliability and internal consistency than the Mach IV (Jain & Bearden, 2011). Notwithstanding some overlap, Dahling et al. defined Machiavellianism differently from Christie and Geis (1970). Notably, Dahling et al., (2009) conceptualized Machiavellianism through four constructs comprising: a distrust of others, amoral manipulation, the desire for control, and a desire for status. Each construct is defined as follow: (1) distrust of others pertains to "a cynical outlook on the motivations and intentions of others with a concern for the negative implications that those intentions have for the self" (p. 227), (2) amoral manipulation involves "a willingness to disregard standards of morality and see value in behaviours that benefit the self at the expense of others" (p. 228), (3) desire for control pertains to "a need to exercise dominance over interpersonal situations to minimize the extent to which others have power" (p. 228), and (4) desire for status was not included on the Mach IV, but the researchers included it on the MPS defined as "a desire to

accumulate external indicators of success” (p. 228). In general, this contextualization is inconsistent with the focus on Machiavellians as cynical manipulators that lack a moral view when interacting with others. Therefore, this research was limited to the Mach IV construct.

Even though the Mach IV has been criticized for low reliability and inconsistent factor structures, several studies have shown internal consistencies for the Mach IV between 0.70 and 0.76 (Dahling et al., 2009). According to recent neurological MRI analyses, high Machiavellians showed brain activity related to manipulative tendencies associated with advancing one’s self-interest (Verbeke et al., 2011). Furthermore, significant cognitive differences were found between those scoring high on the test compared to those scoring low. Considering these results and with acknowledgement of the limitations, the Mach IV might be a useful tool in measuring the propensity for one to exploit others to attain one’s objectives.

To address the issues with the Mach IV and considering none of the aforementioned researchers conducted discriminant and convergent validity testing, Dahling et al.’s (2009) suggestion was followed and the model was validated. Given the vagaries in the literature, it is anticipated that various Mach IV items will not contribute significantly and will need to be deleted during validation. Inconsistent factor structures to Christie and Geis’s (1970) a priori single factor structure are also expected because, as demonstrated, the factor structures were found to be ambiguous (Dahling et al., 2009).

Following Dahling et al.’s (2009) theoretical framework and Christie and Geis’s (1970) a priori single factor structure, the Machiavellian personality was modelled as a second-order reflective latent variable. Abstract morality (composite reliability = 0.74), interpersonal tactics (composite reliability = 0.88), and views of human nature (composite reliability = 0.78) are manifestations of the Machiavellian personality.

### 5.3.7 Demographic Factors

In their seven-year review of the empirical literature in the business ethics paradigm, involving a comparison of the results of Ford and Richardson (1994) and Loe et al.'s (2000) reviews, O'Fallon and Butterfield (2005) found several demographic variables directly and indirectly influenced the ethical decision-making process. Although minimal difference was found, gender had a minor effect on the decision-making process with males behaving, overall, less ethical. In general, "the research indicates that more education, employment or work experience is positively related to ethical decision-making" (O'Fallon & Butterfield, 2005, p. 387). The studies on age showed inconsistent findings.

These findings are also consistent with the theory of reasoned action developed by Fishbein and Ajzen (2010). Fishbein and Ajzen (2010) argue demographic variables sustain weak affects on behaviour and, in general, are unlikely to directly influence the main constructs of behavioural models. Ajzen and Fishbein (1980) acknowledge that demographic factors can influence behaviour, but are unlikely to make a significant contribution to the coefficient of determination. For example, to account for any variance in their regression models that involved testing the mediating effect of neutralization between the locus of control personality and unethical intentions, Detert et al. (2008) controlled for demographic variables. According to the results, 11% of the variance in neutralization was accounted for by gender and educational experience, which from a coefficient of determination perspective, is insignificant.

Given this discourse, the role of age, education, and gender is recognized, but these factors do not make a sufficiently important contribution to the model to be included in the hypotheses. However, the demographic variables were collected and, consistent with

most studies (Detert et al., 2008); were controlled for using post-hoc analyses to examine if they have any effect.

### **5.3.8 Summary**

For the PMI construct, two items were used to measure the magnitude of consequences (self) (composite reliability = 0.85), two items were used to measure the magnitude of consequences (others) (composite reliability = 0.87), and two items were used to measure social consensus (composite reliability = 0.76). The TON were measured using eight items (composite reliability = 0.96). Unethical intentions were measured through five items (composite reliability = 0.99). Ethical judgments were measured using four items (composite reliability = 0.98). Finally, two items were used to test abstract morality (composite reliability = 0.74), nine items were used to measure interpersonal tactics (composite reliability = 0.88), and nine items were used to measure the views of human nature (composite reliability = 0.78) associated with the Machiavellian construct. Given three vignettes were included in the questionnaire, a total of 89 questionnaire items are included in this study.

As outlined in the foregoing sections, several measures for the dependent and independent variables of this study are tested through Likert-scales. The Likert and Likert type scales are used frequently in the business ethics paradigm (Zhuang & Tsang, 2008) and is advantageous for appraising attitudes (Dittrich, Francis, Hatzking, & Katzenbeisser, 2007). However, acquiescence can occur through the use of such scales. It is argued acquiescence typically occurs among individuals of lower social status, with less formal education, and low intelligence (Krosnick, 1999). According to the demographic data reported by researchers that analyse marketing professionals (Singhapakdi et al., 1996), marketers possess higher levels of formal education. They are also within the middle- to upper-middle classes of society. Given these demographic

factors, acquiescence is unlikely to be a problem in this research. However, to minimize the potential for acquiescence, reverse coded items can be used (Krosnick, 1999) and considering the Mach IV and McMahon and Harvey's (2006) instruments contain such reverse items, the issue is consequently minimized.

The data derived from Likert-scales has been characterized as both ordinal and interval in scale (Jamieson, 2004). Jamieson (2004) argues Likert-scales are traditionally ordinal and when comparing means, non-parametric methods should be used. Conversely, it is argued through a substantial amount of literature that parametric analyses can be conducted if Likert-scale items comprise five or more points (Rasmussen, 1989). Using over 80 years of empirical evidence, Norman (2010) argues parametric analyses can be used with Likert data without arriving at unfounded conclusions. By treated the data derived from Likert-scales as integer value interval data, parametric tests could be conducted, which are considered stronger and hold greater statistical power than non-parametric methods (Jamieson, 2004). Type I and Type II error rates are also not expected to be compromised through this method (Lauring & Selmen, 2011).

It is further argued that 5- to 7-point scales are the most appropriate ranking points for structural equation models (Weijters, Cabooter, & Schillewaert, 2010). Compared to studies using fewer scaling points, 5- to 7-point rating scales improve reliability and validity (Dawes, 2008). Consistent with the format used for the questionnaire in this research, it is argued that the use of endpoint labels without intermediary labels is more in line with an interval assumption (Weijters et al., 2010). In the business ethics paradigm, most researchers characterize the data derived from Likert-scales as interval and conduct parametric tests accordingly (e.g., Singhapakdi et al., 1999). To follow the research paradigm, the data derived from Likert-scales are considered interval data in this research, and a 7-point scale is used throughout.

## **5.4 Measurement Development**

In this section, the processes used to develop and validate the questionnaire for face validity are discussed. In the first subsection, discourse centres on the various pre-tests and pilot study used to develop the testing instrument. In the second subsection, the ethical approval process for the questionnaire is discussed.

### **5.4.1 Pre-testing and Pilot Study**

To develop a questionnaire, it is argued that researchers must ensure the scale contains “clear and appropriate language, has no obvious errors or omissions, and has at least adequate psychometric properties before it is used” (Johanson & Brooks, 2010, p. 394). This process is suggested for newly developed questionnaires, modified scales, and existing questionnaire items.

To develop the questionnaire for this study, three rounds of pre-testing and a pilot study were conducted. During the pre-tests, participants were asked to comment on the clarity, realism, and moral intensity of the questionnaires. Participants were also asked to confirm if the vignettes contained ethical problems and if they were perceived as legal but not necessarily ethical. After each round of pretesting, if these requirements were not met, adjustments were made and pretesting continued.

In the first pre-test, four marketing academics, four doctoral students, and four practicing professional marketers were asked to comment on each vignette and questionnaire item. After round one, several changes to the questionnaire were made to improve clarity. In the second pre-test, five doctoral students (one from the first round) and three marketers (two from the first round) were asked to comment on the questionnaire. After round two, additional adjustments to the vignettes and questionnaire items were made. In the third pre-test, two marketing academics, four doctoral students (one from round one), and four marketers (one from rounds one and

two) were asked to complete the questionnaire and provide comments. After round three, minor adjustments were made. In general, participants in each round believed the vignettes contained ethical issues, were clear, and the problems were ethically intense, realistic, related to marketing, and were perceived as legal but not necessarily ethical.

Different participants were used throughout the pre-tests for two main reasons. First, feedback on the questionnaire was sought from as many different perspectives as possible. Second, although it was not necessarily desired, because of the lack of availability, several of the same participants were asked to review subsequent versions of the questionnaire. In hindsight, this situation proved invaluable as these same participants were able to comment on the changes made from preceding versions and, specifically, to confirm if their earlier concerns had been satisfied through the subsequent modifications. In addition, several communications, both verbal and written, were exchanged with these participants to ensure the issues raised were addressed. From this procedure, the questionnaire appears to have face validity.

In the pilot study, 50 MBA and doctoral students studying at the Bradford University School of Management accessed the survey website and provided responses. By removing incomplete questionnaires, the final pilot study sample was left with 34 completed questionnaires. According to the literature, this sample size is sufficient. Specifically, it is well supported in Johanson and Brooks's (2010) review of the literature that pilot studies with sample sizes between 10 and 30 are more than adequate for preliminary scale development. After the pilot study, no additional adjustments to the questionnaire were made.

#### **5.4.2 Ethical Clearance**

To access prospective participants, individuals that have opted in to the mailing list of a leading national data collection agency in the U.S. received an e-mail invitation to



participate in the questionnaire for this research. Participants were notified that the completion time for the survey is approximately 15 to 20 minutes and a low-value inducement involving sweepstakes entries and donations to charities were offered for participation. Specifically, when a participant completes a questionnaire, \$0.50USD is donated to a charity of the participant's choice and they are entered into a lottery to win \$100USD. From an ethical perspective, it was felt that the offering of a low-value incentive was a fair exchange for participation.

The study involves a self-administered questionnaire with coded data without the requirement for respondents to provide their names, and so anonymity was guaranteed. In general, participants were clearly advised the questionnaire is associated with studying marketing behaviours and participation is voluntary. Fully-informed consent involves informing participants of the research purpose by providing participants with the research question. If full disclosure was offered, convergent validity could be negatively affected. To ensure validity was not jeopardized whilst ensuring participants are informed of the study, participants were offered partially-informed consent. Through this process, the questionnaire was granted full ethics approval from the University of Bradford.

## **5.5 Data Collection and Sample**

In this section, the data collection process is described. The sampling method, which involves a self-administered questionnaire, is discussed. In the latter portions of the section, the sample involving surrogates as proxies for marketers is justified.

### **5.5.1 Sampling Method**

The self-administered testing instrument was distributed to prospective participants using an electronic web portal. The questionnaire was uploaded to the website of a leading organisation specializing in hosting online questionnaires. To access

participants, an e-mail list of marketing professionals was purchased from a leading data collection organisation. Prospective participants were contacted by this organisation and invited to participate.

The response rates using online questionnaires solicited through e-mail have historically been low (Wright, 2005). In comparison to paper and pencil questionnaires, the response rates in the U.S. are approximately 23% less (Nulty, 2008). The average response rates for online questionnaires found by Nulty (2008) were approximately 30%, which is consistent with the average response rates found through various meta-analyses of online questionnaires (Miller, Sexton, Koontz, Loomis, Koontz, & Hermans, 2011). Although the averages are 30%, researchers have also reported response rates of 2% (Andrews, Nonnecke, & Preece, 2003) and 10% (Horng & Teng, 2011).

It is argued that response rates for online questionnaires are a function of completion time and the offer of low-value incentives (Nulty, 2008). According to Nulty, researchers have used lottery prizes involving low-value inducements, which have shown to be promising (Nulty, 2008). However, the use of inducements has the potential to result in systematic bias (Andrews et al., 2003) and researchers have suggested avoiding them when possible. It is acknowledged the use of incentives, in general, might cause bias, but with the objective of compensating recipients for participation whilst increasing response rates, low-value inducements were offered. From an ethical perspective, offering prospective respondents an incentive for participation in a questionnaire provides a fair exchange for their time. It is argued that low-value inducements are unlikely to be considered of significant substance to warrant participants to complete the questionnaire strictly for the incentive (Birnholtz, Finholt, & Bae, 2003).

Considering unsolicited e-mail notifications are often filtered by spam mechanisms, it has been argued that the use of e-mail invitations can result in systematic bias (Birnholtz et al., 2003). However, obtaining the services of a professional organisation to facilitate the invitation process could circumvent this concern. For example, Schwepker and Good (2011) used a leading national data collection organisation to send notifications to prospective participants. According to the results, 51% of the sample responded to the electronic questionnaire. Given these response rates, this sampling strategy appears to be useful in increasing response rates and potentially, reducing systematic bias.

In general, self-administered questionnaires have been criticized for lacking interaction between the researcher and participants, and with this lack of interaction; participants cannot be probed for additional details which limit the information content of the data. The dislocation of participants from the researcher can also result in participants haphazardly completing the questionnaire. In the worst-case, participants could complete the questionnaire whilst undertaking other tasks.

It is believed that “the unconstrained setting and instant-feedback possibilities of a web-based survey make it particularly vulnerable to the vagaries of self-reported data” (Howard, Shegog, Grussendorf, Benjamins, Stelzig, & McAlister, 2007, p. 568). In particular, online questionnaires are less effortful than laboratory assessments, participants are not monitored during the data collection procedure, and a point-and-click method can introduce error variance (McMahon & Harvey, 2007). However, these issues can also occur in other forms of self-administered questionnaires, such as mail surveys, and these issues are acknowledged as disadvantages of online questionnaires and self-administered surveys in general.

In comparison to other methods such as interviews, self-administered questionnaires are most effective at reducing socially desirable responses, which can improve the

reliability of the data. Although disadvantages are apparent, self-administered questionnaires are widely accepted in the business ethics paradigm. As indicated, 81% of the business ethics empirical studies included in Randall and Gibson's (1990) meta-analysis were based on self-administered questionnaires.

### **5.5.2 Sample**

To estimate the required sample size, Hair et al., (1998) suggested conducting a priori power calculations. To conduct an a priori sample size calculation, an estimated effect size is required. In multivariate analyses, the coefficient of determination ( $R^2$ ) results are used as a metric for the effect size (Cohen, 1992).

According to a study involving the analysis of the PMI construct among marketing professionals, the average effect size was 0.34 (Singhapakdi et al., 1996). In a study involving Machiavellianism and EQB among a national sample of marketing professionals, the effect size was 0.18 (Ross & Robertson, 2003). Detert et al. (2008) found the effect size for an analysis of rationalization as the mediator in the relationship between the locus of control personality and unethical decision-making was 0.2.

Using these examples, the estimated effect size for this study is approximately 0.2. From the a priori power calculation developed by Soper (2011) for multiple regression with an anticipated effect size of 0.2, four predictors, a level of significance of  $\alpha=0.01$ , and a recommended power of 0.8 (Cohen, 1992), a minimum sample of 91 participants would be required. If a 0.05 level of significance is used, the required sample size would be 65.

Although useful in testing relationships between latent variables, it is argued that statistical limitations are apparent with regression models. The most significant limitation pertains to unreliability in measurement (Frazier, Tix, and Barron, 2004). To

address this limitation, structural equation modelling (SEM) can be used to control for the unreliability in measurement (Frazier et al., 2004) and SEM is more flexible than regression (Frazier et al., 2004). The minimum sample size for SEM is 200 (Hair et al., 1998).

According to a review of studies using an identical sample frame as that used in this research, a difference was often found between completed questionnaires and usable questionnaires. The range was between 3% and 30% for unusable questionnaires. Using a similar sample frame and identical sampling method as those used in this research, which will be discussed in the following paragraphs, Schwepker and Good (2011) found 20% of their completed questionnaires were unusable. The typical issues involved incomplete questionnaires or unqualified participants completing the questionnaire. To ensure a minimum of 200 usable responses are attained, 250 completed questionnaires was the target for this research.

To access marketing professionals, researchers have used part-time MBA students (Lewicki & Robinson, 1998) and marketing professional databases such as that for the American Marketing Association (Singhapakdi & Vitell, 1992). However, O'Fallon and Butterfield (2005) and others (Wood et al., 1988) have criticized the use of student samples as they are not representative of the target population and generalization is limited. This lack of generalization can negatively affect external validity. In addition, non-random convenience samples can result in population bias, which can lead to unfounded conclusions (Lyons, Cude, Lawrence, & Gutter, 2009).

To address the concerns with using proxies for marketing professionals, an identical approach to Schwepker and Good's (2011) study of marketing professionals was used. Data collection was facilitated by a leading organisation specializing in web-based questionnaire distribution. Through their services, the target population was accessed

using a systematic random sampling approach. Despite being resource efficient, this data collection method is unconventional compared to posted questionnaires to members of the American Marketing Association (AMA). However, researchers have criticized the continued reliance on AMA members (Singhapakdi & Vitell, 1992); these samples might not represent the typical marketer and studies using these samples are limiting. To address this limitation, Singhapakdi et al. (1996) suggested researchers should use non-AMA members and the call for improvement was heeded here through the use of a national sample of marketing practitioners.

The organisation contracted for this study forms their database from the 30 million people that participate in their online questionnaires per month. After participants complete a survey, they are redirected to a site asking them to join their database. After joining and when satisfied specific demographic parameters, individuals are contacted to complete questionnaires. As of May 2012, the company had over 1,000,000 U.S. members.

After balancing for gender, the company selected potential marketing professional candidates. To minimize overexposure to questionnaires, the organisation limits the surveys each member completes. To control for overexposure to questionnaires on marketing practices, an item was included in the study. According to the results, 91% of participants declared they had not completed a questionnaire on marketing practices within the past six months and therefore, overexposure is not expected to be a problem in this study.

A total of 589 marketing professionals received an e-mail inviting them to participate in the online questionnaire. Of these invitees, 437 marketers accessed the survey website and provided responses, which yields an initial response rate of 74%. After removing incomplete questionnaires, the final sample size was 276 participants with a final

response rate of approximately 47%. This response rate is well-above the typical response rates of 20% found in the business ethics paradigm using an identical sample frame (Schwepker & Good, 2011). In these studies, non-response bias was not found to be a problem (Singhapadki & Vitell, 1993). Given the high response rate in this study, it is expected that non-response bias was also not a problem.

According to the sample profile, an overwhelming majority of participants were born in the U.S. and declared themselves as U.S. nationals (approximately 97%). The survey participants were balanced for gender with 51.8% male. The majority of participants were over 40 with the largest age category of 60 and over (30.8%). Many participants had over 10 years of marketing experience and approximately 44% had some college education. Based on past studies using AMA members (Singhapakdi et al., 1996), the demographic profiles of the participants are comparable to those present in the literature. In addition, the results on the Mach IV personality test are consistent with Hunt and Chonko's (1984) study of marketing professionals. The mean score for this study was 88 whereas the marketing professionals from Hunt and Chonko's (1984) study scored approximately 86. Based on these comparable results, the participants of this study appear to be suitable representatives of U.S. based marketers.

### **5.6 Methods of Analysis**

As the developed model contains a formative construct (PMI) (Diamantopoulos & Winklhofer, 2001), a variance-based SEM approach involving partial least squares (PLS) was conducted through the PLS path modelling software application (SmartPLS) (Ringle, Wende, & Will, 2005). Variance-based SEMs can accommodate formative variables, are better suited to exploratory work involving complex models comprising various networks with interactions among the constructs and with second order variables present (Gefen, Rigdon, & Straub, 2011). PLS is also most suitable for

exploratory work involving newly developed instruments (Gefen et al., 2011; Henseler et al., 2009).

To estimate the confidence intervals and the corresponding t-values in the PLS path coefficients, a bootstrapping technique was used (Henseler et al., 2009). The familywise level of significance set for this study is 0.05. To control for the effect of the demographic variables on the models, MANOVA, ANOVA, and Tukey's post-hoc tests were conducted.

### **5.7 Conclusion**

In this chapter, the main methodological issues associated with the business ethics research paradigm were presented. To address socially desirable response bias, self-administered vignette-based questionnaires, anonymity, non-threatening language, projective techniques, and an online distribution method were used. According to the comparison between the direct and indirect question items, socially desirable response bias is not expected to be a problem in this study.

In the latter portions of this chapter, the questionnaire items that were excluded and those that were modified were discussed. To develop the questionnaire, several pre-tests and a pilot study were conducted. According to the results of these development procedures, the majority of participants believed the questionnaire items were realistic, clear, related to marketing, contained ethical issues, and were morally intense. From the composite reliability results derived from a factor analysis, the questionnaire items contain sufficient and acceptable levels of reliability.

As indicated, the sampling strategy for this study involved relying on the services of a leading data collection organisation to facilitate questionnaire distribution. The questionnaire was distributed to members of the aforementioned leading organisation and 276 marketing professionals fully completed the questionnaire. This sampling



frame marks an improvement over the typical studies that include members of the American Marketing Association or students. In the next chapter, the results of the data analysis are presented.

# Results

## 6.1 Introduction

As indicated in chapter two, a positivist philosophical framework was used to answer the research questions of ‘how do marketers rationalize their ethically questionable intentions’ and ‘what influence does Machiavellianism have on the decision-making process’. As discussed in chapter five, the target population of this study is U.S. marketing professionals. To test the hypotheses, the data collection instrument was developed from existing questionnaire items. These items were modified for context, pretested among marketing professionals and pilot tested on MBA and doctoral students (n = 34). Based on these developmental procedures, the questionnaire has sufficient face validity. For the main study of this research, the questionnaire was distributed electronically via a leading organisation specializing in data collection.

In this chapter, the results of the main study are presented. In the first section, the methods used to test and validate the models are discussed. In the second section, an alternative model of the decision-making process is presented. This model is based on the perceived moral intensity (PMI) empirical research. In this alternative model, the PMI constructs are tested independently and directly against neutralization, judgment,

and intention. The formative second-order model was replaced by three first-order reflective latent variables representing the magnitude of consequences (self), magnitude of consequences (others), and social consensus. In the subsequent sections, the formative model is argued to be the most accurate representation of the ethical decision-making process and thus, is the model put forward as the main contribution of this thesis.

In the final sections of the chapter, the  $R^2$  results of the latent variables across each vignette are discussed. To answer the research questions, the results of the hypothesis tests are presented, which include brief discussions of the contributions to knowledge. In the final section, the results of the post-hoc tests of the demographic variables are presented.

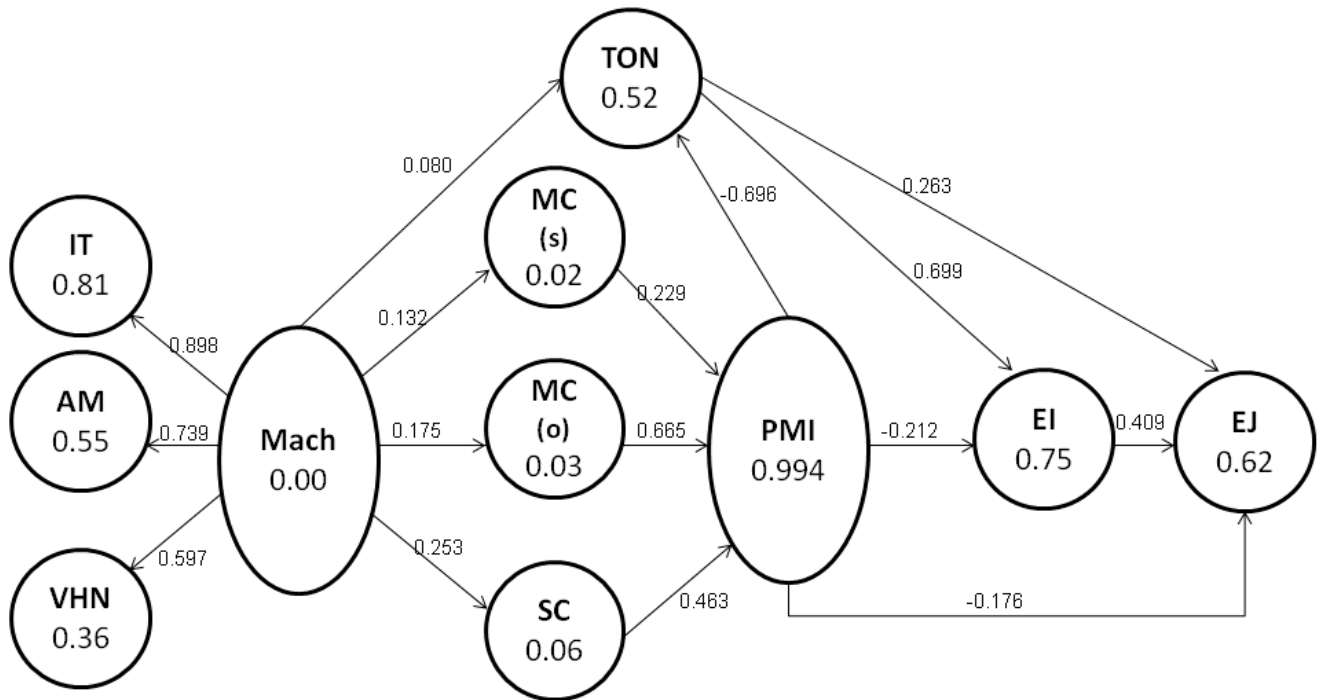
## **6.2 Measurement Model**

To test the hypotheses, three separate models were developed to represent each of the vignettes in this research: subprime lending, environmental pollution, and package downsizing. To develop a composite representation of the overall omnibus behavioural intentions of marketers, a parcelling technique was used to construct the fourth model. Specifically, the measurement indicators across the three vignettes were averaged and the fourth model was fitted to these data. In addition to analyzing the variances from a context specific perspective, the parcelling technique offers an overall perspective of the unethical decision-making process used by marketers, which is applicable to a broad spectrum of behavioural contexts. Although parcelling is well-established in the structural equation modelling (SEM) research (Little, Cunningham, & Shahar, 2002), arguments have been raised regarding the lack of validity associated with this technique. To address this concern, the omnibus model was exposed to validity and reliability tests,

and as discussed in the forthcoming sections, the omnibus framework is valid and reliable.

**6.2.1 Vignette #1 Package Downsizing**

According to the package downsizing model (see Figure 6.1), a consistent structure is sustained with the hypothesized conceptual framework presented in chapter four.



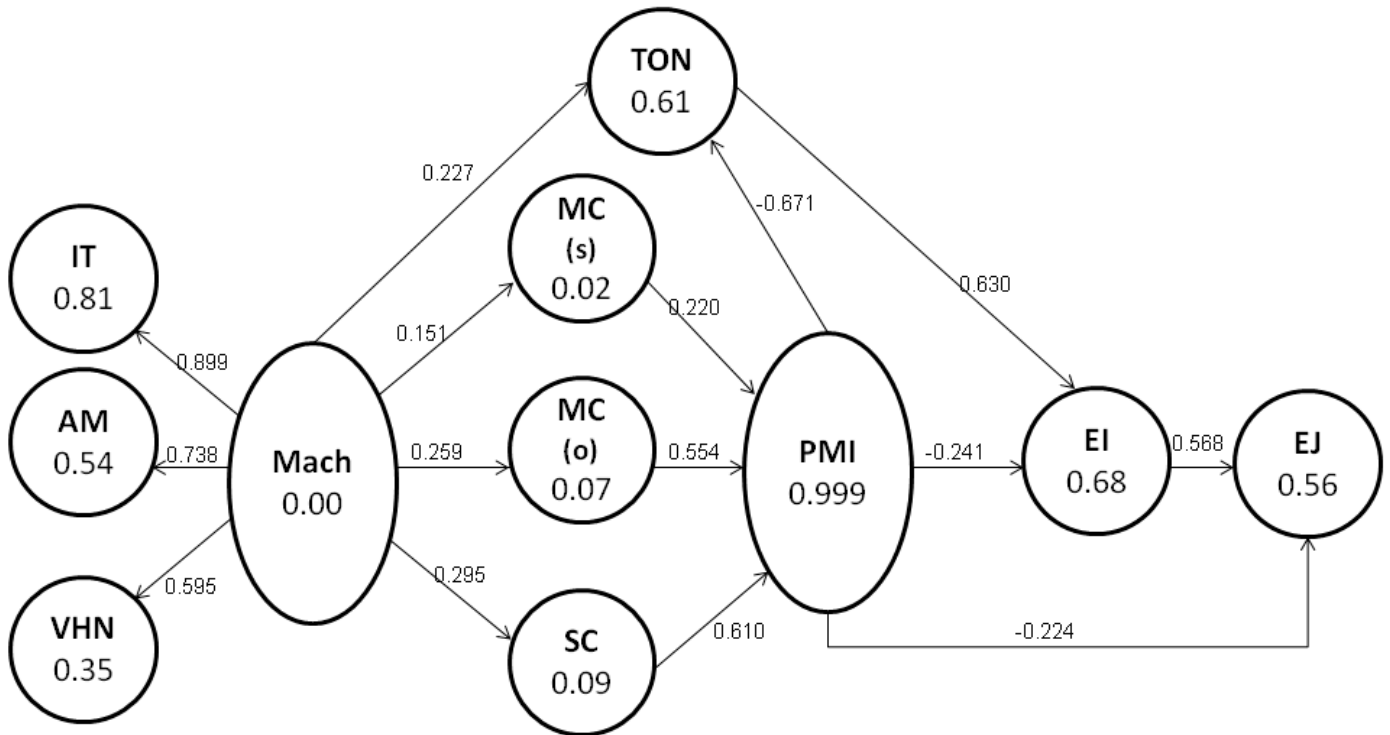
**Acronyms:** IT = interpersonal tactics; AM = abstract morality; VHN = views of human nature; Mach = Machiavellianism; MC (s) = magnitude of consequences (self); MC (o) = magnitude of consequences (others); SC = social consensus; PMI = perceived moral intensity; TON = techniques of neutralization; EI = unethical intentions; EJ = ethical judgment

**Figure 6.1 – Package Downsizing Model**

**6.2.2 Vignette #2 Environmental Pollution**

Consistent with the structure of the package downsizing model, the model representing the environmental pollution vignette (see Figure 6.2) also follows the paths defined in the hypothesized framework. However, the path between the techniques of neutralization (TON) and ethical judgment was insignificant and excluded from the model. As will be discussed in chapter seven, several of the path coefficients in the

second vignette appear stronger than the paths found in the package downsizing and subprime lending models. Specifically, the paths from Machiavellianism to the TON, the path from social consensus to PMI, and the path from magnitude of consequences (others) to PMI appear to differ.

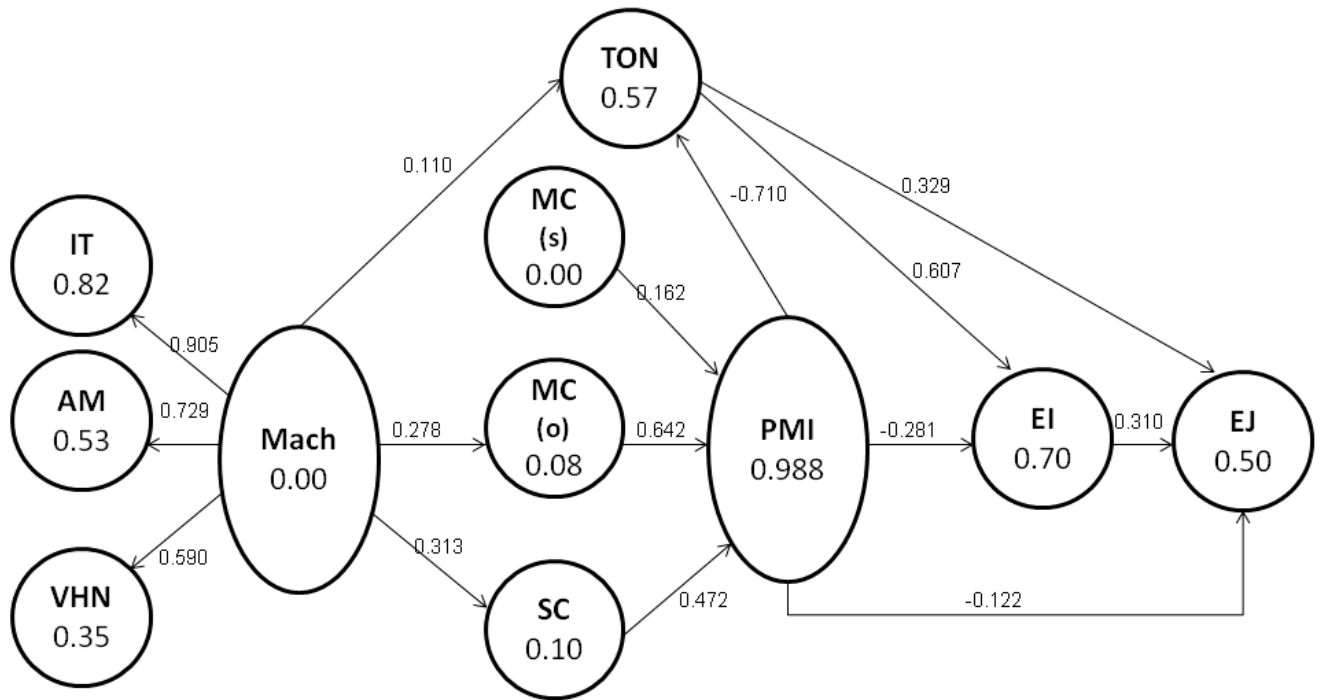


**Acronyms:** IT = interpersonal tactics; AM = abstract morality; VHN = views of human nature; Mach = Machiavellianism; MC (s) = magnitude of consequences (self); MC (o) = magnitude of consequences (others); SC = social consensus; PMI = perceived moral intensity; TON = techniques of neutralization; EI = unethical intentions; EJ = ethical judgment

Figure 6.2 – Environmental Pollution Model

### 6.2.3 Vignette #3 Subprime Lending

From Figure 6.3, the model representing the subprime lending vignette sustains several similarities to the package downsizing model. Each of the path coefficients remain constant in both models, which provides evidence of structural integrity as the basic composition is held across the three vignettes.

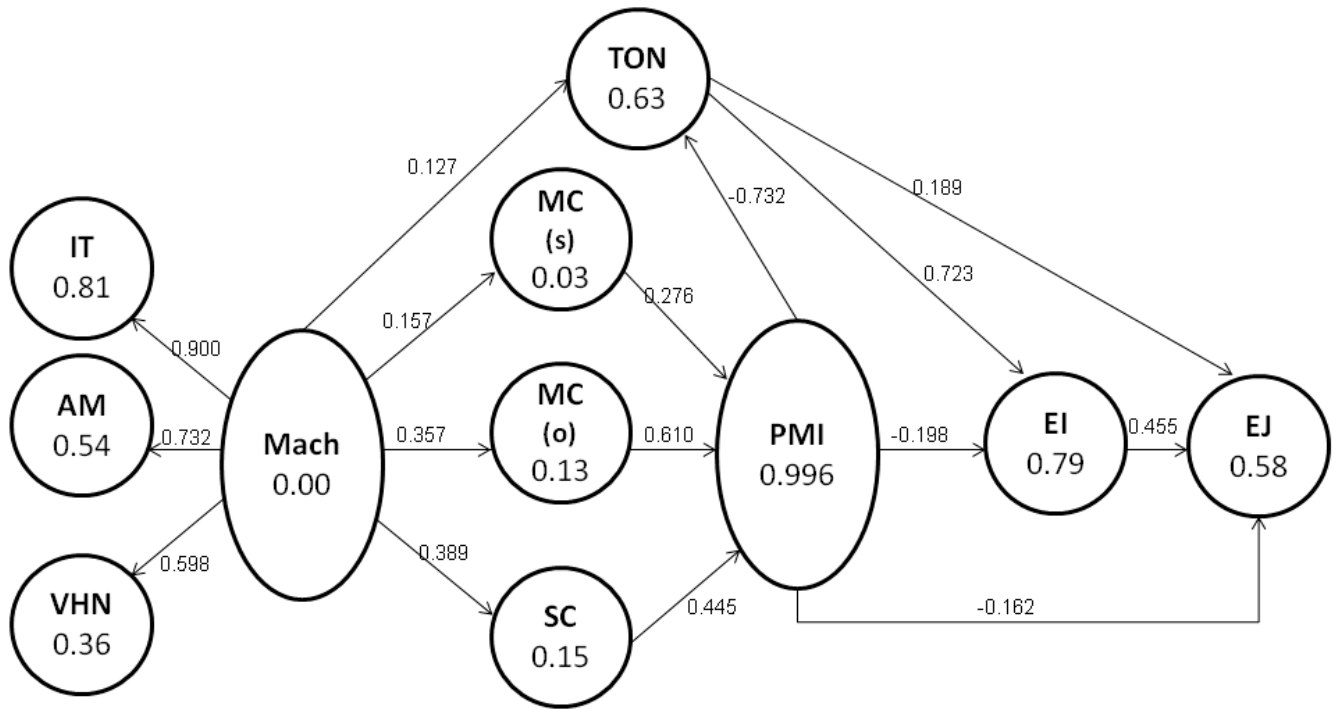


**Acronyms:** IT = interpersonal tactics; AM = abstract morality; VHN = views of human nature; Mach = Machiavellianism; MC (s) = magnitude of consequences (self); MC (o) = magnitude of consequences (others); SC = social consensus; PMI = perceived moral intensity; TON = techniques of neutralization; EI = unethical intentions; EJ = ethical judgment

Figure 6.3 – Subprime Lending Model

### 6.2.4 Omnibus Model

According to the omnibus model depicted in Figure 6.4, the framework maintains each of the 16 path coefficients found in the conceptual framework and the first and third models. As indicated, this aggregate model offers an overall perspective of the decision-making process used by marketers when ethically questionable behavioural intentions are formed. The preceding three models offer a ‘snapshot’ of the decision-making framework whereas the omnibus offers a more robust model of unethical decision-making, which can be applied to a broad spectrum of behaviours.



**Acronyms:** IT = interpersonal tactics; AM = abstract morality; VHN = views of human nature; Mach = Machiavellianism; MC (s) = magnitude of consequences (self); MC (o) = magnitude of consequences (others); SC = social consensus; PMI = perceived moral intensity; TON = techniques of neutralization; EI = unethical intentions; EJ = ethical judgment

**Figure 6.4 – Omnibus Model**

### 6.3 Validity and Reliability

In this section, the procedures used to validate each model are discussed. In the first section, convergent and discriminant validity are assessed. Consistent with the partial least squares (PLS) literature (Henseler et al., 2009); discriminant and convergent validity are tested using Fornell and Larcker’s (1981) framework. To test the measurement instrument for common method bias (CMB), Harman’s Test, which is the most widely cited model to test for CMB (Malhotra, Kim, & Patil, 2006), is used. CMB was further tested by reviewing the correlation matrix for each latent variable (Bagozzi, Yi, & Philips, 1991).

Prior to conducting the validity testing, the dimensionality of the four models was tested using a principal component factor analysis with a varimax rotation. From Table 6.1, the total percentage variability explained by the four models is above the recommended

level of 70% (Hair et al., 1998), which is considered satisfactory. The additional complexity introduced by the extra factor is not merited and the more parsimonious nine factor model is preferred.

**Table 6.1 – Dimensionality Test for the Four Models**

Model	Total %var – 9 Factor	Total %var – 10 Factor
Model 1	76.3	78.8
Model 2	75.7	78.0
Model 3	76.8	79.3
Omnibus	78.4	80.7

### **6.3.1 Convergent and Discriminant Validity**

To test for convergent validity, the average variance extracted (AVE) scores for each latent variable was reviewed to ensure they were above 0.50. Internal consistency was checked to make sure the composite reliability results for each latent variable were above the minimum level of 0.70 (Henseler et al., 2009). To test for discriminant validity, each manifest variable was analyzed using the cross-loading results derived from a factor analysis. The first step in assessing discriminant validity involved ensuring each indicator loaded satisfactorily onto its designated construct and that these loading are greater than any cross-loading for the indicator on any other construct. The second step in assessing discriminant validity involves ensuring the square root of the AVE for each construct is greater than the correlation of the construct with any of the remaining constructs.

#### **6.3.1.1 Vignette #1 Package Downsizing**

According to Table 6.2, each of the AVE values are beyond 0.50. The composite reliability results are all above 0.70.



**Table 6.2 – Vignette #1 Package Downsizing AVE, Composite Reliability, and R<sup>2</sup>**

	AVE	Composite Reliability	R Square
AM	0.5838	0.7370	0.5464
EI	0.9169	0.9822	0.7447
EJ	0.9180	0.9781	0.6183
IT	0.5862	0.8754	0.8063
MC (o)	0.7393	0.8499	0.0305
MC (s)	0.5951	0.7263	0.0173
SC	0.5797	0.7339	0.0638
TON	0.7766	0.9542	0.5186
VHN	0.5450	0.7817	0.3560
Mach	0.5600	0.8400	N/A

AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature; Mach: Machiavellianism.

From Table 6.3, the square root of the AVE for each latent variable was greater than the corresponding latent variable correlations. However, the TON construct had initial validity concerns but these were resolved by removing the defence of necessity (DON) and social weighting (SW) indicators. Once removed, the square root of the AVE for the TON improved to 0.88. Given that the TON were modelled as a reflective construct, removing these indicators did not alter the meaning of this latent variable (Jarvis et al., 2003).

**Table 6.3 – Vignette #1 Latent Variable Correlations**

	AM	EI	EJ	IT	MC (o)	MC (s)	SC	TON	VHN
AM	<b>0.7641</b>								
EI	0.1494	<b>0.9575</b>							
EJ	0.0901	0.7574	<b>0.9581</b>						
IT	0.4996	0.1647	0.0906	<b>0.7656</b>					
MC (o)	0.1487	0.6261	0.6025	0.1386	<b>0.8598</b>				
MC (s)	0.0663	0.2883	0.1451	0.1010	0.1365	<b>0.7714</b>			
SC	0.1752	0.4780	0.4588	0.2112	0.3680	0.0816	<b>0.7614</b>		
TON	0.2148	0.8502	0.7363	0.1860	0.6275	0.2580	0.4990	<b>0.8812</b>	
VHN	0.4044	0.2296	0.1243	0.2560	0.1173	0.1432	0.1909	0.2211	<b>0.7382</b>

AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature.

The final step in attaining discriminant validity involved ensuring the factor loadings for each manifest variable loaded onto their designated latent variable better than the

remaining constructs. According to Table 6.4, the measurement indicators load highest onto their putative constructs. Noteworthy, the measurement indicator loadings for three manifest variables (magnitude of consequences (self), views of human nature, and interpersonal tactics) were below the acceptable threshold of 0.70 (Henseler et al., 2009). However, the outer loadings of these variables were above 0.40 and considering these manifest variables are argued to be representative of their respective latent variables (Christie & Geis, 1970; McMahan & Harvey, 2006), they were retained for theoretical purposes (Henseler et al., 2009). Therefore, the latent variables for the first vignette have sufficient reliability and validity.

**Table 6.4 – Vignette #1 Cross Loadings**

	SC	EI	EJ	MC (o)	MC (s)	VHN	AM	IT	TON
SC 1	<b>0.7623</b>	0.3137	0.2605	0.2506	0.1117	0.2323	0.2257	0.2757	0.3444
SC 2	<b>0.7604</b>	0.4143	0.4384	0.3098	0.0123	0.0582	0.0408	0.0454	0.4156
EI 1	0.4767	<b>0.9781</b>	0.7369	0.6058	0.2905	0.2329	0.1351	0.1682	0.8316
EI 2	0.3780	<b>0.8857</b>	0.6740	0.5540	0.2682	0.1778	0.1061	0.1070	0.7602
EI 3	0.4654	<b>0.9663</b>	0.7380	0.5843	0.2699	0.2211	0.1565	0.1488	0.8125
EI 4	0.4764	<b>0.9785</b>	0.7450	0.6328	0.2793	0.2312	0.1593	0.1952	0.8306
EI 5	0.4858	<b>0.9759</b>	0.7300	0.6181	0.2724	0.2331	0.1554	0.1647	0.8333
EJ 1	0.4028	0.7431	<b>0.9617</b>	0.5594	0.1389	0.1241	0.0969	0.0815	0.6900
EJ 2	0.4424	0.6911	<b>0.9476</b>	0.5953	0.1084	0.0945	0.0683	0.0824	0.6913
EJ 3	0.4380	0.7413	<b>0.9605</b>	0.5758	0.1576	0.1337	0.0851	0.0864	0.7038
EJ 4	0.4741	0.7266	<b>0.9626</b>	0.5790	0.1502	0.1234	0.0946	0.0966	0.7357
MC (o) 1	0.2506	0.4545	0.4632	<b>0.8238</b>	0.0952	0.0785	0.1300	0.0697	0.4368
MC (o) 2	0.3706	0.6083	0.5651	<b>0.8944</b>	0.1356	0.1192	0.1271	0.1591	0.6245
MC (s) 1	0.1006	0.2863	0.1450	0.1419	<b>0.9735</b>	0.1463	0.0767	0.1181	0.2760
MC (s) 2	-0.0403	0.1204	0.0573	0.0329	<b>0.4924</b>	0.0443	-0.0138	-0.0255	0.0326
Mach 13	0.0881	0.1069	0.0706	0.0044	0.1550	<b>0.6815</b>	0.2515	0.1617	0.1254
Mach 15	0.1209	0.1450	0.0727	0.0609	0.0881	<b>0.7911</b>	0.3376	0.2235	0.1556
Mach 18	0.2121	0.2548	0.1332	0.1896	0.0826	<b>0.7382</b>	0.3003	0.1768	0.2073
Mach 16	0.1021	0.0279	0.0029	0.0035	0.0469	0.2164	<b>0.7429</b>	0.4078	0.1003
Mach 2	0.1635	0.1942	0.1300	0.2158	0.0541	0.3952	<b>0.7846</b>	0.3580	0.2234
Mach 3	0.2006	0.1266	0.0821	0.1422	0.0526	0.1204	0.2935	<b>0.6272</b>	0.1262
Mach 6	0.1399	0.0820	0.0195	0.0360	0.0373	0.1682	0.4252	<b>0.8156</b>	0.0870
Mach 7	0.1712	0.1722	0.1179	0.1056	0.1386	0.2323	0.3352	<b>0.7708</b>	0.1773
Mach 9	0.1747	0.1523	0.0919	0.1643	0.0627	0.2301	0.4165	<b>0.8048</b>	0.1848
Mach 10	0.1356	0.1024	0.0422	0.0929	0.0941	0.2164	0.4269	<b>0.7941</b>	0.1372
T 1	0.4956	0.7670	0.6752	0.5368	0.2513	0.2036	0.1762	0.1964	<b>0.8967</b>
T 2	0.4537	0.6451	0.5735	0.4769	0.2585	0.2263	0.2445	0.2220	<b>0.8417</b>
T 3	0.4225	0.7762	0.6634	0.5483	0.2038	0.2030	0.1555	0.1000	<b>0.8967</b>
T 5	0.3921	0.7665	0.6179	0.5734	0.2493	0.1952	0.1841	0.1307	<b>0.8483</b>
T 6	0.4201	0.7440	0.6352	0.5498	0.2291	0.2107	0.2247	0.2134	<b>0.8984</b>
T 7	0.4544	0.7864	0.7177	0.6240	0.1791	0.1375	0.1599	0.1291	<b>0.9035</b>

AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature; Mach: Machiavellianism.

As expected, poor loadings and low-AVE values for Christie and Geis's (1970) a priori factor structure were found. Consistent with the literature, these issues were resolved by eliminating 10 manifest variables from the 20-item Mach IV construct. Several of the resulting loadings for the retained items remain inconsistent with those for the Christie and Geis (1970) factor structure (see Table 6.5). However, the loadings found in this research are consistent with empirical studies. The factor structure for the interpersonal tactics construct is consistent with Panitz's (1989) two-item factor. As the original structure of the abstract morality construct also had two items, content validity was consequently not lost through validation. The factor loading of the interpersonal tactics construct is consistent with Ahmed and Stewart (1981), O'Hair and Cody (1987), Hunter et al. (1982), and Corral and Calvete (2000). The factor loading for the views of human nature is also consistent with Ahmed and Stewart (1981), O'Hair and Cody (1987), and Corral and Calvete (2000).

Specifically, the Mach IV items #2 and #16 from the interpersonal tactics construct had a better fit on the abstract morality variable, which is identical to Panitz's (1989) two-item factor. Similarly, item #9 from the abstract morality construct had a better fit on the interpersonal tactics construct, which is consistent with the literature. For example, Ahmed and Stewart (1981), O'Hair and Cody (1987), and Hunter et al. (1982) found items #6, 7, 9, and 10 loaded on the interpersonal tactics variable. Corral and Calvete (2000) also found item #3 loaded on this construct. Finally, item #15 from the interpersonal tactics fitted better on the views of human nature. This finding is consistent with those of Ahmed and Stewart (1981) and O'Hair and Cody (1987). In addition, Ahmed and Stewart (1981) found item #18 loaded on the views of human nature, O'Hair and Cody (1987) found item #13 also loaded better on this construct, and

Corral and Calvete (2000) found items #18 and 13 load on the variable, which represent the three items from the views of human nature construct of this study.

Considering Machiavellianism was modelled as a second-order reflective construct, removing the items did not alter the meaning of the personality. Content validity of this construct was not compromised, but rather an improved factor structure emerged. Furthermore, the factor structures in this research are consistent with the definitions of each dimension of the personality (Christie & Geis, 1970).

**Table 6.5 – Factor Loadings for the Machiavellian (Mach IV) Construct**

Mach IV Item Number	Manifest Variable	Factor Loading of Current Study	Factor Score of Current Study	Christie & Geis's (1970) structure
Mach 2	The best way to handle people is to tell them what they want to hear.	AM	0.78	IT
Mach 16	It is possible to be good in all respects.	AM	0.74	IT
Mach 6	Honesty is the best policy in all cases.	IT	0.82	IT
Mach 3	One should take action only when sure it is morally right.	IT	0.63	IT
Mach 9	All in all, it is better to be humble and honest than important and dishonest.	IT	0.80	AM
Mach 7	There is no excuse for lying to someone else.	IT	0.77	IT
Mach 10	When you ask someone to do something for you, it is best to give the real reasons for wanting it rather than giving reasons which might carry more weight.	IT	0.79	IT
Mach 18	It is hard to get ahead without cutting corners here and there.	VHN	0.74	VHN
Mach 15	It is wise to flatter important people.	VHN	0.79	IT
Mach 13	The biggest difference between most criminals and other people is that criminals are stupid enough to get caught.	VHN	0.68	VHN

AM: Abstract morality; IT: Interpersonal tactics; VHN: Views of human nature.

Disappointingly, the path coefficients for the views of human nature ( $\beta = 0.61$ ) onto the Mach IV construct were below the acceptable threshold ( $\beta = 0.70$ ) for an exploratory model (see Figure 6.1). However, considering the views of human nature are a facet of the Machiavellian personality and the outer loading is above 0.40 (Henseler et al., 2009), the construct was retained as the low-value was likely to be the result of the aforementioned issues with the Mach IV. To understand these issues, researchers should conduct a post-hoc investigation by way of confirming the factor structure attained in this study. If the results are consistent, researchers should reword the Mach IV or

develop a revised scale of Machiavellianism within the context of Christie and Geis's (1970) contextualization.

Even though a low path coefficient was found for the views of human nature, from Table 6.6, the path coefficients for each of the first order latent variables to the second order Machiavellian construct are highly significant. Specifically, the path coefficient from Machiavellianism to the views of human nature was highly significant at the 0.01 level (Model 1:  $\beta = 0.59$ ,  $p < 0.001$ ; Model 2:  $\beta = 0.59$ ,  $p < 0.001$ ; Model 3:  $\beta = 0.59$ ,  $p < 0.001$ ; Model 4:  $\beta = 0.59$ ,  $p < 0.001$ ). The path coefficient from Machiavellianism to abstract morality was highly significant at the 0.01 level (Model 1:  $\beta = 0.74$ ,  $p < 0.001$ ; Model 2:  $\beta = 0.74$ ,  $p < 0.001$ ; Model 3:  $\beta = 0.73$ ,  $p < 0.001$ ; Model 4:  $\beta = 0.73$ ,  $p < 0.001$ ). Finally, the path coefficient from Machiavellianism to interpersonal tactics was also supported at the 0.01 level (Model 1:  $\beta = 0.90$ ,  $p < 0.001$ ; Model 2:  $\beta = 0.90$ ,  $p < 0.001$ ; Model 3:  $\beta = 0.90$ ,  $p < 0.001$ ; Model 4:  $\beta = 0.90$ ,  $p < 0.001$ ).

**Table 6.6 Path Coefficient Loadings for the Machiavellian Construct**

Machiavellian Relationship	Path Coefficient			
	Vignette 1	Vignette 2	Vignette 3	Vignette 4
Machiavellianism -> views of human nature	0.59***	0.59***	0.59***	0.59***
Machiavellianism -> abstract morality	0.74***	0.74***	0.73***	0.73***
Machiavellianism -> interpersonal tactics	0.90***	0.90***	0.90***	0.90***

\*  $p < 0.05$   
 \*\*  $p < 0.01$   
 \*\*\*  $p < 0.001$

### 6.3.1.2 Vignette #2 Environmental Pollution

Consistent with the discriminant and convergent validity tests in vignette #1, the latent variables for the remaining models were exposed to identical procedures. From Table 6.7, the AVE scores for the latent variables in vignette #2 are all above 0.50. The composite reliability results are above 0.70. From these findings, the measurements for the second vignette sustain acceptable convergent validity.

**Table 6.7 – Vignette #2 Environmental Pollution AVE, Composite Reliability, and R<sup>2</sup>**

	AVE	Composite Reliability	R Square
AM	0.5838	0.7371	0.5442
EI	0.9088	0.9803	0.6830
EJ	0.9016	0.9734	0.5549
IT	0.5862	0.8754	0.8090
MC (o)	0.6515	0.7878	0.0670
MC (s)	0.7324	0.8442	0.0227
SC	0.6082	0.7545	0.0869
TON	0.7269	0.9551	0.6102
VHN	0.5451	0.7818	0.3536
Mach	0.5600	0.8400	N/A

AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature; Mach: Machiavellianism.

From Table 6.8, the latent variables for the second vignette sustain sufficient discriminant validity. Specifically, the square roots of the AVE for each latent variable are greater than the correlations for the other latent variables. Similar to vignette #1, the TON had initial validity concerns until these were resolved by removing the social weighting (SW) indicator.

**Table 6.8 – Vignette #2 Latent Variable Correlations**

	AM	EI	EJ	IT	MC (o)	MC (s)	SC	TON	VHN
AM	<b>0.7641</b>								
EI	0.3247	<b>0.9533</b>							
EJ	0.2165	0.7282	<b>0.9495</b>						
IT	0.4999	0.3691	0.2105	<b>0.7656</b>					
MC (o)	0.1610	0.5634	0.4975	0.2443	<b>0.8072</b>				
MC (s)	0.1022	0.2332	0.1810	0.1006	0.0680	<b>0.8558</b>			
SC	0.2629	0.5721	0.5098	0.2195	0.3873	-0.0311	<b>0.7799</b>		
TON	0.3434	0.8111	0.6437	0.3905	0.5852	0.1758	0.6356	<b>0.8526</b>	
VHN	0.4038	0.3254	0.2671	0.2560	0.1505	0.1749	0.2289	0.3335	<b>0.7383</b>

AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature.

According to Table 6.9, the factor loadings for all measurement indicators were highest on their putative constructs compared to the remaining latent variables. Consistent with vignette #1, the measurement indicator loadings for three manifest variables (social consensus, views of human nature, and interpersonal tactics) were below the acceptable

threshold of 0.70 (Henseler et al., 2009). However, again, the outer loadings of these variables were above 0.40 and thus, were retained for theoretical purposes (Henseler et al., 2009). From these results, each latent variable from vignette #2 has sufficient convergent and discriminant validity.

**Table 6.9 – Vignette #2 Cross Loadings**

	SC	EI	EJ	MC (o)	MC (s)	VHN	AM	IT	TON
SC 1	<b>0.8535</b>	0.4728	0.4313	0.3526	0.0112	0.2148	0.2588	0.2204	0.6008
SC 2	<b>0.6985</b>	0.4209	0.3614	0.2403	-0.0737	0.1333	0.1363	0.1079	0.3638
EI 1	0.5286	<b>0.9770</b>	0.7083	0.5381	0.2178	0.3156	0.2982	0.3374	0.7746
EI 2	0.5650	<b>0.9094</b>	0.6944	0.5477	0.2253	0.3185	0.3073	0.3420	0.7808
EI 3	0.5251	<b>0.9500</b>	0.6646	0.5273	0.2277	0.3137	0.2987	0.3313	0.7499
EI 4	0.5465	<b>0.9709</b>	0.7055	0.5210	0.2091	0.3152	0.3048	0.3557	0.7778
EI 5	0.5599	<b>0.9576</b>	0.6960	0.5497	0.2312	0.2878	0.3374	0.3913	0.7804
EJ 1	0.4850	0.7042	<b>0.9562</b>	0.4761	0.1965	0.2534	0.2281	0.2259	0.6019
EJ 2	0.4555	0.6380	<b>0.9254</b>	0.4194	0.1574	0.2248	0.1587	0.1418	0.5562
EJ 3	0.4883	0.7259	<b>0.9464</b>	0.5067	0.1556	0.2633	0.2190	0.2172	0.6548
EJ 4	0.5056	0.6931	<b>0.9696</b>	0.4824	0.1772	0.2705	0.2121	0.2090	0.6268
MC (o) 1	0.2241	0.3577	0.2826	<b>0.7367</b>	-0.0115	0.0776	0.1228	0.2272	0.3813
MC (o) 2	0.3821	0.5328	0.4945	<b>0.8720</b>	0.1039	0.1553	0.1374	0.1788	0.5464
MC (s) 1	-0.0371	0.2432	0.1947	0.0969	<b>0.9382</b>	0.1618	0.1240	0.1190	0.1752
MC (s) 2	-0.0091	0.1327	0.0920	-0.0096	<b>0.7646</b>	0.1380	0.0258	0.0310	0.1152
Mach 13	0.1851	0.2221	0.1862	0.1663	0.1252	<b>0.6883</b>	0.2512	0.1620	0.2713
Mach 15	0.1890	0.2511	0.2102	0.1407	0.0923	<b>0.7915</b>	0.3372	0.2235	0.2491
Mach 18	0.1328	0.2473	0.1946	0.0267	0.1764	<b>0.7315</b>	0.3001	0.1765	0.2220
Mach 16	0.1903	0.2125	0.1221	0.1233	0.0201	0.2159	<b>0.7449</b>	0.4080	0.2104
Mach 2	0.2109	0.2816	0.2060	0.1229	0.1323	0.3953	<b>0.7828</b>	0.3581	0.3111
Mach 3	0.1966	0.2857	0.1456	0.1351	0.1132	0.1199	0.2934	<b>0.6270</b>	0.2809
Mach 6	0.0860	0.2927	0.1595	0.1795	0.1078	0.1679	0.4255	<b>0.8150</b>	0.2518
Mach 7	0.0851	0.2735	0.1624	0.1412	0.0948	0.2314	0.3353	<b>0.7692</b>	0.2400
Mach 9	0.2552	0.3010	0.1873	0.2214	0.0500	0.2310	0.4167	<b>0.8059</b>	0.3701
Mach 10	0.2211	0.2671	0.1508	0.2461	0.0321	0.2169	0.4270	<b>0.7952</b>	0.3494
T 1	0.6068	0.7455	0.5846	0.5465	0.1227	0.2582	0.3014	0.3609	<b>0.8875</b>
T 2	0.5331	0.6822	0.5541	0.5078	0.1215	0.3018	0.3271	0.3825	<b>0.8753</b>
T 3	0.4109	0.6553	0.4710	0.4689	0.2145	0.2164	0.2316	0.2386	<b>0.7962</b>
T 4	0.5034	0.7426	0.5658	0.5172	0.2064	0.3430	0.3317	0.3586	<b>0.8482</b>
T 5	0.4969	0.6802	0.5790	0.4876	0.1527	0.3236	0.2520	0.2755	<b>0.8469</b>
T 6	0.5957	0.6079	0.5045	0.4728	0.0845	0.2834	0.2967	0.3767	<b>0.8098</b>
T 7	0.5504	0.7383	0.5671	0.5221	0.1811	0.2745	0.2580	0.2656	<b>0.8807</b>
T 8	0.6233	0.6706	0.5557	0.4632	0.1205	0.2695	0.3347	0.3930	<b>0.8713</b>

AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature; Mach: Machiavellianism.

### 6.3.1.3 Vignette #3 Subprime Lending

The latent variables for vignette #3 show sufficient convergent validity as all AVE scores are above 0.50 (see Table 6.10). The composite reliability scores are above 0.70. Similarly, the latent variables sustain acceptable levels of discriminant validity (see

Table 6.11); the square roots of the AVE for each latent variable are greater than the correlation of the construct with any of the remaining constructs.

**Table 6.10 – Vignette #3 Subprime Lending AVE, Composite Reliability, and R<sup>2</sup>**

	AVE	Composite Reliability	R Square
AM	0.5838	0.7371	0.5316
EI	0.9199	0.9829	0.7036
EJ	0.9044	0.9743	0.5012
IT	0.5862	0.8754	0.8185
MC (o)	0.7705	0.8701	0.0773
MC (s)	0.6598	0.7949	0.0000
SC	0.5872	0.7385	0.0980
TON	0.7653	0.9580	0.5693
VHN	0.5451	0.7818	0.3483
Mach	0.5600	0.8400	N/A

AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature; Mach: Machiavellianism.

**Table 6.11 – Vignette #3 Latent Variable Correlations**

	AM	EI	EJ	IT	MC (o)	MC (s)	SC	TON	VHN
AM	<b>0.7641</b>								
EI	0.1072	<b>0.9591</b>							
EJ	0.0291	0.6685	<b>0.9510</b>						
IT	0.4997	0.2926	0.2027	<b>0.7656</b>					
MC (o)	0.1006	0.6571	0.5475	0.2511	<b>0.8778</b>				
MC (s)	0.0069	0.2346	0.0837	0.0555	0.0800	<b>0.8123</b>			
SC	0.1670	0.5524	0.4395	0.3103	0.5221	-0.0519	<b>0.7663</b>		
TON	0.1721	0.8177	0.6733	0.3151	0.6824	0.1532	0.5662	<b>0.8748</b>	
VHN	0.4041	0.2463	0.0768	0.2560	0.2452	0.1203	0.1693	0.2746	<b>0.7383</b>

AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature.

In reference to Table 6.12, the cross loading results confirm the manifest variables load onto their designated factor structures better than the other latent variables. Again, the measurement indicator loadings for three manifest variables (social consensus, views of human nature, and interpersonal tactics) were below the acceptable threshold of 0.70 (Henseler et al., 2009), yet above 0.40, and were retained accordingly (Henseler et al., 2009). These findings provide evidence that each of the latent variables for the third vignette show acceptable validity and reliability.



Table 6.12 – Vignette #3 Cross Loadings

	SC	EI	EJ	MC (o)	MC (s)	VHN	AM	IT	TON
SC 1	<b>0.8285</b>	0.4296	0.2941	0.4655	-0.0194	0.2259	0.2374	0.3214	0.4459
SC 2	<b>0.6986</b>	0.4218	0.3964	0.3226	-0.0663	0.0089	-0.0099	0.1345	0.4251
EI 1	0.5210	<b>0.9804</b>	0.6435	0.6319	0.2310	0.2383	0.0878	0.2717	0.7715
EI 2	0.5512	<b>0.8892</b>	0.6685	0.6573	0.1956	0.2262	0.1302	0.2978	0.8092
EI 3	0.5238	<b>0.9717</b>	0.6259	0.6223	0.2389	0.2276	0.1080	0.2814	0.7820
EI 4	0.5210	<b>0.9818</b>	0.6414	0.6249	0.2350	0.2452	0.0953	0.2713	0.7782
EI 5	0.5278	<b>0.9693</b>	0.6209	0.6091	0.2242	0.2427	0.0907	0.2784	0.7742
EJ 1	0.3952	0.6344	<b>0.9575</b>	0.4889	0.1112	0.0671	0.0015	0.1992	0.6310
EJ 2	0.4526	0.6241	<b>0.9244</b>	0.5289	0.0429	0.0389	0.0109	0.1729	0.6496
EJ 3	0.3905	0.6290	<b>0.9599</b>	0.5300	0.0840	0.1055	0.0398	0.1924	0.6416
EJ 4	0.4321	0.6548	<b>0.9617</b>	0.5335	0.0810	0.0807	0.0578	0.2064	0.6385
MC (o) 1	0.2878	0.4558	0.3533	<b>0.8309</b>	0.0810	0.1696	0.0550	0.1393	0.4704
MC (o) 2	0.5829	0.6686	0.5755	<b>0.9223</b>	0.0637	0.2498	0.1126	0.2797	0.6965
MC (s) 1	-0.0590	0.2049	0.0920	0.0412	<b>0.8342</b>	0.1619	0.0209	0.1194	0.1633
MC (s) 2	-0.0234	0.1750	0.0413	0.0915	<b>0.7898</b>	0.0265	-0.0114	-0.0375	0.0815
Mach 13	0.1524	0.1369	0.0585	0.1883	0.0612	<b>0.6854</b>	0.2513	0.1619	0.1849
Mach 15	0.1063	0.1633	0.0341	0.1774	0.0353	<b>0.7906</b>	0.3374	0.2235	0.1730
Mach 18	0.1224	0.2458	0.0811	0.1802	0.1755	<b>0.7352</b>	0.3002	0.1767	0.2548
Mach 16	0.0825	0.0286	0.0202	0.0604	-0.0018	0.2162	<b>0.7441</b>	0.4078	0.0565
Mach 2	0.1697	0.1316	0.0241	0.0922	0.0118	0.3952	<b>0.7835</b>	0.3581	0.2013
Mach 3	0.2876	0.2174	0.1569	0.1632	0.0695	0.1201	0.2934	<b>0.6271</b>	0.1881
Mach 6	0.1941	0.1901	0.1242	0.1202	0.0456	0.1680	0.4254	<b>0.8152</b>	0.1814
Mach 7	0.2129	0.2140	0.1624	0.1446	0.1104	0.2318	0.3352	<b>0.7701</b>	0.2660
Mach 9	0.2672	0.2257	0.1846	0.2854	0.0331	0.2305	0.4166	<b>0.8054</b>	0.2895
Mach 10	0.2420	0.2758	0.1517	0.2406	-0.0344	0.2166	0.4269	<b>0.7947</b>	0.2739
T 1	0.5681	0.7423	0.5767	0.6387	0.1678	0.2608	0.1483	0.2420	<b>0.8787</b>
T 2	0.5470	0.7219	0.5606	0.6206	0.1320	0.2940	0.2029	0.2865	<b>0.8824</b>
T 3	0.4508	0.6931	0.5843	0.5949	0.1062	0.2015	0.0447	0.2324	<b>0.8697</b>
T 4	0.4656	0.7211	0.5537	0.5291	0.1780	0.2867	0.2512	0.3378	<b>0.8471</b>
T 5	0.4777	0.7412	0.5985	0.6199	0.1553	0.2654	0.1856	0.2940	<b>0.8919</b>
T 6	0.4466	0.6596	0.6453	0.5744	0.0872	0.1437	0.1238	0.2641	<b>0.8633</b>
T 7	0.5051	0.7245	0.6061	0.5970	0.1087	0.2240	0.0937	0.2729	<b>0.8897</b>

AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature; Mach: Machiavellianism.

#### 6.3.1.4 Omnibus Model

Consistent with the results of the foregoing models, the omnibus model, which was constructed from averaging the manifest variables from the three vignettes, sustains sufficient convergent validity. According to Table 6.13, the AVE scores for each latent variable are above 0.50. The composite reliability results are also above the recommended level of 0.70.

**Table 6.13 – Omnibus Model AVE, Composite Reliability, and R<sup>2</sup>**

	AVE	Composite Reliability	R Square
AM	0.5837	0.7370	0.5358
EI	0.9342	0.9861	0.7878
EJ	0.9257	0.9803	0.5803
IT	0.5862	0.8754	0.8096
MC (o)	0.7759	0.8736	0.1272
MC (s)	0.7428	0.8517	0.0247
SC	0.6141	0.7584	0.1512
TON	0.8169	0.9640	0.6323
VHN	0.5451	0.7818	0.3582
Mach	0.5600	0.8400	N/A

AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature; Mach: Machiavellianism.

According to Table 6.14, the latent variables for the omnibus sustain acceptable discriminant validity as the square roots of the AVE for each latent variable are greater than the correlation of the construct with any of the remaining constructs. Consistent with vignettes #1 and #3, the social weighting (SW) and defence of necessity (DON) manifest variables were removed to resolve initial validity concerns associated with the TON. Even though two neutralization items were removed, six manifest variables were retained, which provide satisfactory representation of this reflective latent variable.

**Table 6.14 – Omnibus Latent Variable Correlations**

	AM	EI	EJ	IT	MC (o)	MC (s)	SC	TON	VHN
AM	<b>0.7640</b>								
EI	0.2504	<b>0.9665</b>							
EJ	0.1484	0.7447	<b>0.9621</b>						
IT	0.4994	0.3639	0.2260	<b>0.7656</b>					
MC (o)	0.2017	0.6450	0.6224	0.3182	<b>0.8809</b>				
MC (s)	0.0729	0.3943	0.2323	0.1082	0.1491	<b>0.8619</b>			
SC	0.2714	0.5781	0.4687	0.3362	0.5134	0.0790	<b>0.7836</b>		
TON	0.2955	0.8791	0.7157	0.3701	0.7109	0.2941	0.5988	<b>0.9038</b>	
VHN	0.4048	0.3536	0.2077	0.2559	0.2586	0.1993	0.2653	0.3492	<b>0.7383</b>

AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature.

In reference to the cross loading results from Table 6.15, each of the manifest variables sustain higher loadings onto their putative latent variables than the remaining constructs.

Thus, discriminant validity has been attained. Consistent with the aforementioned models, the measurement indicator loadings for three manifest variables (social consensus, views of human nature, and interpersonal tactics) were below the acceptable threshold of 0.70 (Henseler et al., 2009). However, as indicated, the outer loadings of these variables were above 0.40 and were retained for theoretical purposes (Henseler et al., 2009).

**Table 6.15 – Omnibus Cross Loadings**

	SC	EI	EJ	MC (o)	MC (s)	VHN	AM	IT	TON
SC 1	<b>0.8707</b>	0.5035	0.3730	0.4717	0.0892	0.2855	0.3046	0.3505	0.5398
SC 2	<b>0.6857</b>	0.3962	0.3734	0.3154	0.0241	0.1012	0.0850	0.1451	0.3835
EI 1	0.5598	<b>0.9848</b>	0.7276	0.6262	0.3888	0.3490	0.2251	0.3444	0.8556
EI 2	0.5242	<b>0.9123</b>	0.7071	0.6324	0.3542	0.3283	0.2428	0.3407	0.8264
EI 3	0.5524	<b>0.9705</b>	0.7067	0.6034	0.3776	0.3355	0.2445	0.3355	0.8478
EI 4	0.5698	<b>0.9823</b>	0.7296	0.6303	0.3851	0.3546	0.2455	0.3678	0.8566
EI 5	0.5860	<b>0.9809</b>	0.7272	0.6246	0.3986	0.3408	0.2523	0.3693	0.8611
EJ 1	0.4177	0.7259	<b>0.9579</b>	0.5684	0.2543	0.2022	0.1478	0.2322	0.6579
EJ 2	0.4376	0.6865	<b>0.9498</b>	0.5992	0.1791	0.1621	0.1078	0.1841	0.6798
EJ 3	0.4418	0.7134	<b>0.9698</b>	0.6066	0.2125	0.2187	0.1487	0.2182	0.6948
EJ 4	0.5035	0.7391	<b>0.9709</b>	0.6200	0.2468	0.2148	0.1651	0.2341	0.7200
MC (o) 1	0.3102	0.4388	0.4519	<b>0.8416</b>	0.0782	0.1749	0.1601	0.2338	0.5151
MC (o) 2	0.5607	0.6686	0.6243	<b>0.9184</b>	0.1716	0.2688	0.1923	0.3172	0.7138
MC (s) 1	0.0736	0.3917	0.2208	0.1543	<b>0.9242</b>	0.2155	0.1024	0.1629	0.3029
MC (s) 2	0.0620	0.2699	0.1750	0.0923	<b>0.7947</b>	0.1086	0.0022	-0.0140	0.1844
Mach 13	0.1948	0.2037	0.1396	0.1809	0.1532	<b>0.6855</b>	0.2518	0.1619	0.2450
Mach 15	0.1871	0.2458	0.1398	0.1907	0.0995	<b>0.7899</b>	0.3382	0.2235	0.2407
Mach 18	0.2088	0.3331	0.1827	0.2021	0.1966	<b>0.7359</b>	0.3005	0.1767	0.2912
Mach 16	0.1699	0.1113	0.0633	0.0928	0.0246	0.2162	<b>0.7401</b>	0.4078	0.1392
Mach 2	0.2420	0.2650	0.1595	0.2106	0.0842	0.3951	<b>0.7872</b>	0.3581	0.3055
Mach 3	0.3070	0.2768	0.1731	0.2220	0.1045	0.1201	0.2936	<b>0.6276</b>	0.2409
Mach 6	0.1916	0.2463	0.1350	0.1678	0.0782	0.1680	0.4249	<b>0.8148</b>	0.2155
Mach 7	0.2165	0.2906	0.1995	0.1947	0.1460	0.2318	0.3351	<b>0.7699</b>	0.2846
Mach 9	0.3147	0.2988	0.2082	0.3381	0.0614	0.2305	0.4161	<b>0.8056</b>	0.3557
Mach 10	0.2714	0.2865	0.1540	0.2909	0.0351	0.2165	0.4267	<b>0.7947</b>	0.3144
T 1	0.6437	0.8252	0.6829	0.6722	0.2622	0.3130	0.2631	0.3384	<b>0.9054</b>
T 2	0.5967	0.7593	0.5882	0.6231	0.2067	0.3545	0.3305	0.3796	<b>0.8906</b>
T 3	0.4416	0.7749	0.6279	0.6092	0.2856	0.2846	0.1961	0.2629	<b>0.9030</b>
T 5	0.4897	0.8124	0.6277	0.6053	0.3230	0.3584	0.2850	0.3212	<b>0.8829</b>
T 6	0.5570	0.7840	0.6672	0.6849	0.2435	0.2914	0.2935	0.3921	<b>0.9157</b>
T 7	0.5091	0.8087	0.6823	0.6554	0.2747	0.2924	0.2324	0.3087	<b>0.9249</b>

AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature; Mach: Machiavellianism.

### 6.3.2 Common Method Variance

Common methods bias (CMB) involves “variance that is attributable to the measurement method rather than to the constructs the measures represent” (Podsakoff,

Mackenzie, Lee, & Podsakoff, 2003, p. 879), which can negatively affect convergent validity. CMB is often caused by testing procedures that measure both independent and dependent variables using the same instrument (Malhotra, Patil, & Kim, 2007). This method of data collection can artificially inflate any correlations found in the data.

According to the literature, CMB is often considered a domain-specific problem. For example, higher levels of common methods bias are typically found in the education, psychology, and sociology research; marketing and other business research show lower levels of CMB (Malhotra et al., 2007). Given the domain of this study is marketing, CMB is unlikely to be a problem. However, precautions were taken to reduce the potential for CMB. Specifically, the instrument items were randomized, which can ensure participants are unable to detect the construct patterns and ultimately, adjust their responding styles to fit these patterns (Siponen & Vance, 2010).

Beyond these precautions, statistical methods were used on a post-hoc basis to test if CMB has occurred. In this study, Harman's test, which is the most widely used method to test for CMB (Malhotra et al., 2006), was the first test conducted. In Harman's test, a factor analysis of all manifest variables is conducted and if any factor accounts for the majority of the variance in the variables, CMB would be problematic (Tiwana & Keil, 2007). From the results, no single factor explained the majority of the variance (Model 1 = 0.32; Model 2 = 0.32; Model 3 = 0.32; Model 4 = 0.35). To further check for CMB, the correlation matrix (see Table 6.16) was checked for any highly correlated variables (i.e.,  $r > 0.90$ ) (Bagozzi et al., 1991). From these, CMB does not seem to be a plausible alternative explanation for the results of this study.

**Table 6.16 Means, Standard Deviations, and Correlations among All Variables**

Variable	Mean	s.d.	1	2	3	4	5	6	7	8
1. Magnitude of consequences (self)	4.30	1.08								
1. Magnitude of consequences (others)	3.41	0.99	0.14*							
3. Social consensus	2.72	0.93	0.07	0.48**						
4. Techniques of neutralization	3.25	1.18	0.28**	0.70**	0.60**					
5. Unethical intentions	3.32	1.36	0.39**	0.63**	0.58**	0.88**				
6. Ethical judgment	3.35	1.31	0.23**	0.61**	0.47**	0.71**	0.74**			
7. Abstract morality	2.98	1.28	0.06	0.20**	0.25**	0.32**	0.24**	0.14*		
8. Interpersonal tactics	2.71	1.34	0.10	0.31**	0.32**	0.40**	0.37**	0.29**	0.50**	
9. Views of human nature	3.50	1.26	0.20**	0.25**	0.25**	0.36**	0.35**	0.21**	0.39**	0.25**

Calculated by averaging the raw data scores for the manifest variables associated with each latent variable in the omnibus model.

\*  $p < 0.05$

\*\*  $p < 0.01$

## **6.4 Alternative Model**

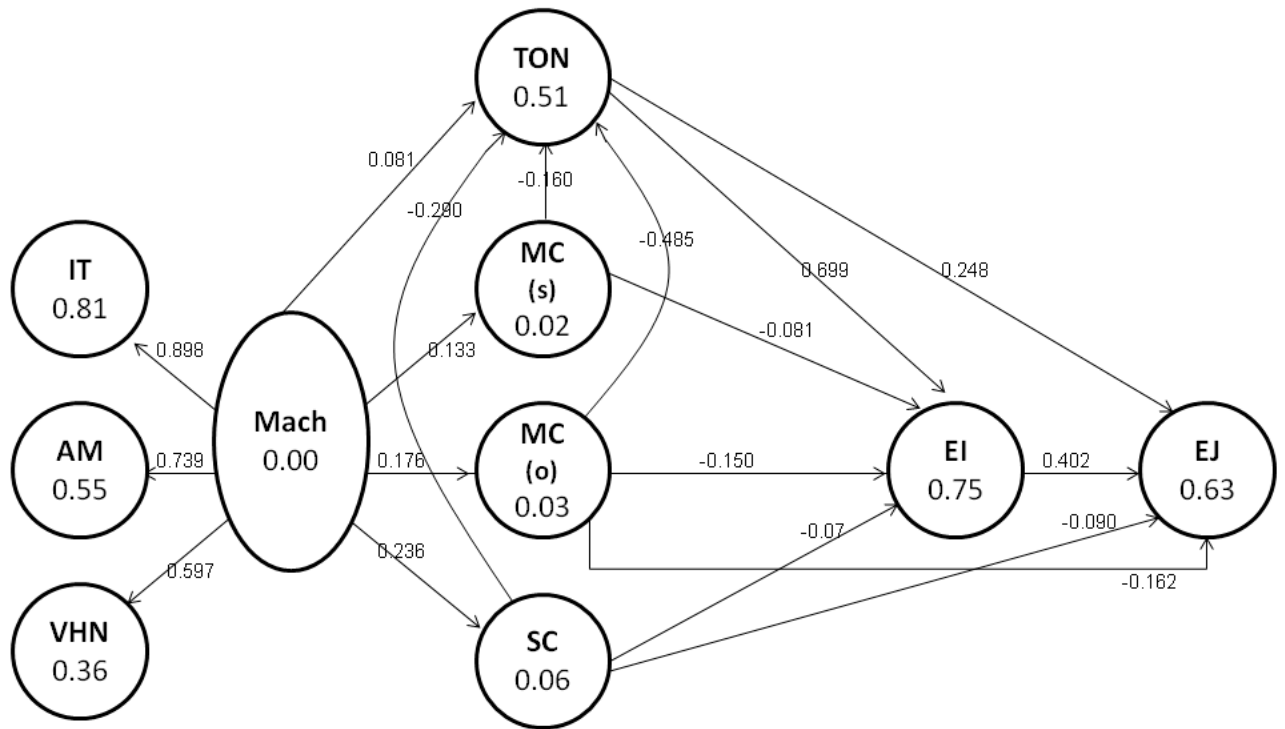
As discussed in chapter four, researchers in the PMI literature have studied the dimensions of the PMI construct as first-order reflective models. McMahon and Harvey (2007) studied PMI through three independent factors in their regression analysis; Singhapakdi et al. (1999) studied PMI using a two factor structure through covariance-based SEM. Using this approach, the PMI latent variables were modelled as first-order reflective variables. The purpose of this endeavour is to illustrate that an alternative model to the second-order formative approach exists. However, as is explained in the summary of this section, this alternative model is inconsistent with the theoretical framework of the moral intensity construct conceptualized by Jones (1991).

Consistent with the preceding section, PLS was used to analyse the alternative models. Although the formative model was removed, which would enable a covariance-based SEM to be used, the model is exploratory, relatively complex with various interactions among the constructs, and with second-order variables present (Gefen et al., 2011). For these reasons, it is argued a variance-based SEM is most appropriate (Henseler et al., 2009). In the first part of this section, the four models are presented. In the second section, the models are tested for discriminant validity, convergent validity, and reliability.

### **6.4.1.1 Vignette #1 Package Downsizing**

According to Figure 6.5, most of the first-order issue-contingent characteristics pertaining to the magnitude of consequences (others and self) and social consensus sustain direct and independent causal relationships to the TON, unethical intentions, and ethical judgment. Consistent with the formative model, the PMI constructs are directly related to the TON; the three PMI variables sustain direct relationships to unethical

intentions. However, the magnitude of consequences (self) does not have a direct relationship to ethical judgment.

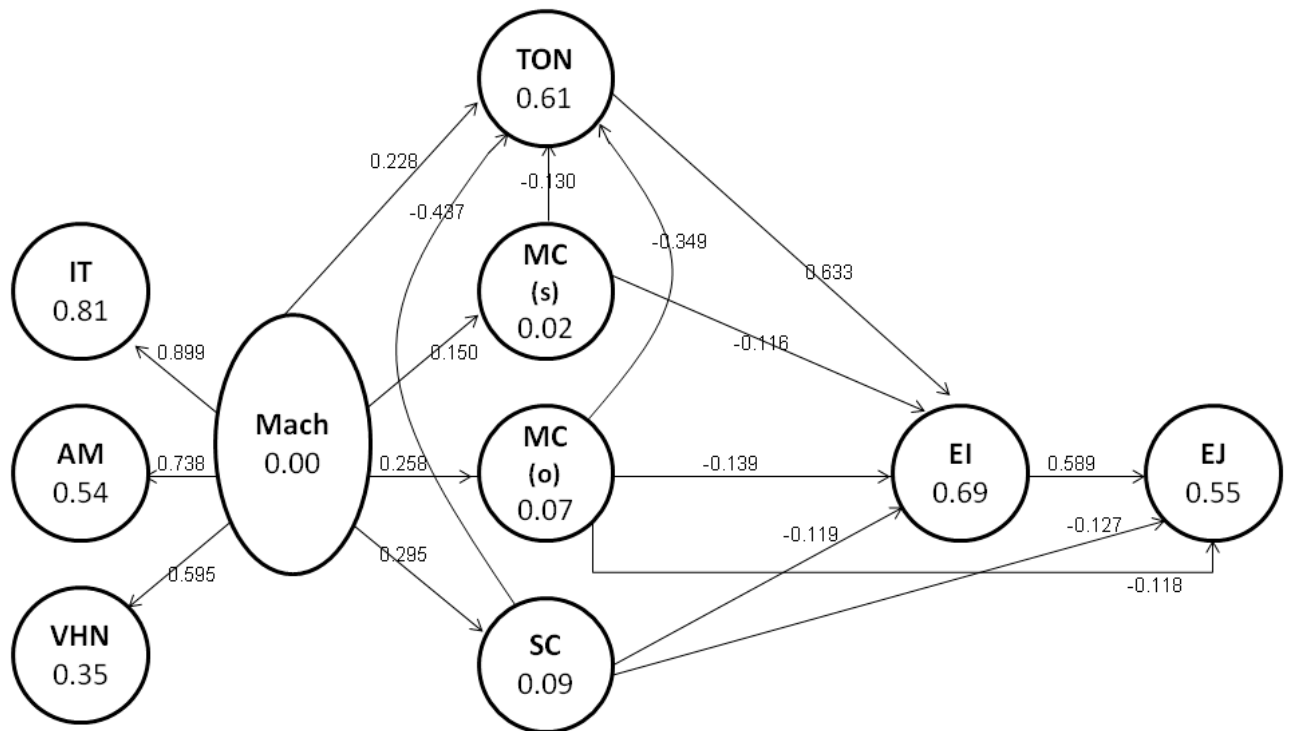


**Acronyms:** IT = interpersonal tactics; AM = abstract morality; VHN = views of human nature; Mach = Machiavellianism; MC (s) = magnitude of consequences (self); MC (o) = magnitude of consequences (others); SC = social consensus; TON = techniques of neutralization; EI = unethical intentions; EJ = ethical judgment

Figure 6.5 – Alternative Package Downsizing Model

### 6.4.1.2 Vignette #2 Environmental Pollution

Consistent with the foregoing model, the framework depicting the environmental pollution vignette shows the same basic structure. Specifically, Machiavellianism has causal relationships to the three PMI constructs; identical relationships are maintained from the three PMI variables to unethical intentions and ethical judgment. However, the path between the TON and ethical judgment was insignificant and excluded from the model; this result was also found in the second-order formative approach.



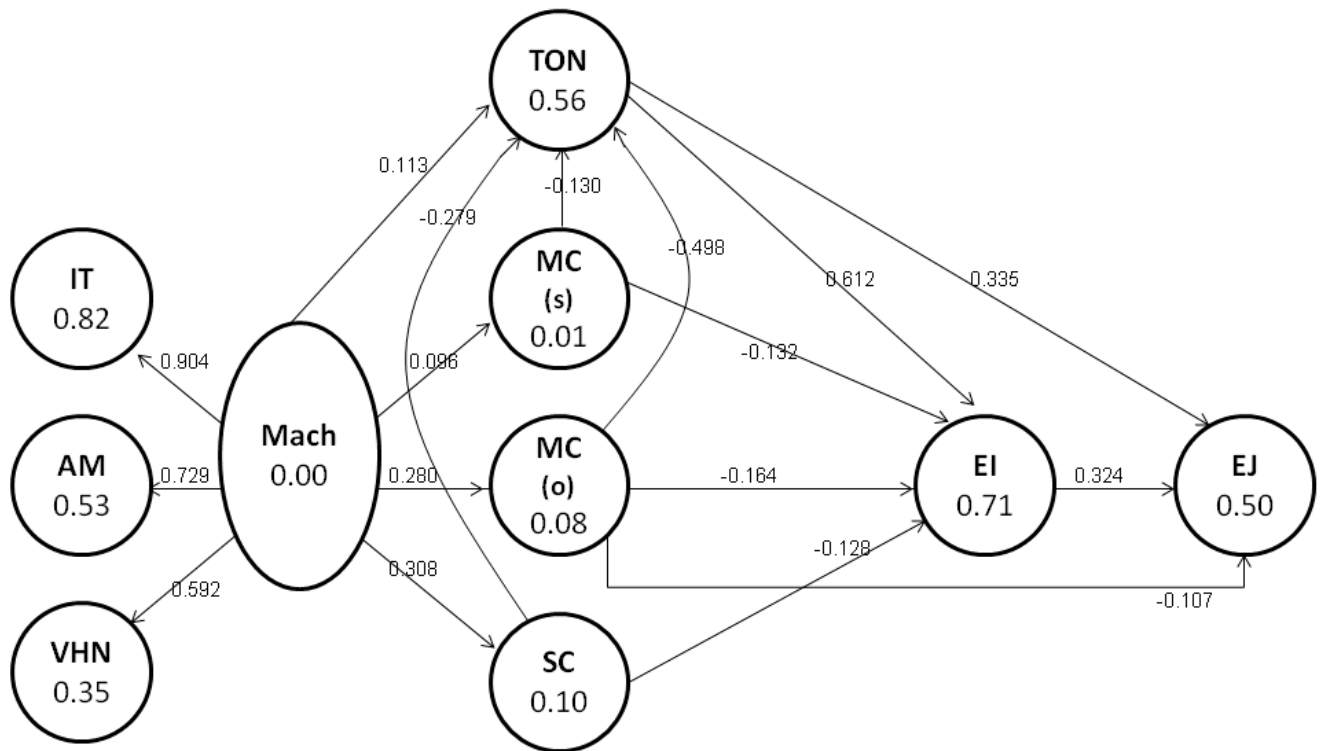
**Acronyms:** IT = interpersonal tactics; AM = abstract morality; VHN = views of human nature; Mach = Machiavellianism; MC (s) = magnitude of consequences (self); MC (o) = magnitude of consequences (others); SC = social consensus; TON = techniques of neutralization; EI = unethical intentions; EJ = ethical judgment

**Figure 6.6 – Alternative Environmental Pollution Model**

### 6.4.1.3 Vignette #3 Subprime Lending

From Figure 6.7, comparable to the formative models, the model representing the subprime lending vignette has several similarities to the package downsizing vignette. Most of the paths are apparent in both models; however, slight divergences exist between the constructs. Specifically, the path between social consensus and ethical judgment was found to be insignificant and removed from the model.



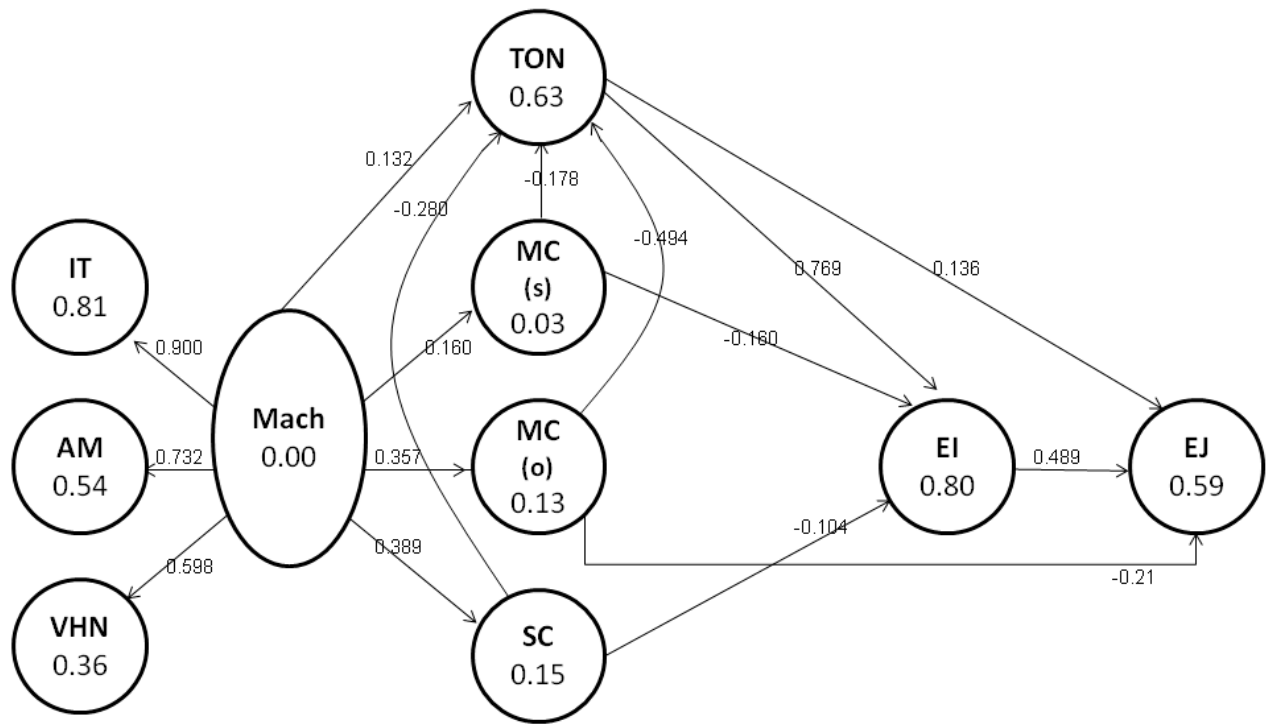


**Acronyms:** IT = interpersonal tactics; AM = abstract morality; VHN = views of human nature; Mach = Machiavellianism; MC (s) = magnitude of consequences (self); MC (o) = magnitude of consequences (others); SC = social consensus; TON = techniques of neutralization; EI = unethical intentions; EJ = ethical judgment

**Figure 6.7 – Alternative Subprime Lending Model**

**6.4.1.4 Omnibus Model**

Figure 6.8 represents the omnibus model and consistent with the formative approach, the basic structure is maintained. However, the path coefficient between the magnitude of consequences (others) and unethical intentions was insignificant and removed. Beyond this difference, the omnibus model offers an aggregate of the previous three vignettes.



**Acronyms:** IT = interpersonal tactics; AM = abstract morality; VHN = views of human nature; Mach = Machiavellianism; MC (s) = magnitude of consequences (self); MC (o) = magnitude of consequences (others); SC = social consensus; TON = techniques of neutralization; EI = unethical intentions; EJ = ethical judgment

**Figure 6.8 – Alternative Omnibus Model**

### 6.4.2 Convergent and Discriminant Validity

In this section, the alternative models are validated. Consistent with the formative approach, convergent and discriminant validity is assessed using Fornell and Larcker’s (1981) framework.

#### 6.4.2.1 Vignette #1 Package Downsizing

From Table 6.17, each of the AVE scores are above 0.50, the composite reliability results are above 0.70. These results are mirror images of the formative results for vignette #1. According to Table 6.18, the square root of the AVE for each construct is greater than the correlation of the construct with any of the remaining constructs. Consistent with the formative model, the TON construct had initial validity concerns but these were resolved by removing the social weighting and defence of necessity indicators.

**Table 6.17 – Vignette #1 Package Downsizing AVE, Composite Reliability, and R<sup>2</sup>**

	AVE	Composite Reliability	R Square
AM	0.5838	0.7370	0.5466
EI	0.9169	0.9822	0.7459
EJ	0.9180	0.9781	0.6264
IT	0.5862	0.8754	0.8063
MC (o)	0.7381	0.8490	0.0308
MC (s)	0.5918	0.7218	0.0176
SC	0.5787	0.7323	0.0556
TON	0.7766	0.9542	0.5135
VHN	0.5450	0.7817	0.3559
Mach	0.5600	0.8400	N/A

AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature; Mach: Machiavellianism.

**Table 6.18 – Vignette #1 Latent Variable Correlations**

	AM	EI	EJ	IT	MC (o)	MC (s)	SC	TON	VHN
AM	<b>0.7641</b>								
EI	0.1494	<b>0.9575</b>							
EJ	0.0901	0.7573	<b>0.9581</b>						
IT	0.4996	0.1648	0.0906	<b>0.7656</b>					
MC (o)	0.1485	0.6277	0.6035	0.1398	<b>0.8591</b>				
MC (s)	0.0671	0.2886	0.1453	0.1023	0.1375	<b>0.7693</b>			
SC	0.1633	0.4827	0.4684	0.1964	0.3718	0.0769	<b>0.7607</b>		
TON	0.2149	0.8501	0.7362	0.1862	0.6295	0.2598	0.5019	<b>0.8812</b>	
VHN	0.4044	0.2296	0.1243	0.2560	0.1178	0.1437	0.1797	0.2212	<b>0.7382</b>

AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature.

According to Table 6.19, the measurement indicators load highest on their putative latent variables. Noteworthy, the measurement indicator loadings for three manifest variables (magnitude of consequences (self), views of human nature, and interpersonal tactics) were below the acceptable threshold of 0.70 (Henseler et al., 2009). However, considering the outer loadings of these variables were above 0.40, they were retained for theoretical purposes (Henseler et al., 2009). Therefore, the latent variables for the first vignette have sufficient reliability and validity.

**Table 6.19 – Vignette #1 Cross Loadings**

	SC	EI	EJ	MC (o)	MC (s)	VHN	AM	IT	TON
SC 1	<b>0.7084</b>	0.3137	0.2606	0.2523	0.1115	0.2323	0.2257	0.2757	0.3446
SC 2	<b>0.8097</b>	0.4143	0.4385	0.3103	0.0148	0.0582	0.0408	0.0454	0.4155
EI 1	0.4809	<b>0.9781</b>	0.7368	0.6071	0.2911	0.2329	0.1351	0.1682	0.8315
EI 2	0.3848	<b>0.8856</b>	0.6740	0.5553	0.2681	0.1778	0.1061	0.1070	0.7601
EI 3	0.4697	<b>0.9663</b>	0.7379	0.5860	0.2702	0.2211	0.1565	0.1488	0.8123
EI 4	0.4784	<b>0.9785</b>	0.7450	0.6345	0.2797	0.2313	0.1593	0.1952	0.8305
EI 5	0.4914	<b>0.9759</b>	0.7299	0.6197	0.2729	0.2331	0.1554	0.1647	0.8331
EJ 1	0.4104	0.7431	<b>0.9616</b>	0.5604	0.1386	0.1241	0.0969	0.0815	0.6899
EJ 2	0.4508	0.6911	<b>0.9478</b>	0.5961	0.1090	0.0945	0.0683	0.0824	0.6912
EJ 3	0.4478	0.7413	<b>0.9603</b>	0.5764	0.1575	0.1337	0.0851	0.0864	0.7038
EJ 4	0.4847	0.7266	<b>0.9626</b>	0.5798	0.1508	0.1234	0.0946	0.0966	0.7356
MC (o) 1	0.2554	0.4545	0.4632	<b>0.8150</b>	0.0963	0.0785	0.1299	0.0697	0.4368
MC (o) 2	0.3706	0.6084	0.5652	<b>0.9011</b>	0.1357	0.1192	0.1271	0.1591	0.6243
MC (s) 1	0.0967	0.2863	0.1449	0.1421	<b>0.9770</b>	0.1463	0.0767	0.1181	0.2761
MC (s) 2	-0.0521	0.1204	0.0571	0.0340	<b>0.4786</b>	0.0443	-0.0138	-0.0255	0.0326
Mach 15	0.0752	0.1069	0.0705	0.0040	0.1558	<b>0.6814</b>	0.2515	0.1617	0.1255
Mach 18	0.1115	0.1450	0.0726	0.0612	0.0879	<b>0.7911</b>	0.3376	0.2235	0.1557
Mach 2	0.2090	0.2549	0.1331	0.1907	0.0832	<b>0.7382</b>	0.3003	0.1768	0.2073
Mach 16	0.0943	0.0279	0.0029	0.0028	0.0476	0.2164	<b>0.7429</b>	0.4078	0.1005
Mach 3	0.1532	0.1942	0.1300	0.2161	0.0547	0.3952	<b>0.7846</b>	0.3580	0.2235
Mach 6	0.1944	0.1266	0.0820	0.1448	0.0533	0.1204	0.2935	<b>0.6272</b>	0.1263
Mach 7	0.1318	0.0820	0.0195	0.0371	0.0386	0.1682	0.4252	<b>0.8156</b>	0.0871
Mach 9	0.1578	0.1723	0.1180	0.1063	0.1398	0.2323	0.3352	<b>0.7708</b>	0.1774
Mach 10	0.1614	0.1523	0.0919	0.1647	0.0640	0.2301	0.4165	<b>0.8048</b>	0.1848
Mach 13	0.1210	0.1024	0.0422	0.0931	0.0949	0.2164	0.4269	<b>0.7941</b>	0.1374
T 1	0.4949	0.7670	0.6752	0.5385	0.2525	0.2036	0.1762	0.1964	<b>0.8970</b>
T 2	0.4487	0.6451	0.5735	0.4780	0.2606	0.2263	0.2445	0.2220	<b>0.8423</b>
T 3	0.4318	0.7762	0.6634	0.5505	0.2059	0.2030	0.1555	0.1000	<b>0.8963</b>
T 5	0.3957	0.7665	0.6179	0.5756	0.2508	0.1952	0.1841	0.1307	<b>0.8480</b>
T 6	0.4195	0.7440	0.6353	0.5512	0.2301	0.2107	0.2247	0.2134	<b>0.8985</b>
T 7	0.4618	0.7864	0.7177	0.6263	0.1803	0.1375	0.1599	0.1291	<b>0.9032</b>

CN: Conventional norm; AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature; Mach: Machiavellianism.

### 6.4.2.2 Vignette #2 Environmental Pollution

In reference to Table 6.20, the AVE scores for the latent variables are all above 0.50.

The composite reliability results are above 0.70. From these results, the measurements for the second vignette sustain acceptable convergent validity. According to Table 6.21, the square root of the AVE for each construct is greater than the correlation of the construct with any of the remaining constructs.

**Table 6.20 – Vignette #2 Environmental Pollution AVE, Composite Reliability, and R<sup>2</sup>**

	AVE	Composite Reliability	R Square
AM	0.5838	0.7371	0.5443
EI	0.9088	0.9803	0.6873
EJ	0.9016	0.9734	0.5527
IT	0.5862	0.8754	0.8089
MC (o)	0.6496	0.7858	0.0665
MC (s)	0.7335	0.8450	0.0226
SC	0.6083	0.7547	0.0868
TON	0.7269	0.9551	0.6113
VHN	0.5451	0.7818	0.3537
Mach	0.5600	0.8400	N/A

AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature; Mach: Machiavellianism.

**Table 6.21 – Vignette #2 Latent Variable Correlations**

	AM	EI	EJ	IT	MC (o)	MC (s)	SC	TON	VHN
AM	<b>0.7641</b>								
EI	0.3247	<b>0.9533</b>							
EJ	0.2165	0.7283	<b>0.9495</b>						
IT	0.4999	0.3691	0.2105	<b>0.7656</b>					
MC (o)	0.1608	0.5653	0.5005	0.2425	<b>0.8060</b>				
MC (s)	0.1016	0.2327	0.1805	0.1001	0.0696	<b>0.8564</b>			
SC	0.2627	0.5722	0.5099	0.2194	0.3894	-0.0312	<b>0.7799</b>		
TON	0.3434	0.8110	0.6438	0.3906	0.5868	0.1753	0.6356	<b>0.8526</b>	
VHN	0.4038	0.3254	0.2671	0.2560	0.1516	0.1749	0.2288	0.3334	<b>0.7383</b>

AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature.

In addition, the factor loadings for all measurement indicators were highest on their putative constructs compared to the remaining latent variables (see Table 6.22). Interestingly, the measurement indicator loadings for only two manifest variables (views of human nature and interpersonal tactic) were below the acceptable threshold of 0.70 (Henseler et al., 2009), which might be related to the aforementioned issues with the Mach IV construct. As indicated, considering the outer loadings of these variables were above 0.40, they were retained (Henseler et al., 2009). Based on these findings, the model depicting vignette #2 is valid.

Table 6.22 – Vignette #2 Cross Loadings

	SC	EI	EJ	MC (o)	MC (s)	VHN	AM	IT	TON
SC 1	<b>0.8524</b>	0.4729	0.4313	0.3534	0.0117	0.2148	0.2588	0.2204	0.6011
SC 2	<b>0.7001</b>	0.4209	0.3614	0.2433	-0.0740	0.1333	0.1363	0.1079	0.3639
EI 1	0.5286	<b>0.9770</b>	0.7084	0.5406	0.2172	0.3156	0.2982	0.3374	0.7744
EI 2	0.5651	<b>0.9094</b>	0.6944	0.5501	0.2246	0.3185	0.3073	0.3420	0.7806
EI 3	0.5252	<b>0.9500</b>	0.6646	0.5283	0.2274	0.3137	0.2987	0.3313	0.7498
EI 4	0.5465	<b>0.9709</b>	0.7056	0.5226	0.2088	0.3152	0.3048	0.3557	0.7777
EI 5	0.5599	<b>0.9576</b>	0.6960	0.5512	0.2308	0.2878	0.3374	0.3913	0.7803
EJ 1	0.4850	0.7042	<b>0.9560</b>	0.4790	0.1962	0.2534	0.2281	0.2259	0.6018
EJ 2	0.4555	0.6380	<b>0.9253</b>	0.4218	0.1567	0.2248	0.1587	0.1418	0.5562
EJ 3	0.4884	0.7259	<b>0.9465</b>	0.5097	0.1550	0.2633	0.2190	0.2172	0.6548
EJ 4	0.5056	0.6930	<b>0.9696</b>	0.4850	0.1769	0.2705	0.2121	0.2090	0.6268
MC (o) 1	0.2239	0.3577	0.2827	<b>0.7199</b>	-0.0123	0.0776	0.1228	0.2272	0.3812
MC (o) 2	0.3821	0.5328	0.4946	<b>0.8837</b>	0.1036	0.1553	0.1374	0.1788	0.5463
MC (s) 1	-0.0372	0.2432	0.1947	0.0984	<b>0.9359</b>	0.1618	0.1240	0.1190	0.1750
MC (s) 2	-0.0094	0.1328	0.0920	-0.0068	<b>0.7689</b>	0.1380	0.0258	0.0310	0.1150
Mach 15	0.1850	0.2221	0.1863	0.1690	0.1255	<b>0.6883</b>	0.2513	0.1620	0.2712
Mach 18	0.1889	0.2511	0.2102	0.1397	0.0922	<b>0.7915</b>	0.3372	0.2235	0.2490
Mach 2	0.1328	0.2473	0.1946	0.0281	0.1762	<b>0.7315</b>	0.3001	0.1765	0.2220
Mach 16	0.1904	0.2125	0.1221	0.1220	0.0197	0.2159	<b>0.7449</b>	0.4080	0.2104
Mach 3	0.2106	0.2816	0.2060	0.1238	0.1318	0.3953	<b>0.7828</b>	0.3581	0.3111
Mach 6	0.1966	0.2858	0.1456	0.1339	0.1126	0.1199	0.2934	<b>0.6270</b>	0.2809
Mach 7	0.0859	0.2927	0.1594	0.1783	0.1071	0.1679	0.4255	<b>0.8150</b>	0.2519
Mach 9	0.0850	0.2735	0.1624	0.1406	0.0947	0.2314	0.3353	<b>0.7692</b>	0.2400
Mach 10	0.2551	0.3010	0.1873	0.2196	0.0501	0.2310	0.4167	<b>0.8059</b>	0.3703
Mach 13	0.2209	0.2671	0.1509	0.2442	0.0316	0.2169	0.4270	<b>0.7952</b>	0.3495
T 1	0.6065	0.7455	0.5847	0.5488	0.1225	0.2582	0.3014	0.3609	<b>0.8877</b>
T 2	0.5327	0.6822	0.5542	0.5091	0.1214	0.3018	0.3271	0.3825	<b>0.8754</b>
T 3	0.4108	0.6553	0.4711	0.4702	0.2141	0.2164	0.2316	0.2386	<b>0.7958</b>
T 4	0.5032	0.7427	0.5658	0.5187	0.2063	0.3430	0.3317	0.3586	<b>0.8477</b>
T 5	0.4969	0.6802	0.5790	0.4887	0.1528	0.3236	0.2520	0.2755	<b>0.8468</b>
T 6	0.5953	0.6079	0.5045	0.4741	0.0843	0.2834	0.2967	0.3767	<b>0.8104</b>
T 7	0.5503	0.7383	0.5672	0.5237	0.1810	0.2745	0.2580	0.2656	<b>0.8806</b>
T 8	0.6232	0.6706	0.5557	0.4640	0.1204	0.2695	0.3347	0.3930	<b>0.8716</b>

CN: Conventional norm; AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature; Mach: Machiavellianism.

### 6.4.2.3 Vignette #3 Subprime Lending

According to Table 6.23, the latent variables for vignette #3 show sufficient convergent validity as all AVE scores are above 0.50. The composite reliability scores are above 0.70. The square root of the AVE for each construct is greater than the correlation of the construct with any of the remaining constructs (see Table 6.24). Thus, the latent variables sustain acceptable levels of discriminant validity.

**Table 6.23 – Vignette #3 Subprime Lending AVE, Composite Reliability, and R<sup>2</sup>**

	AVE	Composite Reliability	R Square
AM	0.5838	0.7371	0.5307
EI	0.9199	0.9829	0.7100
EJ	0.9044	0.9743	0.5009
IT	0.5862	0.8754	0.8178
MC (o)	0.7688	0.8689	0.0784
MC (s)	0.6500	0.7850	0.0093
SC	0.5881	0.7399	0.0950
TON	0.7652	0.9580	0.5599
VHN	0.5451	0.7818	0.3499
Mach	0.5600	0.8400	N/A

AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature; Mach: Machiavellianism.

**Table 6.24 – Vignette #3 Latent Variable Correlations**

	AM	EI	EJ	IT	MC (o)	MC (s)	SC	TON	VHN
AM	<b>0.7641</b>								
EI	0.1072	<b>0.9591</b>							
EJ	0.0292	0.6685	<b>0.9510</b>						
IT	0.4997	0.2926	0.2027	<b>0.7656</b>					
MC (o)	0.1013	0.6594	0.5502	0.2529	<b>0.8768</b>				
MC (s)	0.0107	0.2346	0.0886	0.0738	0.0724	<b>0.8062</b>			
SC	0.1619	0.5536	0.4428	0.3069	0.5242	-0.0567	<b>0.7669</b>		
TON	0.1722	0.8178	0.6731	0.3150	0.6851	0.1609	0.5674	<b>0.8748</b>	
VHN	0.4041	0.2464	0.0769	0.2559	0.2461	0.1351	0.1649	0.2749	<b>0.7383</b>

AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature.

From Table 6.25, the cross loading results confirm the manifest variables load onto their putative factor structures better than the other latent variables. These findings provide evidence that each of the latent variables for the third vignette show acceptable validity and reliability. Consistent with the previous vignettes, the measurement indicator loadings for three manifest variables (magnitude of consequences (self), views of human nature, and interpersonal tactic) were below the acceptable threshold of 0.70 (Henseler et al., 2009). Given the outer loadings of these variables were above 0.40, they were retained (Henseler et al., 2009). Therefore, the latent variables for vignette #3 have sufficient reliability and validity.

Table 6.25 – Vignette #3 Cross Loadings

	SC	EI	EJ	MC (o)	MC (s)	VHN	AM	IT	TON
SC 1	<b>0.8122</b>	0.4295	0.2941	0.4681	-0.0189	0.2259	0.2374	0.3214	0.4464
SC 2	<b>0.7186</b>	0.4218	0.3964	0.3263	-0.0731	0.0090	-0.0099	0.1345	0.4250
EI 1	0.5217	<b>0.9804</b>	0.6434	0.6343	0.2308	0.2384	0.0879	0.2717	0.7716
EI 2	0.5524	<b>0.8892</b>	0.6685	0.6593	0.1946	0.2263	0.1302	0.2978	0.8092
EI 3	0.5256	<b>0.9717</b>	0.6259	0.6246	0.2393	0.2277	0.1081	0.2814	0.7821
EI 4	0.5225	<b>0.9818</b>	0.6414	0.6273	0.2327	0.2453	0.0953	0.2713	0.7782
EI 5	0.5284	<b>0.9693</b>	0.6208	0.6115	0.2274	0.2428	0.0907	0.2784	0.7743
EJ 1	0.3982	0.6343	<b>0.9575</b>	0.4915	0.1121	0.0671	0.0015	0.1992	0.6308
EJ 2	0.4567	0.6240	<b>0.9242</b>	0.5314	0.0485	0.0390	0.0109	0.1729	0.6496
EJ 3	0.3939	0.6290	<b>0.9601</b>	0.5325	0.0926	0.1055	0.0398	0.1924	0.6414
EJ 4	0.4345	0.6548	<b>0.9617</b>	0.5363	0.0844	0.0807	0.0578	0.2064	0.6384
MC (o) 1	0.2850	0.4558	0.3533	<b>0.8223</b>	0.0689	0.1696	0.0550	0.1393	0.4704
MC (o) 2	0.5821	0.6686	0.5755	<b>0.9281</b>	0.0610	0.2498	0.1126	0.2797	0.6967
MC (s) 1	-0.0607	0.2049	0.0921	0.0415	<b>0.9040</b>	0.1621	0.0209	0.1195	0.1634
MC (s) 2	-0.0236	0.1750	0.0413	0.0905	<b>0.6947</b>	0.0266	-0.0114	-0.0374	0.0815
Mach 15	0.1492	0.1369	0.0586	0.1883	0.0782	<b>0.6852</b>	0.2514	0.1619	0.1850
Mach 18	0.1013	0.1633	0.0341	0.1793	0.0419	<b>0.7902</b>	0.3374	0.2235	0.1732
Mach 2	0.1210	0.2458	0.0812	0.1802	0.1854	<b>0.7359</b>	0.3002	0.1767	0.2548
Mach 16	0.0783	0.0286	0.0203	0.0603	0.0099	0.2162	<b>0.7439</b>	0.4078	0.0566
Mach 3	0.1661	0.1316	0.0242	0.0934	0.0066	0.3951	<b>0.7837</b>	0.3581	0.2014
Mach 6	0.2859	0.2174	0.1568	0.1645	0.0843	0.1201	0.2934	<b>0.6272</b>	0.1880
Mach 7	0.1930	0.1901	0.1242	0.1211	0.0535	0.1680	0.4254	<b>0.8152</b>	0.1813
Mach 9	0.2108	0.2140	0.1625	0.1466	0.1215	0.2318	0.3352	<b>0.7703</b>	0.2658
Mach 10	0.2633	0.2257	0.1846	0.2869	0.0507	0.2305	0.4166	<b>0.8053</b>	0.2895
Mach 13	0.2379	0.2758	0.1517	0.2421	-0.0157	0.2165	0.4269	<b>0.7945</b>	0.2740
T 1	0.5667	0.7423	0.5766	0.6414	0.1751	0.2609	0.1484	0.2419	<b>0.8794</b>
T 2	0.5445	0.7219	0.5605	0.6230	0.1386	0.2940	0.2029	0.2865	<b>0.8831</b>
T 3	0.4539	0.6931	0.5843	0.5970	0.1179	0.2016	0.0447	0.2324	<b>0.8692</b>
T 4	0.4644	0.7211	0.5537	0.5307	0.1780	0.2869	0.2512	0.3378	<b>0.8470</b>
T 5	0.4784	0.7412	0.5985	0.6231	0.1543	0.2655	0.1856	0.2940	<b>0.8917</b>
T 6	0.4489	0.6595	0.6453	0.5757	0.0961	0.1438	0.1239	0.2641	<b>0.8630</b>
T 7	0.5103	0.7245	0.6062	0.5994	0.1218	0.2241	0.0937	0.2729	<b>0.8893</b>

CN: Conventional norm; AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature; Mach: Machiavellianism.

#### 6.4.2.4 Omnibus Model

Consistent with the results of the foregoing models, the omnibus, which was constructed from averaging the manifest variables from each of the three vignettes, sustains sufficient convergent validity. According to Table 6.26, the AVE scores for each latent variable are above 0.50 and the composite reliability results are above 0.70.



**Table 6.26 – Omnibus Vignette AVE, Composite Reliability, and R<sup>2</sup>**

	AVE	Composite Reliability	R Square
AM	0.5837	0.7370	0.5358
EI	0.9342	0.9861	0.7998
EJ	0.9257	0.9803	0.5926
IT	0.5862	0.8754	0.8096
MC (o)	0.7756	0.8734	0.1274
MC (s)	0.7408	0.8502	0.0255
SC	0.6139	0.7581	0.1516
TON	0.8169	0.9640	0.6304
VHN	0.5451	0.7818	0.3582
Mach	0.5600	0.8400	N/A

AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature; Mach: Machiavellianism.

From Tables 6.27 and 6.28, the latent variables for the omnibus show discriminant validity. Again, the outer loadings for manifest variables for the social consensus (0.68), views of human nature (0.69), and interpersonal tactics (0.63) were below 0.70, yet above 0.40 and thus, were retained.

**Table 6.27 – Omnibus Latent Variable Correlations**

	AM	EI	EJ	IT	MC (o)	MC (s)	SC	TON	VHN
AM	<b>0.7640</b>								
EI	0.2504	<b>0.9665</b>							
EJ	0.1483	0.7446	<b>0.9621</b>						
IT	0.4994	0.3639	0.2259	<b>0.7656</b>					
MC (o)	0.2017	0.6455	0.6228	0.3184	<b>0.8807</b>				
MC (s)	0.0742	0.3953	0.2324	0.1106	0.1500	<b>0.8607</b>			
SC	0.2719	0.5781	0.4683	0.3366	0.5142	0.0792	<b>0.7835</b>		
TON	0.2957	0.8790	0.7157	0.3703	0.7115	0.2951	0.5994	<b>0.9038</b>	
VHN	0.4048	0.3536	0.2076	0.2559	0.2588	0.2005	0.2657	0.3492	<b>0.7383</b>

AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature.

Table 6.28 – Omnibus Cross Loadings

	SC	EI	EJ	MC (o)	MC (s)	VHN	AM	IT	TON
SC 1	<b>0.8723</b>	0.5035	0.3728	0.4722	0.0888	0.2855	0.3046	0.3505	0.5404
SC 2	<b>0.6833</b>	0.3962	0.3734	0.3160	0.0246	0.1012	0.0850	0.1451	0.3835
EI 1	0.5599	<b>0.9849</b>	0.7275	0.6268	0.3899	0.3490	0.2251	0.3444	0.8556
EI 2	0.5243	<b>0.9119</b>	0.7070	0.6329	0.3549	0.3283	0.2428	0.3407	0.8264
EI 3	0.5523	<b>0.9707</b>	0.7067	0.6040	0.3783	0.3355	0.2445	0.3355	0.8478
EI 4	0.5698	<b>0.9824</b>	0.7295	0.6310	0.3861	0.3546	0.2455	0.3678	0.8565
EI 5	0.5860	<b>0.9810</b>	0.7270	0.6252	0.3999	0.3408	0.2523	0.3693	0.8612
EJ 1	0.4176	0.7258	<b>0.9578</b>	0.5688	0.2539	0.2022	0.1478	0.2322	0.6579
EJ 2	0.4373	0.6864	<b>0.9500</b>	0.5996	0.1795	0.1621	0.1078	0.1841	0.6798
EJ 3	0.4415	0.7133	<b>0.9698</b>	0.6070	0.2129	0.2187	0.1487	0.2182	0.6948
EJ 4	0.5033	0.7391	<b>0.9707</b>	0.6204	0.2472	0.2148	0.1651	0.2341	0.7201
MC (o) 1	0.3105	0.4386	0.4520	<b>0.8399</b>	0.0791	0.1749	0.1601	0.2338	0.5153
MC (o) 2	0.5608	0.6685	0.6243	<b>0.9197</b>	0.1719	0.2688	0.1923	0.3172	0.7139
MC (s) 1	0.0736	0.3917	0.2206	0.1545	<b>0.9297</b>	0.2155	0.1024	0.1629	0.3027
MC (s) 2	0.0622	0.2699	0.1749	0.0926	<b>0.7857</b>	0.1086	0.0022	-0.0140	0.1841
Mach 15	0.1951	0.2036	0.1396	0.1811	0.1544	<b>0.6855</b>	0.2518	0.1619	0.2452
Mach 18	0.1875	0.2458	0.1397	0.1909	0.1001	<b>0.7899</b>	0.3382	0.2235	0.2408
Mach 2	0.2088	0.3332	0.1826	0.2024	0.1976	<b>0.7359</b>	0.3005	0.1767	0.2911
Mach 16	0.1702	0.1113	0.0632	0.0926	0.0261	0.2162	<b>0.7401</b>	0.4078	0.1394
Mach 3	0.2425	0.2650	0.1595	0.2108	0.0848	0.3951	<b>0.7872</b>	0.3581	0.3057
Mach 6	0.3071	0.2768	0.1730	0.2223	0.1064	0.1201	0.2936	<b>0.6276</b>	0.2411
Mach 7	0.1917	0.2462	0.1350	0.1679	0.0802	0.1680	0.4249	<b>0.8148</b>	0.2155
Mach 9	0.2168	0.2907	0.1994	0.1950	0.1476	0.2318	0.3351	<b>0.7699</b>	0.2848
Mach 10	0.3151	0.2987	0.2080	0.3381	0.0631	0.2305	0.4161	<b>0.8056</b>	0.3558
Mach 13	0.2719	0.2866	0.1539	0.2909	0.0373	0.2165	0.4267	<b>0.7947</b>	0.3147
T 1	0.6439	0.8252	0.6829	0.6727	0.2634	0.3131	0.2631	0.3384	<b>0.9059</b>
T 2	0.5971	0.7593	0.5882	0.6234	0.2085	0.3545	0.3306	0.3796	<b>0.8912</b>
T 3	0.4414	0.7748	0.6278	0.6097	0.2866	0.2846	0.1961	0.2629	<b>0.9024</b>
T 5	0.4898	0.8123	0.6277	0.6059	0.3232	0.3584	0.2850	0.3212	<b>0.8824</b>
T 6	0.5572	0.7839	0.6671	0.6851	0.2449	0.2915	0.2935	0.3921	<b>0.9159</b>
T 7	0.5089	0.8087	0.6822	0.6560	0.2754	0.2924	0.2324	0.3087	<b>0.9245</b>

CN: Conventional norm; AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature; Mach: Machiavellianism.

### 6.4.3 Summary

The alternative model presented in this section provides additional details of the path coefficients between the PMI constructs and the other latent variables in the model. These details are beyond the capabilities of the formative approach and given the additional information, it could be argued the alternative model is superior (Valentine & Hellingworth, 2012). However, Jones (1991) conceptualized the moral intensity construct as multidimensional. The characteristics of the ethical problem and one's perception of them collectively represent PMI (Jones, 1991). It is argued that the characteristics of the ethical problem define how one perceives the intensity of a

situation and these characteristics do not independently influence the dependent variables in the decision-making process. The issue-contingent characteristics are determinants of PMI.

Using this contextualization within the context of Jarvis et al.'s (2003) characterization of latent variables, PMI has the characteristics of a second-order formative construct. Specifically, Jarvis et al. (2003) argued that for constructs to be considered formative, changes in the "indicators should cause changes in the construct" (p. 203). Further to Jarvis et al. (2003), the magnitude of consequences (self and others) and social consensus are relatively independent weighted contributions of PMI. These first order variables are reasonably uncorrelated from the latent variable correlation results (see Tables 6.3, 6.8, 6.11, and 6.14). According to theory, these dimensions are conceptually distinct and are defining factors of PMI (Jarvis et al., 2003).

In general, the characteristics of the ethical problem are not independently causal to the other variables in the study, such as judgment and intention. These characteristics comprise the aggregate PMI construct (Singhapakdi et al., 1999) and causality comes about by PMI as the driving variable. In turn, this multidimensional construct influences how one forms decisions involving ethically questionable content (Jones, 1991). Based on this discourse, PMI is clearly a Type II second-order formative model comprised of first-order reflective latent variables (Jarvis et al., 2003).

This research represents the first empirical study of PMI as a Type II construct. As is discussed in chapter seven, this conceptualization contributes to the theory of moral intensity. For the remainder of this research, the formative framework is considered the most logical representation of the decision-making process. However, for the benefit of the reader, the results of the hypothesis tests from both models are included.

## 6.5 Results

In the first part of this section, the  $R^2$  results of the latent variables are briefly discussed. In the second subsection, the results of the hypothesis tests are presented. Where applicable, the results of the hypothesis tests within the context of the alternative approach are presented. However, if the results are consistent between the two models, only the results from the formative model are shown. In general, the alternative framework is contrary to the theory founding the model of this research and therefore, the independent relationships of PMI are argued to be spurious notwithstanding the highly significant path coefficients. Considering the PMI constructs should not be studied independently within the decision-making process; the divergences between the hypothesis results of the two models will not be interpreted. The results of the alternative approach are presented for the interpretation of the reader.

The  $R^2$  results for the first-order latent variables associated with Machiavellianism (abstract morality, views of human nature, and interpersonal tactics) remained constant across the three vignettes and the omnibus. These consistent results can simply be explained by the independence of the Mach IV test to the vignettes; the Mach IV scores were introduced within each SEM. Within the context of PLS path modelling, Chin (1998) argues that the  $R^2$  values of 0.67, 0.33, and 0.19 are defined as substantial, moderate, and weak, respectively (Henseler et al., 2009).

From Table 6.29, the interpersonal tactics construct was highly explained by the Mach IV measurements items ( $R^2 \approx 0.8$ ). Similarly, the abstract morality latent variable ( $R^2 \approx 0.54$ ) was moderately explained by the manifest variables derived from the Mach IV test. The views of human nature were moderately explained by the Mach IV items ( $R^2 \approx 0.35$ ).

The unethical intentions construct sustained high  $R^2$  results ( $\approx 0.75$ ) across the four models. These results emphasize the strong fit of the latent variables synthesized in the framework and in general, the relevance of these constructs within the unethical decision-making process. Indeed, the most significant predictor of unethical intentions was the TON. Contrary to the empirical research (O'Fallon & Butterfield, 2005), Machiavellianism did not have a significant relationship to unethical intentions. However, this finding is consistent with Chatzidakis et al.'s (2007) theory - the relationship between the Machiavellian personality and unethical intentions is expected to be indirect through the TON. Based on these findings, it can be argued that the TON and PMI explained unethical intentions most appropriately.

Further to Table 6.29, ethical judgment sustained moderate  $R^2$  results ( $\approx 0.55$ ), which provides evidence the latent variable was best explained by unethical intentions and, secondarily, the TON and PMI. Consistent with the foregoing discussion involving unethical intentions, ethical judgment was not explained by Machiavellianism. Given the TON or PMI were not included in the Machiavellianism empirical literature (O'Fallon & Butterfield, 2005), the direct relationships between Machiavellianism and unethical intentions and Machiavellianism and ethical judgment were likely spurious; the relationship is clearly indirect through a network of constructs.

PMI was highly explained by the first-order constructs of the magnitude of consequences (self and others) and social consensus ( $R^2 \approx 0.99$ ). Although Machiavellianism poorly explained these first-order latent variables with  $R^2$  results of 0.06, 0.02, and 0.09 for the magnitude of consequences (self), magnitude of consequences (others), and social consensus constructs, respectively, the results were significant at the 0.05 level nonetheless.

From Table 6.29, the TON were moderately explained by PMI and secondarily, Machiavellianism ( $R^2 \approx 0.55$ ). Based on these findings, it appears individuals with deviant personalities rely on rationalization whilst forming unethical intentions. However, it is worth emphasizing that when Machiavellianism was removed from the model, the  $R^2$  for the TON decreased by less than 1%.

**Table 6.29  $R^2$  Results for each Latent Variable**

Latent Variable	Vignette #1 ( $R^2$ )	Vignette #2 ( $R^2$ )	Vignette #3 ( $R^2$ )	Omnibus ( $R^2$ )
AM	0.5464	0.5442	0.5316	0.5358
EI	0.7447	0.6830	0.7036	0.7878
EJ	0.6183	0.5549	0.5012	0.5803
IT	0.8063	0.8090	0.8185	0.8096
MACH	0.0000	0.0000	0.0000	0.0000
MC (o)	0.0305	0.0670	0.0773	0.1272
MC (s)	0.0173	0.0227	0.0000	0.0247
PMI	0.9935	0.9987	0.9876	0.9956
SC	0.0638	0.0869	0.0980	0.1512
TON	0.5186	0.6102	0.5693	0.6323
VHN	0.3560	0.3536	0.3483	0.3582

AM: Abstract morality; EI: Unethical intentions; EJ: Ethical judgment; IT: Interpersonal tactics; MC (o): Magnitude of consequences (others); MC (s): Magnitude of consequences (self); SC: Social consensus; TON: Techniques of neutralization; VHN: Views of human nature; PMI: Perceived moral intensity

### 6.5.1 Hypothesis Testing

As indicated, the results of the hypothesis tests from both frameworks are shown in this section; however, where the results are consistent between the models, only the results from the formative model are presented. Although further discussions are provided in chapter seven, the results that contribute to knowledge are briefly mentioned in this section. Prior to delving into the hypothesis tests, it is worth reemphasizing that multiple comparisons were not expected to be a problem with the path coefficients within the vignettes. Given the path coefficients within the three vignettes represent independent tests, which are argued to be isolated tests, Bonferroni's significance level adjustment was not used.

As hypothesized, it was expected that the magnitude of consequences (self), magnitude of consequences (others), and social consensus are formative dimensions of the PMI construct. Specifically,

*Hypothesis 1a: The magnitude of consequences (self) is a formative dimension of perceived moral intensity.*

*Hypothesis 1b: The magnitude of consequences (others) is a formative dimension of perceived moral intensity.*

*Hypothesis 1c: Social consensus is a formative dimension of perceived moral intensity.*

From Table 6.30, Hypothesis 1a (Model 1:  $\beta = 0.23$ ,  $p < 0.001$ ; Model 2:  $\beta = 0.22$ ,  $p < 0.001$ ; Model 3:  $\beta = 0.16$ ,  $p < 0.001$ ; Model 4:  $\beta = 0.28$ ,  $p < 0.001$ ), Hypothesis 1b (Model 1:  $\beta = 0.66$ ,  $p < 0.001$ ; Model 2:  $\beta = 0.55$ ,  $p < 0.001$ ; Model 3:  $\beta = 0.64$ ,  $p < 0.001$ ; Model 4:  $\beta = 0.61$ ,  $p < 0.001$ ), and Hypothesis 1c (Model 1:  $\beta = 0.46$ ,  $p < 0.001$ ; Model 2:  $\beta = 0.61$ ,  $p < 0.001$ ; Model 3:  $\beta = 0.47$ ,  $p < 0.001$ ; Model 4:  $\beta = 0.45$ ,  $p < 0.001$ ) are highly supported in all four models. Indeed, PMI functions well as a second-order formative model. **From these findings, Hypothesis 1 is supported in each model, which contributes to the moral intensity literature as an additional dimension of magnitude of consequences is introduced.**

Table 6.30 Hypothesis Testing

Hypotheses	Path Coefficient			
	Vignette 1	Vignette 2	Vignette 3	Vignette 4
H1a: MC (s) -> PEI	0.23***	0.22***	0.16***	0.28***
H1b: MC (o) -> PEI	0.66***	0.55***	0.64***	0.61***
H1c: SC -> PEI	0.46***	0.61***	0.47***	0.45***
H2: PMI -> EJ	-0.18**	-0.22***	-0.12*	-0.16**
H3: PMI -> EI	-0.21***	-0.24***	-0.28***	-0.20***
H4: PMI -> TON	-0.70***	-0.67***	-0.71***	-0.73***
H5a: TON -> EJ	0.26***	NS	0.33***	0.19**
H5b: TON -> EI	0.70***	0.63***	0.61***	0.72***
H6: EI -> EJ	0.41***	0.57***	0.31***	0.45***
H7a: Mach -> MC (s)	0.13**	0.15***	NS	0.16**
H7b: Mach -> MC (o)	0.17***	0.26***	0.28***	0.36***
H7c: Mach -> SC	0.25***	0.30***	0.31***	0.39***
H8: Mach -> TON	0.08**	0.23***	0.11***	0.13***

\* p < 0.05  
\*\* p < 0.01  
\*\*\* p < 0.001

For Hypothesis 2, it was postulated that PMI was positively related to ethical judgment. Specifically,

*Hypothesis 2: The perceived moral intensity construct is negatively related to ethical judgment in which an ethically questionable behaviour is judged as ethical.*

Consistent with the moral intensity literature (O'Fallon & Butterfield, 2005), Hypothesis 2 is supported in all four models (Model 1:  $\beta = -0.18$ ,  $p < 0.01$ ; Model 2:  $\beta = -0.22$ ,  $p < 0.001$ ; Model 3:  $\beta = -0.12$ ,  $p < 0.05$ ; Model 4:  $\beta = -0.16$ ,  $p < 0.01$ ). **Based on these results, Hypothesis 2 is supported in each model.**

To test Hypothesis 2 in the alternative model, the path coefficients for the three PMI constructs were independently tested to ethical judgment. According to Table 6.30, the relationship between magnitude of consequences (self) and ethical judgment (Hypothesis 2a) is not supported. Hypothesis 2b is supported in all four models (Model 1:  $\beta = -0.16$ ,  $p < 0.001$ ; Model 2:  $\beta = -0.12$ ,  $p < 0.05$ ; Model 3:  $\beta = -0.11$ ,  $p < 0.05$ ; Model 4:  $\beta = -0.21$ ,  $p < 0.01$ ). From Table 6.31, Hypothesis 2c is supported in models one and two, but not the other models (Model 1:  $\beta = -0.09$ ,  $p < 0.05$ ; Model 2:  $\beta = -0.13$ ,



$p < 0.01$ ; Model 3: not significant; Model 4: not significant). Based on these results, Hypothesis 2 receives partial support in the alternative model.

**Table 6.31 Hypothesis Testing for the Alternative Model**

Hypotheses	Path Coefficient			
	Vignette 1	Vignette 2	Vignette 3	Vignette 4
H2a: MC (s) -> EJ	NS	NS	NS	NS
H2b: MC (o) -> EJ	-0.16***	-0.12*	-0.11*	-0.21**
H2c: SC -> EJ	-0.09*	-0.13**	NS	NS
H3a: MC (s) -> EI	-0.08**	-0.12***	-0.14***	-0.16***
H3b: MC (o) -> EI	-0.15***	-0.14***	-0.16***	NS
H3c: SC -> EI	-0.07*	-0.12***	-0.13***	-0.11***
H4a: MC (s) -> TON	-0.16***	-0.13***	-0.13***	-0.18***
H4b: MC (o) -> TON	-0.49***	-0.35***	-0.50***	-0.49***
H4c: SC -> TON	-0.29***	-0.44***	-0.28***	-0.28***

\*  $p < 0.05$   
\*\*  $p < 0.01$   
\*\*\*  $p < 0.001$

According to Hypothesis 3, it was expected that PMI was positively related to unethical intentions.

*Hypothesis 3: The perceived moral intensity construct is negatively related to unethical intentions.*

Consistent with the moral intensity literature (O'Fallon & Butterfield, 2005), Hypothesis 3 is supported, again, in all four models (Model 1:  $\beta = -0.21$ ,  $p < 0.001$ ; Model 2:  $\beta = -0.24$ ,  $p < 0.001$ ; Model 3:  $\beta = -0.28$ ,  $p < 0.001$ ; Model 4:  $\beta = -0.20$ ,  $p < 0.001$ ). Indeed, individuals that minimize the consequences of their actions, are indifferent to the norms of society, and perceive the consequences against themselves as most salient, have a greater tendency to develop unethical intentions. **From these results, Hypothesis 3 is supported in each model.**

To test Hypothesis 3 in the alternative framework, the path coefficients for the three PMI constructs were independently tested to unethical intentions. From Table 6.31, the relationship between magnitude of consequences (self) and unethical intentions (Hypothesis 3a) is highly supported in all four models (Model 1:  $\beta = -0.08$ ,  $p < 0.001$ ;

Model 2:  $\beta = -0.12$ ,  $p < 0.001$ ; Model 3:  $\beta = -0.14$ ,  $p < 0.001$ ; Model 4:  $\beta = -0.16$ ,  $p < 0.001$ ). Hypothesis 3b is supported in models one, two, and three, but not in the omnibus (Model 1:  $\beta = -0.15$ ,  $p < 0.001$ ; Model 2:  $\beta = -0.14$ ,  $p < 0.001$ ; Model 3:  $\beta = -0.16$ ,  $p < 0.001$ ; Model 4: not supported). From Table 6.31, Hypothesis 3c is supported, again, in all four models (Model 1:  $\beta = -0.07$ ,  $p < 0.05$ ; Model 2:  $\beta = -0.12$ ,  $p < 0.001$ ; Model 3:  $\beta = -0.13$ ,  $p < 0.001$ ; Model 4:  $\beta = -0.11$ ,  $p < 0.001$ ). From these results, Hypothesis 3 is partially supported in the alternative model.

In Hypothesis 4, it was expected that PMI would be positively related to the TON.

*Hypothesis 4: Perceived moral intensity is negatively related to the techniques of neutralization.*

Contrary to neutralization theory, but consistent with empirical studies, Hypothesis 4 is highly supported in all four models (Model 1:  $\beta = -0.70$ ,  $p < 0.001$ ; Model 2:  $\beta = -0.67$ ,  $p < 0.001$ ; Model 3:  $\beta = -0.71$ ,  $p < 0.001$ ; Model 4:  $\beta = -0.73$ ,  $p < 0.001$ ). To test Hypothesis 4 within the alternative model, the path coefficients from each of the PMI constructs were tested directly to the TON. From Table 6.31, Hypotheses 4a (Model 1:  $\beta = -0.16$ ,  $p < 0.001$ ; Model 2:  $\beta = -0.13$ ,  $p < 0.001$ ; Model 3:  $\beta = -0.13$ ,  $p < 0.001$ ; Model 4:  $\beta = -0.18$ ,  $p < 0.001$ ), Hypothesis 4b (Model 1:  $\beta = -0.49$ ,  $p < 0.001$ ; Model 2:  $\beta = -0.35$ ,  $p < 0.001$ ; Model 3:  $\beta = -0.50$ ,  $p < 0.001$ ; Model 4:  $\beta = -0.49$ ,  $p < 0.001$ ), and Hypothesis 4c (Model 1:  $\beta = -0.29$ ,  $p < 0.001$ ; Model 2:  $\beta = -0.44$ ,  $p < 0.001$ ; Model 3:  $\beta = -0.28$ ,  $p < 0.001$ ; Model 4:  $\beta = -0.28$ ,  $p < 0.001$ ) are highly supported in all four models. **These consistent findings for Hypothesis 4 contribute to the ethical decision-making theory as when marketers minimize the consequences of their actions on others, are indifferent to social norms, and perceive the consequences against their self-interest as most salient, they rely on various neutralization techniques to justify this.**

In Hypothesis H5a, it was postulated that neutralization would be positively related to judging an ethically questionable behaviour as ethical.

*Hypothesis 5a: The techniques of neutralization are positively related to ethical judgment in which an ethically questionable behaviour is judged as ethical.*

From Table 6.30, Hypothesis 5a is supported in models one, three, and the omnibus, but not in model two (Model 1:  $\beta = 0.26$ ,  $p < 0.001$ ; Model 2: not supported; Model 3:  $\beta = 0.33$ ,  $p < 0.001$ ; Model 4:  $\beta = 0.19$ ,  $p < 0.01$ ). **From these results, Hypothesis 5a receives partial support.**

In Hypothesis 5b, it was expected that the TON would be positively related to unethical intentions.

*Hypothesis 5b: The techniques of neutralization are positively related to unethical intentions.*

Hypothesis 5b is highly supported in all four models (Model 1:  $\beta = 0.70$ ,  $p < 0.001$ ; Model 2:  $\beta = 0.63$ ,  $p < 0.001$ ; Model 3:  $\beta = 0.61$ ,  $p < 0.001$ ; Model 4:  $\beta = 0.72$ ,  $p < 0.001$ ). **From these results, Hypothesis 5b is supported in each model, which contributes to the empirical neutralization research as marketers appear to rely on neutralizations when forming ethically questionable intentions.**

In Hypothesis 6, it was anticipated that unethical intentions would be positively related to ethical judgment. Specifically,

*Hypothesis 6: Unethical intentions are positively related to ethical judgments in which managers judge an ethically questionable behaviour as ethical.*

**Hypothesis 6 was highly supported in each model** (Model 1:  $\beta = 0.41$ ,  $p < 0.001$ ; Model 2:  $\beta = 0.57$ ,  $p < 0.001$ ; Model 3:  $\beta = 0.31$ ,  $p < 0.001$ ; Model 4:  $\beta = 0.45$ ,  $p < 0.001$ ). Thus, consistent with the intuition theorists, marketers believe their illicit

intentions are ethical. As is discussed in chapter seven, this finding contributes to the reflexive judgment theoretical and empirical research. This finding provides evidence that marketers rationalize their ethically questionable intentions by suppressing the ethicality associated with an ethical problem. Rationalization provides decision-makers with the ability to remain consciously unaware of ethical problems. Through this cognitive bias, marketers are able to maintain their self-concept by appearing to themselves (and others) as ethical, which can assist them in minimizing guilt and cognitive dissonance.

In Hypothesis 7, it was anticipated that Machiavellianism would be positively related to the first order PMI constructs.

*Hypothesis 7a: Machiavellianism is positively related to the magnitude of consequences (self) in that Machiavellians will perceive the consequences against their self-interests as most salient.*

*Hypothesis 7b: Machiavellianism is positively related to the magnitude of consequences (others) in that Machiavellians will minimize or disregard the consequences on others.*

*Hypothesis 7c: Machiavellianism is positively related to social consensus in that Machiavellians will be indifferent to social consensus.*

In Hypothesis 7a, the relationship between Machiavellianism and the magnitude of consequences (self) is not supported in the third model but is in the other three models (Model 1:  $\beta = 0.13$ ,  $p < 0.001$ ; Model 2:  $\beta = 0.15$ ,  $p < 0.001$ ; Model 3: not significant; Model 4:  $\beta = 0.16$ ,  $p < 0.01$ ). In Hypothesis 7b, the relationship between Machiavellianism and the magnitude of consequences (others) was highly supported in each model (Model 1:  $\beta = 0.17$ ,  $p < 0.001$ ; Model 2:  $\beta = 0.26$ ,  $p < 0.001$ ; Model 3:  $\beta = 0.28$ ,  $p < 0.001$ ; Model 4:  $\beta = 0.36$ ,  $p < 0.001$ ). In Hypothesis 7c, the relationship

between Machiavellianism and social consensus was highly supported (Model 1:  $\beta = 0.25$ ,  $p < 0.001$ ; Model 2:  $\beta = 0.30$ ,  $p < 0.001$ ; Model 3:  $\beta = 0.31$ ,  $p < 0.001$ ; Model 4:  $\beta = 0.39$ ,  $p < 0.001$ ). **From these results, Hypothesis 7a receives partial support whilst Hypotheses 7b and 7c are supported in each model, which contributes to the moral intensity theoretical research as Machiavellianism appears to influence one's perceptions of moral intensity.**

In Hypothesis 8, a positive relationship between Machiavellianism and the TON was expected. Specifically,

*Hypothesis 8: Machiavellianism is positively related to the techniques of neutralization.*

This relationship was supported in all four models (Model 1:  $\beta = 0.08$ ,  $p < 0.01$ ; Model 2:  $\beta = 0.23$ ,  $p < 0.001$ ; Model 3:  $\beta = 0.11$ ,  $p < 0.001$ ; Model 4:  $\beta = 0.13$ ,  $p < 0.001$ ). **From the results, Hypothesis 8 is supported in each model, which contributes to neutralization theory as the Machiavellian personality appears to influence one's acceptance of rationalization.** Indeed, as presented in chapter four, Machiavellians are not perpetually immoral; they are selectively willing to engage in ethically questionable behaviour (EQB). This mentality is consistent with the purpose of the TON in that delinquents selectively deviate from the norms of society and use rationalization to rid themselves of guilt.

From the summary table of the hypothesis testing results (see Table 6.32); most of the hypotheses were highly supported. However, two hypotheses received partial support. Specifically, Hypothesis 5a was supported in Modules 1, 3, and 4, but not supported in Model 2. Hypothesis 7a was supported in Modules 1, 2, and 4 whereas the hypothesis was not supported in Module 3. Discussions of these findings are included in chapter seven.

**Table 6.32 Summary of Hypothesis Testing Results**

HYPOTHESIZED RELATIONSHIPS	Result
H1a: The magnitude of consequences (self) is a formative dimension of perceived moral intensity.	Supported
H1b: The magnitude of consequences (others) is a formative dimension of perceived moral intensity.	Supported
H1c: Social consensus is a formative dimension of perceived moral intensity.	Supported
H2: The perceived moral intensity construct is negatively related to ethical judgment in which an ethically questionable behaviour is judged as ethical.	Supported
H3: The perceived moral intensity construct is negatively related to unethical intentions.	Supported
H4: Perceived moral intensity is negatively related to the techniques of neutralization.	Supported
H5a: The techniques of neutralization are positively related to ethical judgment in which an ethically questionable behaviour is judged as ethical.	Supported in Modules 1, 3, and 4; not supported in Module 2.
H5b: The techniques of neutralization are positively related to unethical intentions.	Supported
H6: Unethical intentions are positively related to ethical judgments in which managers judge an ethically questionable behaviour as ethical.	Supported
H7a: Machiavellianism is positively related to the magnitude of consequences (self) in that Machiavellians will perceive the consequences against their self-interests as most salient.	Supported in Modules 1, 2, and 4; not supported in Module 3.
H7b: Machiavellianism is positively related to the magnitude of consequences (others) in that Machiavellians will minimize or disregard the consequences on others.	Supported
H7c: Machiavellianism is positively related to social consensus in that Machiavellians will be indifferent to social consensus.	Supported
H8: Machiavellianism is positively related to the techniques of neutralization.	Supported.

### 6.5.2 Post-hoc testing on Control Variables

To understand if the demographic variables influence the constructs in the model for ethically questionable decision-making, MANOVA tests were conducted on gender, age, education, and work experience. According to the results for vignette #1, none of the demographic variables had a significant effect on the model at the 0.05 level. However, age was found to be significant in the MANOVA test for the second vignette (Wilks' test,  $F_{36,949} = 2.92$ ,  $p < 0.001$ ). Following the MANOVA test, a general linear ANOVA was used to analyse the latent variables influenced by age. From Table 6.33, age affected the interpersonal tactics variable associated with Machiavellianism ( $F_{4,271} = 4.56$ ,  $p < 0.01$ ), social consensus ( $F_{4,271} = 4.10$ ,  $p < 0.01$ ), views of human nature associated with Machiavellianism ( $F_{4,271} = 4.18$ ,  $p < 0.003$ ), and the magnitude of consequences (self) ( $F_{4,271} = 4.32$ ,  $p < 0.01$ ). Similar to vignette #1, none of the control variables had an effect on the model representative of vignette #3. According to the MANOVA results for the omnibus model, age was significant (Wilks' test,  $F_{36,949} =$

1.492,  $p < 0.05$ ) and essentially mirrored the results from vignette #2. Specifically, age significantly influenced interpersonal tactics ( $F_{4,271} = 4.56$ ,  $p < 0.001$ ), magnitude of consequences (self) ( $F_{4,271} = 4.17$ ,  $p < 0.003$ ), and views of human nature ( $F_{4,271} = 4.18$ ,  $p < 0.003$ ) in the ANOVA test.

To understand the age disparities, Tukey's post-hoc tests were conducted. According to the vignette #2 results, marketers under the age of 50 had the greatest inclinations toward using interpersonal tactics of the Machiavellian construct. Similarly, marketers under the age of 30 held the most cynical views of human nature, another Machiavellian construct. These results are consistent with the Machiavellian literature as younger individuals are often found to be more Machiavellian (Hunt & Chonko, 1984). Similarly, participants 30 and younger were more indifferent to social norms, which is likely consistent with their Machiavellian tendencies. Finally, individuals within the 40 to 50 age category were more sensitive to the consequences against their self-interests. This sensitivity might be attributed to their career stage, likelihood of dependents, and financial responsibilities compared to younger participants that may not have entered this phase or older participants that have left this stage. Perhaps these individuals might be most dependent on their employment.

According to the findings of Tukey's test for the omnibus framework, the results were mirroring those from vignette #2. Specifically, individuals below the age of 30 were more inclined to use interpersonal tactics and hold cynical views of human nature. Similarly those individuals in the 40 to 50 age category were most sensitive to the harms against themselves.

From these post-hoc analyses, none of the other demographic variable had an effect on unethical intentions, ethical judgment, and the TON at the 0.05 level of significance in any of the vignettes. In general, these results are consistent with the literature as it has

been argued that demographic variables do not significantly influence the dependent variables in the decision-making process (Ajzen & Fishbein, 1980). Although the demographic variables had a significant effect on the aforementioned study variables, the contribution to the adjusted coefficient of determination ( $R^2$ ) was clearly insignificant as these contributions were all below 5% (see Table 6.33), which is below the threshold of 19% to be considered a weak contribution (Henseler et al., 2009). Indeed, demographic factors are inconsequential to the ethically questionable decision-making process. Based on these findings, the fundamental structure of the omnibus model is therefore seen to hold across each model.

**Table 6.33 Results of Analysis of Variance for Demographic Variables**

Source	Sum of Squares	df	Mean Squares	F	R <sup>2</sup>
<b>Vignette #2</b>					
Age * IT	17.42	4	4.36	4.56**	4.93%
Error	258.58	271	0.95		
Age * MC (s)	16.53	4	4.13	4.32**	4.60%
Error	259.47	271	0.96		
Age * SC	15.76	4	3.94	4.10**	4.32%
Error	260.24	271	0.96		
Age * VHN	16.02	4	4.01	4.18**	4.42%
Error	259.98	271	0.96		
<b>Omnibus</b>					
Age * IT	17.42	4	4.36	4.56**	4.93%
Error	258.58	271	0.95		
Age * MC (s)	16.04	4	4.00	4.17**	4.41%
Error	259.98	271	0.96		
Age * VHN	16.04	4	4.01	4.18**	4.42%
Error	259.96	271	0.96		

\*  $p < 0.05$

\*\*  $p < 0.01$

\*\*\*  $p < 0.001$

IT: Interpersonal tactics; MC (s): Magnitude of consequences (self); SC: Social consensus; VHN: Views of human nature.



## 6.6 Conclusion

As was evidenced throughout this chapter, the measurement instrument developed for this research demonstrates acceptable levels of reliability and validity. The omnibus framework was found to provide a general perspective of the unethical decision-making process and considering the basic structure was held through each model, the omnibus can explain how marketers rationalize their ethically questionable intentions across various behaviours. As was emphasized, the model comprised of the second-order formative latent variable is most closely representative of the decision-making process. This model is the main contribution put forward from this research. As was shown, the path coefficients for each model are significant at the 0.05 level whilst many paths are significant at the 0.01 level. In the next chapter, these results are interpreted and discussed.

# Discussion

## 7.1 Introduction

In the last chapter, the validity and reliability of the three models representing the subprime lending, environmental pollution, and package downsizing vignettes was demonstrated. The omnibus framework, which was developed from averaging the manifest variables from each vignette, was introduced. As argued, the omnibus model provides a composite representation of the overall decision-making process marketers follow when ethically questionable intentions are formed. It is believed that this omnibus framework can be generalized across a broad assortment of behaviours.

Further to chapter six, an alternative framework, which involved removing the second-order formative latent variable from the perceived moral intensity (PMI) construct, was presented. In this alternative model, the first-order PMI dimensions were tested independently against the endogenous variables in the decision-making process. This model was shown to be valid and reliable. The hypothesis tests were in general, largely supported, which emphasizes the strength in the relationships between the constructs. However, considering Jones (1991) conceptualized PMI as a multidimensional construct, the dimensions of moral intensity are relatively independent, and reasonably

uncorrelated, the formative approach was argued to be the most appropriate representation of the moral intensity construct. Therefore, the formative model forms the basis of discussions for the remainder of this thesis.

In the first section of this chapter, the path coefficients across each of the vignettes representing the various research hypotheses are compared. In the second section, the major findings of this research are interpreted. In the latter portion of the chapter, the results are discussed with a specific focus on answering the research questions and outlining the contributions of this research.

## **7.2 Comparison of Vignettes**

As discussed in chapter five, many of the empirical studies (approximately 50%) in the business ethics research paradigm reviewed in this thesis were based on examinations of only a single ethically questionable behaviour (EQB). Of the studies that included several EQBs (Blodgett et al., 2001), the path coefficients between the variables of interest were most often not compared across the vignettes. By studying malfeasance in only one context, generalizations cannot be made across various behaviours and it remains unknown if marketers would be willing to behave illicitly in one situation, but not in another.

To address this concern, the corresponding path coefficients for each model are compared in this section using two sample pooled t-tests. Considering 16 comparisons are required per vignette, multiple comparisons were expected to be an issue (Simes, 1986), which could result in an increase in Type I errors. To address this concern and to attain a 0.05 level of significance, the familywise error rate was adjusted using a

Bonferroni correction<sup>3</sup>. The adjusted alpha using a two tailed t-test is 0.008 and the revised critical value for a 0.05 level of significance is 2.41.

Structural integrity across each of the three models and the composite omnibus model is largely present, with most of the paths between the models being constant; however, differences are apparent. According to the participants' perceptions of the various latent variables in this study (see Table 7.1), marketers have similar perceptions of subprime lending and package downsizing but clear differences were apparent with the perceptions of the environmental pollution vignette. From these descriptive statistics, it appears marketers perceive pollution as more heinous in comparison to the other two EQBs. Specifically, approximately 41%, 13%, and 32% of marketers were willing to behave unethically in the package downsizing, environmental pollution, and subprime lending contexts, respectively. Indeed, a near equal proportion of marketers judged the behaviours as ethical in each context.

As indicated in chapter five, the vignettes used in this research were crafted similarly; the only manipulation was the EQB. Considering the EQB was the only manipulation, the differences can only be explained by the context. As mentioned, researchers have failed to analyse the difference between various behaviours. Due to this dearth of research, many of the differences found in this section are explained by logical reasoning as opposed to rich theory grounded in empirical studies.

**Table 7.1 Percentages of Perceptions of Ethically Questionable Behaviour**

Latent Variable	Package downsizing	Environmental pollution	Subprime lending
Judged behaviour as ethical	34.00%	18.10%	33.70%
Unethical intentions	41.30%	13.40%	31.90%
Minimizing consequences	35.50%	10.50%	25.70%
Self-interest most salient	41.00%	47.10%	52.90%
Indifferent to social norms	10.50%	4.70%	10.40%
Acceptance of neutralizations	34.80%	8.00%	32.60%

Calculated by averaging the raw data scores for the manifest variables for each latent variable.

<sup>3</sup> Bonferroni's critical value adjustment for alpha = 0.05 was calculated through the formula  $\alpha = 1 - (1 - \alpha)^m$

### 7.2.1 Comparison between Package Downsizing and Environmental Pollution

In this section, the differences between the path coefficients in vignettes #1 (package downsizing) and vignette #2 (environmental pollution) are discussed. From Table 7.2, the difference in the path coefficient between Machiavellianism and the techniques of neutralization (TON) was significantly stronger in the environmental pollution vignette after the Bonferroni adjustment ( $t = -2.94$ ;  $p < 0.05$ ). This discrepancy is likely attributed to the divergent perceptions of pollution compared to packaging deception. For example, 18.4% of participants judged pollution as ethical whereas 34% judged package downsizing as ethical. Clearly, individuals perceive various behaviours differently, which appears to influence one's cognitive processes when exposed to ethical dilemmas.

Given the perceived negative social implications associated with environmental pollution, Machiavellians would likely require additional rationalization to minimize feelings of guilt. This finding is consistent with the Machiavellian discourse. Here, Machiavellians are not necessarily immoral; they simply have a "cool detachment" from others (Robinson & Shaver, 1969) and perhaps feel remorse in contexts that have severe ethical implications. In these situations, additional neutralization would be expected.

The factor loading between social consensus and PMI was found to be stronger in the environmental pollution vignette after the Bonferroni correction ( $t = -3.15$ ;  $p < 0.05$ ). Consistent with Singhapakdi et al.'s (1996) discourse, it appears that depending on the context, marketers perceive the dimensions of moral intensity as more intense than others, which supports Jones's (1991) theory (Singhapakdi et al., 1996).

**Table 7.2 Independent Samples t-tests comparing the Corresponding Path in Each Model**

Path coefficient	Model 1 - Model 2	Model 1 - Model 3	Model 2 - Model 3
1. Magnitude of consequences (others) -> Perceived moral intensity	2.22	0.48	-2.05
2. Magnitude of consequences (self) -> Perceived moral intensity	0.16	1.09	1.05
3. Social consensus -> Perceived moral intensity	-2.94* <sup>1</sup>	-0.19	3.13* <sup>1</sup>
4. Perceived moral intensity -> Techniques of neutralization	0.63	-0.39	-1.04
5. Perceived moral intensity -> Unethical intentions	-0.45	-1.20	-0.61
6. Perceived moral intensity -> Ethical judgment	-0.59	-0.65	1.30
7. Techniques of neutralization -> Unethical intentions	1.05	1.57	-0.33
8. Techniques of neutralization -> Ethical judgment	2.12	0.65	-2.85* <sup>2</sup>
9. Unethical intentions -> Ethical judgment	-1.87	1.11	2.93* <sup>1</sup>
10. Machiavellianism -> Abstract morality	0.04	0.30	0.23
11. Machiavellianism -> Interpersonal tactics	-0.09	-0.41	0.33
12. Machiavellianism -> Views of human nature	0.03	0.10	0.07
13. Machiavellianism -> Magnitude of consequences (others)	-1.17	-1.43	-0.28
14. Machiavellianism -> Magnitude of consequences (self)	-0.29	0.32	0.54
15. Machiavellianism -> Social consensus	-0.59	-0.85	-0.28
16. Machiavellianism -> Techniques of neutralization	-3.15* <sup>1</sup>	-0.67	2.50* <sup>1</sup>

Bonferroni adjustment to accommodate a familywise significance level of 0.05; adjusted critical value is 2.41

\*  $p < 0.05$

<sup>1</sup> Stronger in Model 2

<sup>2</sup> Stronger in Model 3

### 7.2.2 Comparison between Package Downsizing and Subprime Lending

Further to Table 7.2, the path coefficients between vignettes #1 and #3 for package downsizing and subprime lending were relatively similar as no statistically significant differences were found after the Bonferroni adjustments. From this comparison, the model appears to have structural integrity. Considering this seeming universality of the fundamental model, these results imply that marketers typically follow a distinct unethical decision-making process when they are exposed to both package deception and subprime lending ethical dilemmas.

### 7.2.3 Comparison between Environmental Pollution and Subprime Lending

From Table 7.2, the path coefficient differences between the environmental pollution (vignette #2) and subprime lending situations (vignette #3) were significant across four paths. Surprisingly, the relationship between neutralization and ethical judgment was stronger in the subprime lending vignette compared to the pollution vignette after the Bonferroni adjustment ( $t = -2.85$ ;  $p < 0.05$ ). As pollution is perceived as psychologically distressing (Arza & Lopez, 2011), it was expected that additional rationalization would

be needed. Interestingly, the path between unethical intentions and ethical judgment was also significantly stronger in vignette #2 after the Bonferroni adjustment ( $t = 2.93$ ;  $p < 0.05$ ).

Consistent with the comparison between vignettes #1 and #2, a difference is apparent between Machiavellianism and the TON in the environmental pollution vignette ( $t = 2.50$ ;  $p < 0.05$ ). As indicated, environmental pollution is perceived as heinous and would typically require additional rationalization to minimize guilt.

A significant difference between social consensus and PMI was also found after the Bonferroni adjustment ( $t = 3.13$ ;  $p < 0.05$ ). The relationship was stronger in vignette #2. This divergence is interesting as one would assume marketers might be less willing to believe environmental pollution is socially acceptable. Despite the severe repercussions that occurred from subprime lending in the U.S., the consequences of pollution such as global warming are perhaps perceived as far more debilitating. In addition, subprime lending is legal in the U.S. whereas environmental pollution is heavily controlled and given the local legislation, these regulations might influence how U.S. marketers perceive the norms of society. For example, considering most U.S. citizens operate at stage four (obedience to authority) in Kohlberg's cognitive moral development hierarchy (Wood et al., 1988), marketers might perceive morality on legislative terms. With pollution being heavily regulated, seemingly, it is perceived as immoral in any geographical context.

#### **7.2.4 Summary**

Several models developed prior to Jones's (1991) framework (Rest, 1986) were based on the premise that individuals follow an identical decision-making process, regardless of context. However, through his issue-contingent construct, Jones (1991, p. 371) explicitly "rejects that view and formally includes characteristics of the moral issue as

an independent variable offering all four stages of moral decision making and behaviour". From the results of this section, it can be argued that individuals perceive EQBs differently and, more specifically, the unethical decision-making process is context dependent. This finding makes both a theoretical and empirical contribution.

Regardless that decision-makers perceive various ethical problems differently with disparities being found across the three vignettes, the basic structure of an unethical decision-making framework was nevertheless, maintained. Considering the seeming universality of the model, these results imply that marketers typically follow a distinct unethical decision-making process when they are exposed to various dilemmas. This structure is further emphasized through the omnibus model as this provides a composite representation of the overall decision-making process used by marketers whereas the other models provide more specific perspectives. Importantly, the relationships between PMI and unethical intentions, PMI and the TON, and the TON and unethical intentions remained constant across each vignette. This structural integrity emphasizes the robustness of the models and provides evidence these relationships remain stable across a wide spectrum of EQBs.

### **7.3 Interpretation of Results**

In this section, the results of this research are interpreted. In the first subsection, discussions centre on the relationship between Machiavellianism and the TON and also, the relationship between Machiavellianism and PMI. In the subsequent subsection, the discourse is related to ethical recognition, the indifference to social norms and reliance on neutralization, and the relationship between PMI and unethical intentions. In the final section, the relationship between unethical intentions and ethical judgment is discussed.



### 7.3.1 Machiavellianism

In this study, Machiavellians minimized the consequences on others, were shown to be indifferent to social norms, and perceived the consequences against their self-interests as most salient. To facilitate these perceptions, neutralizations were used. Consistent results were found in Stevens et al.'s (2012) study involving psychopaths. In their study, Stevens et al. (2012) demonstrated that psychopaths relied on rationalizations to justify their EQBs. As discussed in chapter three, the results between these studies are comparable as psychopaths and Machiavellians share similar personality traits (Paulhus & Williams, 2002).

Stevens et al. (2012) suggest rationalization provides psychopaths with the ability to redefine their perceptions of morality.

For example, a successful psychopath may know that fraud is wrong in a purely rational sense, but through moral disengagement, is able to redefine fraud – through some combination of justification mechanisms – as a justified act of personal gain with negligible consequences (p. 143).

Haidt (2001) demonstrated that individuals with deviant personalities are aware they should feel remorse for their EQB but yet, they remain unaffected. This lack of concern can cause these decision-makers to be indifferent to social norms and focus more on protecting their self-interest (Sonenshein, 2007).

The relationship between Machiavellianism and PMI contributes to the theory of moral intensity as, although the path coefficients were low, Machiavellianism appears to influence one's perceptions of moral intensity. According to the relationship between Machiavellianism and the TON, this finding contributes to neutralization theory as the Machiavellian personality has been shown to influence acceptance of rationalization. This finding provides support to Chatzidakis et al.'s (2007) theory in that various background characteristics are likely to influence the acceptance of neutralization.

However, considering the low yet significant path coefficients between Machiavellianism and the constructs in the model, such as PMI and TON, non-Machiavellians appear nearly as likely, on average, to follow the unethical decision-making process. As discussed in chapter six, when Machiavellianism was removed from the model for ethically questionable decision-making, the coefficient of determination ( $R^2$ ) scores for the latent variables were not greatly affected. This provides evidence that Machiavellianism does not drastically influence EQB in certain contexts (Ajzen & Fishbein, 1980).

Machiavellians, by their nature, might be predisposed to irrational egoist intentions, non-Machiavellians or low-Machiavellians can also behave as irrational egoists. Importantly, it is worth observing that other demographic factors (age, gender, and work experience) did not have a profound effect on the decision-making process as the contributions to the coefficient of determination were all below 5%. Therefore, marketers are, in general, capable of the malfeasance found in this study and most importantly, the Machiavellian personality is inconsequential to the ethically questionable decision-making process.

### **7.3.2 Ethical Recognition**

As indicated in chapter three, Jones (1991) and other theorists (Hunt & Vitell, 1986) contend that the first stage in the ethical decision-making process involves recognizing a moral issue. It is argued that if a moral issue is not recognized, decision-makers would not make a moral judgment, develop intentions, and act on their intentions (Jones, 1991). They might simply react (Murphy & Dacin, 2011).

In chapter three, it was argued that including a questionnaire item to test one's recognition of a moral issue would artificially prompt participants into becoming aware

of the ethical dilemma when they might not have previously (Gunia et al., 2012). For this reason, the ethical recognition item was not included in the questionnaire.

In his study, Barnett (2001) found that perceived social consensus and the magnitude of consequences were positively related to ethical recognition. Considering that marketers in this research minimized the consequences on others and were indifferent to social norms, it could be argued that they did not notice the ethicality associated with the ethical problems or in other words, the ethical problem was unrecognized.

However, the main assumption of neutralization theory is that individuals feel guilt when they behave unethically and, to minimize guilt, neutralization techniques are used (Sykes & Matza, 1957). As a highly significant relationship was found between PMI and the TON, decision-makers must have therefore recognized the ethical problem (consciously or subconsciously). If participants had not recognized the ethical problem, it is unlikely a significant relationship between PMI and the TON would have been found as feelings of guilt would not have been felt (Agnew, 1994). As discussed in chapter three, individuals rationalize and justify their decisions, but this does not occur in all circumstances (Maruna & Copes, 2004).

Rest (1986) contended that for moral awareness to occur, at the minimum, decision-makers must recognize that their behaviour affects others or there are competing claims of values (Bersoff, 1999). Considering competing claims were associated with each ethical problem in this study, marketers would likely have perceived these conflicts<sup>4</sup> but, due to their minimization of the harms on other people and rationalization, they failed to recognize the ethicality of the dilemmas. In these situations, decision-makers

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<sup>4</sup> As mentioned in chapter five, the participants in the pre-tests indicated that the dilemmas had ethical content. Therefore, most participants in the main study of this thesis would have also recognized the ethical problem.

might be subconsciously aware of an ethical problem but through rationalization, they are capable of suppressing the ethicality of the dilemma.

Consequently, the empirical results of this research provide indirect evidence that individuals recognized the dilemmas had moral content. However, the minimization of the consequences on others and the cognitive biases associated with rationalization appear to have caused participants to fail to retain the ethicality of the problem and so, these psychological manoeuvres assisted decision-makers in suppressing ethical awareness.

### **7.3.3 Indifference to Social Norms and Neutralization**

In their seminal work, Sykes and Matza (1957) contended that if decision-makers reject the norms of society, it is unlikely they will feel guilty when they behave abhorrently. Without guilt or cognitive dissonance, neutralizations would be unnecessary (Maruna & Copes, 2004). Contrary to neutralization theory, but consistent with the extant empirical literature, the results of this study provide evidence that if decision-makers are indifferent to social norms, they rely on neutralization techniques to justify their ethically questionable intentions. These findings are consistent with the results from Agnew's (1994) cross-sectional study and Minor's (1981) longitudinal work.

To explain the gap between theory and practice, Minor (1984) argued that the continued use of neutralization techniques tends to weaken one's connection to social norms in that over time, individuals rely less on neutralizations as they become indifferent. Prior to complete indifference, neutralizations remain necessary to assist decision-makers in maintaining a positive self-concept (Agnew, 1994). From the results of this study, it appears that marketers might be attached, perhaps loosely to social norms and, therefore, require neutralization techniques to alleviate the cognitive dissonance associated with their indifference.

In these situations, Flynn and Wiltermuth (2010) contend that individuals are often willing to perceive their decisions as consistent with the opinions of others. By doing this, individuals tend to “project their own opinions and alter their judgments about what others think is ethical, perhaps giving them a sense of being in the majority even when they are not” (Flynn & Wiltermuth, 2010, p. 1074). The consequence being that even if managers hold socially sanctioned rules, depending on the context, they can be applied inappropriately (Reynolds, 2006).

#### **7.3.4 Perceived Moral Intensity and Unethical Intentions**

Jones (1991) argued that when decision-makers perceive higher levels of moral intensity associated with a dilemma, they are more inclined to behave ethically. From the extant empirical research, the magnitude of consequences and social consensus were negatively related to unethical intentions (Barnett, 2001).

Consistent with the literature (Davis et al., 1998), the marketers in this study that were indifferent to the norms of society, minimized the consequences on others and perceived the consequences against their self-interests as salient, were most willing to develop ethically questionable intentions. This negative relationship from PMI to unethical intentions provides evidence that decision-makers use their perceptions of moral intensity as rationalization mechanisms. Specifically,

... social consensus may, at times, connote a rationalization of questionable behaviour, not an endorsement. For example, in the case of rampant cheating in an examination, most students taking part would concede the practice is wrong, but use social consensus to justify their actions (Davis et al., 1998, p. 384).

When marketers behave unethically, they believe that there are no norms prohibiting the behaviour, the consequences against others are insignificant, and the consequences to their self-interest are most salient. Therefore, through their perception of moral

intensity, marketers are able to justifiably form, in their own mind, ethically questionable intentions.

In each vignette, the protagonist's employer would be harmed if he or she behaved ethically in the scenario. This harm was related to losing an account and if the account was lost, the protagonist could be penalized. It is acknowledged that this negative effect on the protagonist's employer might have influenced participants' decisions and, specifically, the magnitude of consequences (self) construct. In other words, the harm to the employer and the protagonist's self-interest could have equally influenced participants' perception of the magnitude of consequences (self) within each vignette. However, from the extant literature, it was found that U.S. participants are less concerned with harms against their employer (Schepers, 2003; Zarkada-Fraser & Fraser, 2001). They are most concerned with their personal interests (Hofstede, 2007). As such, the results for the magnitude of consequences (self) were interpreted as most salient to the decision-makers' interests.

### **7.3.5 Intentions Leading to Judgment**

Contrary to the rationalist ethical decision-making frameworks (Rest, 1986), but consistent with the intuitionist theory, unethical intentions were positively related to judging an EQB as ethical. Neurological cognitive researchers (Reynolds, 2006) have demonstrated that most decisions are made intuitively through reflexive judgments, which is grounded in the decision-makers' prior social experiences. Decision-makers recognize ethically questionable issues instantaneously (Haidt, 2001), which derive from their unconscious awareness and automatically arrive in their reflexive consciousness (Sonenshein, 2007). In this context, "action can unfold before the individual is cognizant of the rationale for doing so, and the explanations might emerge

only after the fact” (Reynolds, 2006, p. 743). When individuals make reflexive judgments, they develop explanations for their actions ex post facto (Haidt, 2001).

From this discourse, the positive relationship between unethical intentions and judgment found in this research was interpreted as reflexive. It is likely the ethical issues were recognized subconsciously, but were suppressed through the perception of moral intensity, neutralization, and judgments. Once marketers made intuitive judgments, they relied on the aforementioned psychological manoeuvrings to maintain their self-concept (Haidt, 2001).

In the 1970s, the Ford Pinto had a design fault - the gas tank was liable to rupture and ignite at low-impact causing numerous disfigurements and fatalities. However, the decision-makers at Ford decided the cost to rectify the design outweighed the costs of human life (Gioia, 1992). Gioia (1992, p. 358), a recall coordinator at the time, stated that:

... before I went to Ford I would have argued that Ford had an ethical obligation to recall. After I left Ford I now argue and teach that Ford had an obligation to recall. But, while I was there, I perceived no strong obligation to recall and remember no strong ethical overtones to the case whatsoever.

When he reviewed his behaviour, Gioia believed he committed no harm. In fact, he argued his decision was most appropriate to prolonging his employment.

To map the decision-making process, Gioia perceived moral intensity by minimizing the harm on Ford customers, focused on his desire to minimize the costs to his employer and, ultimately, retain his employment. To further distort the ethical problem, Gioia suppressed his guilt by claiming the decision was made collectively among his colleagues (i.e., denial of responsibility), which assisted him in judging the decision to do nothing as acceptable. Indeed, when unethical intentions are developed, managers believe they are ethical.

## **7.4 Discussion**

The discussion portion of this chapter is segregated into two sections. In the first section, the research questions are answered. In the second section, the contributions of this research are discussed within theoretical, empirical, methods, and managerial contexts. Specific discussions centre on the main contribution of synthesizing Jones's (1991) issue-contingent framework within the context of the TON, the impact of Machiavellianism on the decision-making process, and the positive relationship between unethical intentions and judging an EQB as ethical.

### **7.4.1 The Research Questions**

Marketers rationalize malfeasance through their perception of moral intensity i.e., minimizing the harms on others, indifference to social consensus, and perceiving the harms against their self-interest as most salient. To reemphasize these perceptions, marketers rationalize their decision-making through various neutralization techniques. By neutralizing, marketers convince themselves there are no unacceptable consequences for others or social norms forbidding their actions, when clearly there are. Consistent with the intuitive models, unethical intentions were positively related to ethical judgment. Indeed, when marketers develop ethically questionable intentions, they suppress the ethicality of the problem and contend their behaviour is morally acceptable.

Therefore, in response to the first research question, marketers rationalize their ethically questionable intentions through their: (1) perception of moral intensity, (2) reliance on various neutralization techniques, and; (3) judgment of their ethically questionable intentions as ethical. These findings explain the root of the problem, namely, the cognitive limitations of marketers and their disposition to sacrifice their long-term interests and the interests of others for the short-term.



Contrary to the bad apples thesis (Trevino & Youngblood, 1990), Machiavellianism did not contribute to explaining either the TON or PMI and by extension, the decision-making process. As indicated, when Machiavellianism was removed from the omnibus model, the coefficient of determination for the TON decreased marginally. Moreover, as the only exogenous variable for the PMI dimensions, Machiavellianism only makes a weak positive contribution to these, also. Therefore, to answer the second research question, these results imply low-Machiavellians are also irrational egoists and so Machiavellianism does not influence the decision-making process.

In this research, marketers were found to make less-optimal decisions (Simon, 1955) and were willing to satisfy their immediate concerns like addressing the threat from the ethical problem, but not maximizing the possible utility associated with behaving ethically. Indeed, marketers ignored relevant information which, according to rational egoism, would be in their best interests to consider and made irrational decisions to the detriment of others.

#### **7.4.2 Theoretical Contributions**

This research contributes to theory in four main areas. A significant contribution involves the mapping of the unethical decision-making process when an ethical problem is not recognized. Second, a contribution involves the synthesis of the TON within Jones's (1991) issue-contingent model. Third, the introduction and validation of PMI as a second-order formative model contributes to knowledge. Using Chatzidakis et al.'s (2007) theoretical framework, a fourth contribution is establishing that TON mediates for the relationship between Machiavellianism and unethical intentions. Associated with these major contributions, secondary contributions were also made.

### **7.4.2.1 Synthesized Framework**

By linking the TON within Jones's (1991) issue-contingent model, knowledge of the intermediary steps within the decision-making process has been gained. Consistent with the literature, direct relationships between PMI, unethical intentions, and ethical judgment were found. However, as an extension of Jones's (1991) model, PMI had the strongest impact on the TON. In turn, the TON had the strongest positive impact on unethical intentions.

The synthesis of the TON within the context of Jones's (1991) issue-contingent framework not only offers insight into the intermediary steps within the decision-making process, but also provides some evidence that decision-makers engage in retrospective analyses of their decisions. As a relationship was confirmed between unethical intentions and ethical judgment, marketers might not enter the judgment stage until later in the process, possibly when reflection occurs (Haidt, 2001; Reynolds, 2006).

### **7.4.2.2 Machiavellianism**

By answering Chatzidakis et al.'s (2007) call for additional study involving the TON and personality traits, Machiavellianism was found to sustain a significantly positive relationship to neutralization. This finding for U.S. marketers not only contributes to Machiavellian studies, but also provides support to Azjen and Fishbein's (1980) theory. According to the former, researchers have found Machiavellianism is significantly related to unethical intentions (O'Fallon & Butterfield, 2005). However, when the TON are included in the model, the relationship between Machiavellianism and unethical intentions becomes insignificant. This finding provides evidence that Machiavellianism is only related to unethical intentions through a network of latent variables, which involve PMI and the TON. This provides support to Chatzidakis et al.'s (2007) theory in

that the relationships between the background factors and unethical intentions might actually be indirect through neutralization.

Considering Machiavellians maintain the same willingness to rationalize their EQBs as non-Machiavellians, Azjen and Fishbein's (1980) theoretical framework is applicable to Machiavellianism. In general, Azjen and Fishbein (1980) argue personality traits may not influence behaviour significantly. Consistent with this argument, the other demographic factors investigated in this study, namely, age, gender, and work experience also did not have any differing effect on one's acceptance of neutralization or unethical intentions.

A further contribution from the research involves studying Machiavellianism within the context of PMI. Although the corresponding relationships proved to be weak, they were significant, nonetheless. Machiavellianism does effect one's perception of the magnitude of consequences and social consensus, albeit, rather weakly. These findings demonstrate that Machiavellians are less concerned with the interest of others, which is consistent with the literature in that Machiavellians are, almost by definition, willing to manipulate and exploit others for personal gains (Calhoon, 1969).

Additionally, the rationality theorists argue that when decision-makers behave irrationally, it is assumed a malfunction has occurred in the cognitive process (Holton & Naquin, 2005). By studying Machiavellianism, it was found that the malfunction in the cognitive process is related to context and rationalization. The Machiavellian personality was inconsequential. As Milgram (1974) had shown in his studies, "... perfectly ordinary people are able to commit very serious crimes or moral offenses when put in the right situation" (Heath, 2008, p. 598).

### 7.4.2.3 Formative Model

A theoretical and empirical contribution of this research involves conceptualizing and testing PMI as a Type II formative second-order model. As was discussed in chapter six, Jones (1991) conceptualized PMI as a multi-dimensional construct that is comprised of various issue-contingent factors, such as social consensus and magnitude of consequences. The magnitude of consequences (self and others) and social consensus comprise one's perception of moral intensity. These first order variables drive PMI, which in turn influences one's acceptance of neutralizations, unethical intentions, and ethical judgments. The TON, unethical intentions, and ethical judgment come about by PMI, collectively, as the driver.

Consistent with this framework, a further contribution of this research involves analyzing the magnitudes of consequences within the context of the decision-maker. This approach provides an additional dimension to the original six moral intensity variables developed by Jones (1991). Using this theoretical enhancement as a platform, researchers should focus on advancing Jones's (1991) model by analyzing additional ethical intensity variables within the context of the decision-maker.

Further to the PMI latent variable, a theoretical contribution is gained by broadening the social consensus construct. Social consensus has been studied by measuring participants' perceptions of how other people would judge an EQB (Singhapakdi et al., 1996). However, asking participants if they believe an EQB is acceptable measures an additional element of social consensus. By measuring one's perception of social norms at the individual level and societal level, an improved representation of the social consensus construct is gained.

#### **7.4.2.4 Unrecognized Ethical Problems**

Researchers following the rationalist decision-making paradigm (Rest, 1986) argue moral awareness is explicitly required for individuals to enter the moral decision-making framework. If decision-makers are morally unaware, an alternative framework is used (Jones, 1991). However, other than the reflexive judgment researchers (Murphy & Dacin, 2011), business ethicists have neglected to investigate this elusive model.

The model developed in this research provides insight into this alternative decision-making process. By evidencing reflexive judgments and the suppression of the ethicality of a problem, the model tested in this research maps the decision-making process used when marketers remain unaware of an ethical problem.

#### **7.4.3 Empirical Contributions**

In this section the two main empirical contributions of this research are presented. These contributions pertain to the relationship found between unethical intentions and ethical judgment. A secondary contribution involves the influence context has on the decision-making process.

The relationship between unethical intentions and ethical judgment provides an empirical contribution within the reflexive judgment theory. This study provides evidence that marketers minimize their perceptions of moral intensity, rely on neutralizations to facilitate the suppression of the ethicality of the ethical problem and, by judging the behaviour as ethical, are able to reemphasize their self-concept. This finding emphasizes the post-decision reasoning associated with reflexive judgments (Haidt, 2001).

Considering the only manipulation of this research was context, the findings provide evidence that marketers alter their decision-making process when they encounter

divergent situations. Although the decision-making structure studied remained robust across each vignette, differences were found among the strengths of various relationships. Based on these findings, the decision-making process is clearly influenced by context.

#### **7.4.4 Managerial Contributions**

Consistent with Flannery and May (2000), the marketers in this study form decisions in ethical contexts using a legal framework. They are primarily concerned with legal conformity and perceive morality as mostly immaterial. Marketers believe that if the behaviour is legal, than it is ethical. Unfortunately, this systematic approach is problematic and can result in creative compliance. Creative compliance involves manipulative problem-solving initiatives, which facilitate malfeasance by uncovering legal 'loop holes' that undermine the law (Parvez, 2007). By creatively complying with the law, marketers believe they have legal immunity (McBarnet, 2006) and use legislation to rationalize malfeasance. Through this systematic process, the marketers' ability (or willingness) to think is lost; society or one's employer provides the tools to make decisions. These decisions lack an element of humanity – marketers cannot perceive morality beyond the rules, they are blinded by the legality of their decisions. They believe that morality is defined by legislation.

Hunt and Vitell (1986) argue deontological and teleological evaluations are important to ethical judgments. However, the findings of this research provide evidence that legislation is used as a normative framework of morality. This mentality is clearly problematic as marketers use legislation to fuel their short-term self-interests but to the long-term detriment of others. When this occurs, long-term profitability can decline, corporate reputations can suffer if stakeholders become aware of the malfeasance, and employee motivation can decline when marketers experience personal harms.

By investigating EQBs within the legal limits of society, it was found that legislation is used to rationalize one's unethical intentions, which offers an additional perspective to Kohlberg's (1974) cognitive moral development theory. In the extant literature, most U.S. managers have been found to operate within the law and order stage of Kohlberg's model (Wood et al., 1988). Consistently, when marketers encountered an EQB within the legal limits of society in this research, they were willing to implement said behaviour through the aid of the legality neutralization.

In this research, it was found that through rationalization and suppressing the harms on others, marketers are capable of sanctioning the pollution of the environment, exploitation of vulnerable members of society, and deceiving customers through packaging. These cognitive biases enable decision-makers to believe their illicit actions are ethical causing illegitimate behaviours to be perpetuated. Interestingly marketers, in general were capable of the cognitive distortions found in this study. Indeed, corporate governance is a function of legal procedures, incentives, and performance, however, the Machiavellian personality is inconsequential. When marketers perceive salient incentives (or disincentives), they appear willing to squander the wellbeing of others to advance their temporary concerns or ambitions. It can be argued that bad apples do not contribute to the decision-making process but rather situational and cognitive factors (Simon, 1976) do. It appears that the barrel (i.e., situational factors) is the problem, which could be turning good apples bad (Trevino & Youngblood, 1990).

To ensure employees are well aware of the consequences of malfeasance, managers should emphasize to employees the harms they can cause society, their employer, and themselves. However, managers should proceed with caution as this solution might have limited success as employees regularly experience threats to their self-interests and mounting pressure to perform, which is a consequence of a competitive market. Indeed,

this research implies that irrational egoism is not readily solvable at the managerial level.

Conversely, there are steps that organizations can take to minimize the occurrences of EQB. Specifically, the findings of this thesis suggest that to guard against EQB caused by employees adopting the TON to justify their illicit behaviour, organizations need to be far more transparent and inclusive in the decision-making process. Organizations might also consider implementing periodic reinforcing training for decision-makers and to institute independent review panels, at least for major decisions. In general, an awareness of rationalization, perpetual reminders to decision-makers and sufficient independent audits are essential for organizations in their attempts to minimize EQB.

### **7.5 Conclusion**

The main objective of this research was to examine the effect of neutralization on ethical judgments and intentions. From the results of the analyses, the TON were found to have the strongest impact on unethical intentions. Consistent with the deviance literature (Agnew, 1994), this further provides evidence that neutralization leads to ethically questionable intentions. In addition, evidence was found that neutralization assists decision-makers in judging EQBs as ethical.

According to the second objective of evaluating the effect Machiavellianism has on neutralization and PMI, it was found that Machiavellianism did have a weak positive effect on both constructs. However, for Machiavellianism this was not considered to be a profound or important effect on either construct.

The third objective pertained to investigating the relationship between PMI and neutralization. As expected, when exposed to competing claims, individuals make trade-offs and use various neutralizations to justify their decisions. By linking the TON with



the PMI construct, knowledge of the intermediary steps within the decision-making process has been gained.

According to the fourth objective, which involved understanding if marketers believe their ethically questionable intentions are actually morally acceptable, a strong positive relationship between unethical intentions and judging an EQB as ethical was found. From this finding, when marketers develop ethically questionable intentions or by extension, when they behave illicitly, they believe their behaviours are ethical.

The final objective was to understand if decision-makers are willing to behave illicitly in certain contexts but not in others. From the comparisons of relationships represented in the separate structural equation models for the vignettes, it was found that context does influence the unethical decision-making process. However, context did not appear to influence the main constructs of interest in the model or the relationship depicted by the path coefficients between PMI and the TON, the TON and unethical intentions, and PMI and unethical intentions. Through the attainment of this objective, it was found that the model for ethically questionable decision-making has structural integrity and can be considered reliable. Therefore, the omnibus model can not only be applied to marketers in general, but also a broad spectrum of behaviour.

# Conclusion

## 8.1 Introduction

Over the past decade, in the aftermath of Wall Street scandals, the subprime lending crisis, and a range of well publicised large and small corporate misdemeanours, corporate malfeasance appears to be an unrelenting problem. To curb ethically questionable behaviour (EQB), managers have implemented ethical training programmes, governance practices, and codes of ethics (Cleek & Leonard, 1998). However, corruption persists, which leads to profit declines, costly fallout from litigation, damage to corporate reputation, and internal turmoil (Kish-Gephart et al., 2010).

To understand unethical decision-making, rational decision-making theorists (Rest, 1986) believe managers follow a linear process of identifying an ethical problem, making an ethical judgment, developing intentions, and acting on their intentions. Intuitionists believe managers make decisions subconsciously and reflexively (Reynolds, 2006; Haidt, 2001). Numerous studies have been conducted to test these theories. However, many of these studies are based on one-dimensional analyses that

typically involve simple regression models. For the most part, researchers have failed to take into consideration the multidimensional nature of corporate malfeasance (Kish-Gephart et al., 2010).

In this research, a multidimensional approach to ethically questionable decision-making was taken through the amalgamation of several decision-making theories. This synthesized model was tested on U.S. marketing professionals and analyzed using partial least squares (PLS) structural equation modelling. In the first section of this concluding chapter, the findings of this research are summarized. In the second section, the implications of the results are discussed. In the third section, the limitations are presented. In the final section, the directions for future study are suggested.

## **8.2 Thesis Summary**

In chapter one, marketers were demonstrated to be more likely to engage in EQB. In the extant literature, marketers were found to be less ethically sensitive compared to members of other organisational functional areas (O'Higgins & Keller, 2005). Based on the perceived greater propensity for EQB to occur among marketers, U.S. marketing professionals were selected as the target population for this research.

In the chapter, corporate malfeasance was demonstrated to be widespread, costly, and detrimental to not only organisations, but stakeholders in general. Most of the behaviours presented in the chapter (subprime lending crisis and pollution abroad) were conducted to retain short-term objectives, which seemed to be detrimental in the long-term. Indeed, these decisions appeared to be not only ethically questionable, but also illogical from a long-term profit maximization perspective. To understand how marketers make decisions that are against their long-term self-interests, the first research question posed was: 'how do marketers rationalize their ethically questionable intentions'.

Business ethicists contend that organisational malfeasance is most often caused by deviant personality types. According to various reviews of the business ethics empirical studies (Loe et al., 2000), Machiavellian personality types were most consistently willing to behave illicitly (O'Fallon & Butterfield, 2005) and Machiavellianism appears to have a profound effect on the unethical decision-making process. However, Chatzidakis et al. (2007) contended that these direct relationships might actually be indirect, mediated through rationalization. This conflicting discourse informed the second research question of this study, 'what influence does Machiavellianism have on the unethical decision-making process.'

Further to chapter one, the U.S. context was presented next. From the discourse, U.S. marketers appear to operate within a compliance-based culture (Nakano, 2007) in which a legal framework is used when ethical dilemmas are encountered. As long as the behaviour fits within the confines of the legislation, the behaviour is perceived as acceptable (Flannery & May, 2000). From the current economic state of the country, it was shown that organisational members seem to be experiencing mounting pressure to attain aggressive organisational objectives, which appears to inform malfeasance (Tepper, 2010).

In the latter portion of chapter one, the aims, objectives, and contributions to knowledge of the research were discussed. The main aim of this research was to examine the effect of neutralization on ethical judgments and intentions. A second aim was to evaluate the effect Machiavellianism has on neutralization and perceived moral intensity (PMI). The third aim involved investigating the relationship between PMI and neutralization. Fourth, an aim was to understand if marketers believe their illicit intentions are morally acceptable. The final aim was to examine if decision-makers are willing to behave illicitly in certain contexts, but not in others.

The main contribution to knowledge of this research is the synthesis of the TON and the PMI construct. Through this synthesis, it was anticipated that knowledge of the intermediary steps in the decision-making process would emerge. The second contribution pertains to the inclusion of Machiavellianism within the decision-making process, which would improve knowledge of the effect deviant personality traits have on the decision-making process. A final contribution involves understanding if individuals suppress the ethicality of their decisions when they form illicit intentions. Through this contribution, knowledge of the cognitive limitations of marketers was expected to improve.

In the second chapter, the methodology was presented. In this research, positivism was the philosophy, the approach was deductive, the strategy involved using self-administered questionnaire distributed online, and a mono-method approach involving cross-sectional data (Saunders et al., 2007). This methodology is consistent with the business ethics research because, as demonstrated, most research in business ethics follows the positivist paradigm (Nill & Schribowsky, 2005) involving self-administered questionnaires (Randall & Gibson, 1990).

In the first part of chapter two, the normative theories pertaining to relativism, idealism, deontology, and teleology were presented. Discourse then focused on the consequentialist philosophical spectrum with an analysis of altruism and egoism. From the discussions, it was found that altruism can result in EQB and, from a socio-economic perspective, altruism was found to be incompatible with capitalism. Through the work of Adam Smith, Milton Friedman, and Ayn Rand, the rational egoism philosophical framework was presented. From these discussions, it was discovered that rational egoism is most compatible with the capitalist economic system and, that a

greater propensity for ethical behaviour seems to occur from a rational egoism perspective.

From this deduction, rational egoism was used to contextualize EQB. Specifically, EQB is contextualized as any action that conflicts with one's long-term self-interest (Greetman, 2006). In the subsequent section, irrational egoism (or Machiavellianism), which is the anti-thesis of rational egoism was presented. In general, irrational egoism typically involves squandering the interests of others for one's temporary satisfaction (Rand, 1964).

In the latter sections of the second chapter, the two broad descriptive theories were presented. First, the rationalist decision-making approach, which involves an active judgment process consisting of becoming aware of an ethical dilemma, making a moral judgment, developing intentions and finally, acting on the intentions, was discussed. It is believed that these decisions are conscious (Rest, 1986) and linear. However, the intuitionist decision-making theorists contend that most decisions are made below the level of consciousness (Freud, 1900).

In chapter three, the main decision-making theories were presented. In the first section, economic rationality, which is based on the premise that decision-makers are perfectly rational, was discussed. This theory is the foundation of all contemporary economic principles (Chiapello, 2007). However, through various examples, it was demonstrated that decision-makers are not perfectly rational. Using Simon's (1955) discourse on bounded rationality, it was argued that individuals possess cognitive limitations, are unable to process all the relevant details pertinent to a particular decision, and they make satisfying decisions that might not maximize their self-interests. Built on the bounded rationality discourse, the irrationality of decision-makers and their ability to rely on rationalization techniques to justify their illicit decisions was presented. From

the discourse, it was argued that individuals are able to alter their perceptions and are capable of changing the way they think (Seligman, 1991).

In the latter sections of chapter three, the business ethics frameworks were presented. Discussions centred on Rest's (1986) four-component model, Jones's (1991) issue-contingent framework, the models that include influential factors (Chatzidakis et al., 2007), and the intuitionist decision-making frameworks (Reynolds, 2006). From this discourse, the major gaps in theory were presented. Specifically, the Jones (1991) model does not account for the personal harms that decision-makers often encounter when exposed to ethical problems. The Rest (1986) and Jones (1991) models also do not account for rationalization or the influential factors that might have profound effects on the decision-making process.

To address these theoretical gaps, a conceptual framework that amalgamates the aforementioned theories was presented in chapter four. This model for ethically questionable decision-making accounts for the less-optimal decision-making abilities of individuals (Simon, 1955). It is acknowledged that decision-makers will satisfy their immediate concerns, but not maximize the possible utility associated with behaving ethically. In the model, decision-makers can satisfy their concerns by behaving unethically and justify these decisions through rationalization. When decision-makers form illicit intentions, it is contended that they believe their intentions are in fact ethical. Once more, it is expected that the Machiavellian personality construct would have some influence on the decision-making process.

The methods used to test the model for ethically questionable decision-making were presented in chapter five. In the first section, the main methodological issues associated with conducting research in the business ethics paradigm were discussed. These issues involve socially desirable response bias, vignette-based questionnaires, and using

intentions as proxies for behaviour. To address these issues, data was collected from U.S. based marketers using a self-administered questionnaire, which was distributed online. This enabled testing behaviour using intentions as proxies, and projective reasoning through vignettes. To ensure socially desirable response bias did not negatively influence the results of the study, direct and indirect questionnaire items were included in the instrument. From the results of the one-way ANOVA test comparing the direct and indirect items, socially desirable response bias was not shown to be a problem.

In the questionnaire, three vignettes were included that represented legal but ethically questionable marketing behaviours. The vignettes pertained to subprime lending, environmental pollution, and packaging deception. After each vignette, participants were presented with a list of questions related to the vignette. Due to the dearth of research on the techniques of neutralization (TON) (Chatzidakis et al., 2007), magnitude of consequences (self), and social consensus, existing questionnaire items were slightly modified to fit the context of this study. In view of these modifications, each scale was revalidated.

To develop the instrument, three pre-tests and a pilot study were conducted. After each round of pretesting, the results were assessed to understand if participants believed the behaviours exhibited in each vignette were perceived to be morally intense, clear, realistic, and legal but not necessarily ethical. If these requirements were not met, adjustments were made and pretesting continued.

In the final section of chapter five, the sampling method used for this research was presented. A leading organisation specializing in questionnaire distribution was recruited for data collection. After removing incomplete questionnaires, the final sample size was 276.



As the framework contains a formative construct (Diamantopoulos & Winklhofer, 2001), variance-based PLS structural equation modelling (SEM) was conducted using the SmartPLS software program (Ringle et al., 2005). Variance-based SEMs can accommodate formative variables, are better suited to exploratory work involving complex models comprising various networks with interactions among the constructs and with second-order variables present (Gefen et al., 2011).

To test the hypotheses, three separate models representing each vignette were created. To develop a composite representation of the general behavioural intentions of managers, the average values for each of the measurement indicators across the three vignettes were taken and a fourth model was fitted with these data. This omnibus model offers an overall perspective of the unethical decision-making process used by managers, which is applicable to a broad spectrum of behavioural contexts. Using Fornell and Larcker's (1981) framework, each model was shown to have discriminant and convergent validity.

However, several poor loadings and low-AVE values for Christie and Geis's (1970) a priori factor structure associated with the Machiavellian construct were found. Consistent with the literature, these issues were resolved by eliminating 10 manifest variables from the 20-item Mach IV construct. Several of the resulting loadings for the retained items remain inconsistent with those for the Christie and Geis (1970) factor structure, an occurrence consistent with other empirical studies (Hunter et al. 1982). Given Machiavellianism was modelled as a second-order reflective construct, removing the items did not alter the meaning of the personality.

An alternative framework, which involved removing the second-order formative latent variable from the PMI construct, was introduced in chapter six. In this alternative model, the first-order PMI dimensions were tested independently against the

endogenous variables in the decision-making process. This model was shown to be valid and reliable. However, PMI was conceptualized as a multidimensional construct and the formative model was argued to be the most appropriate representation of the construct.

From the fitted models, all but two hypotheses were supported in each vignette at the 0.05 significance level. The positive relationship between Machiavellianism and the magnitude of consequences (self) was not found to be significant in the subprime lending vignette, but was supported in the other two vignettes and the omnibus model. The positive relationship between the TON and judging an EQB as ethical was also not supported in the pollution vignette, but was in the other two vignettes and the omnibus model. After controlling for the demographic variables, it was found that age had a significant effect on the Machiavellian and the PMI constructs. However, the contributions to the coefficient of determination ( $R^2$ ) were below 5% and deemed to have no important influence (Henseler et al., 2009).

As a post hoc analysis, the path coefficients between each vignette were compared. Considering the dearth of research involving comparisons of the path coefficients between various vignettes, many of the differences found in this research were explained by logical reasoning as opposed to rich theory grounded in empirical studies. Considering differences were found, it appears that the unethical decision-making process can be influenced by context.

Although differences were found, the relationships between PMI and unethical intentions, PMI and the TON, and the TON and unethical intentions remained constant across each vignette. This structural integrity emphasizes the robustness of the models and provides evidence that these relationships remain stable across a wide spectrum of EQBs. In general, the basic structure of an unethical decision-making framework was

maintained and therefore, marketers appear to follow a distinct unethical decision-making process when they are exposed to various dilemmas.

Whilst significant path coefficients were found between Machiavellianism and PMI and Machiavellianism and the TON, the contribution to the coefficient of determination ( $R^2$ ) was not significant. From these findings, Machiavellianism does not drastically influence behaviours in certain contexts (Ajzen & Fishbein, 1980), but rather marketers in general are capable of the malfeasance found in this study.

Considering a highly significant relationship was found between PMI and the TON, there is indirect evidence that marketers recognized the ethical problem (consciously or subconsciously). If participants had not recognized the ethical problem, neutralization would have been unnecessary as guilt would not have been felt (Agnew, 1994; Sykes & Matza, 1957). It was further found that marketers are able to rationalize their ethically questionable intentions through their perception of moral intensity.

In response to the first question, it was found that marketers rationalize their ethically questionable intentions through their: (1) perception of moral intensity, (2) reliance on various neutralization techniques, and; (3) judgment of their ethically questionable intentions as ethical. Marketers are capable of redefining ethical dilemmas to suit their interests and when they behave unethically, they believe their behaviour is morally acceptable. To answer the second research question, contrary to the bad apples thesis (Trevino & Youngblood, 1990), Machiavellianism did not have a profound effect on the decision-making process and the results imply that low-Machiavellians or marketers, in general, are also irrational egoists.

The research findings make a significant contribution to knowledge by identifying the mapping of the unethical decision-making process when an ethical problem is not recognized. An additional contribution involves the synthesis of the TON within Jones's

(1991) issue-contingent model. Third, this research contributes to knowledge by testing PMI as a second-order formative model. Using Chatzidakis et al.'s (2007) theoretical framework, a fourth contribution involves testing the relationship between Machiavellianism and unethical intentions through the mediating variable of the TON.

Two main empirical contributions are associated with this research. First, the empirical relationship found between unethical intentions and judging an EQB as ethical contributes to knowledge. Specifically, marketers minimize their perceptions of moral intensity, rely on neutralizations to facilitate the suppression of ethicality, and by judging the behaviour as ethical, are able to reemphasize their self-concept. A secondary contribution involves the influence context has on the decision-making process. From the comparisons of the path coefficients, the decision-making process is influenced by context. Decision-makers perceive certain contexts differently from others.

As a contribution to managerial knowledge, U.S. marketers are primarily concerned with legal conformity and perceive morality as mostly immaterial. Marketers therefore believe that if a given behaviour is legal than it is ethical. Second, it was found that through various cognitive distortions, marketers are capable of polluting the environment, exploiting vulnerable members of society, and deceiving customers. This malfeasance is costly not only to external stakeholders, but also for the profitability and reputation of organisations. Indeed, when marketers behave illicitly, there are clear implications for managers as profitability tends to decline, corporate reputations suffer, and employee motivation declines.

### **8.3 Implications**

The Nobel Laureate Milton Friedman (1970) argued that managers do not possess the astuteness to make social decisions. Indeed, no matter the amount of legislation, corporate governance models, social norms, and regardless of the harms inflicted on

others, humans are imperfect and if it suits their interests, they are capable of heinous behaviour. As the Nobel Laureate Herbert Simon (1976) determined, individuals have bounded rationality and are often incapable of analyzing all the relevant facts to a decision. The results of this research provide evidence that marketers select the option that satisfies their immediate concerns. They then make irrelevant excuses to justify their malfeasance. As a result of their cognitive limitations, marketers believe their poor decisions are most appropriate. Even though cognitive limitations are apparent, it is disconcerting that marketers are willing to threaten the wellbeing of society to retain or even progress their employment and to advance their employer's short-term profitability.

As evidenced in this research, individuals in general can be persuaded to behave heinously. Examples of this can not only be found within an organisational context, but also throughout history (e.g., Nazi Germany). The main implication of this research is that the imperfection of humans might not be readily solvable. However, policies can be implemented to perhaps minimize the adverse consequences of human imperfections. In this section, the policy implications associated with the marketing profession, the actions of U.S. marketers in foreign nations, and government intervention, are presented.

Since the collapse of the stock market in September 1929, which subsequently spawned the most devastating global economic collapse in modern times, governments have embraced Keynesian economics. Keynesian economics, which is based on governmental intervention in the market to rectify imperfections, is used to address the bounded rationality of decision-makers (Akerlof & Shiller, 2009). From the results of this research, assuming U.S. marketers are typical decision-makers, a substantial minority are irrational dependent on situational factors.

The irrationality of decision-makers was clearly evidenced in the subprime lending collapse. This debacle caused chaos in credit markets across the globe. As opposed to allowing the institutions that contributed to the collapse to fail, \$700 billion was paid out for corporate ‘bailouts’ by the U.S. Treasury. With this intervention in the market, the government sent a clear message that they were unwilling to allow substantial multinationals to fail as these failures could have far reaching economic and social consequences. However, most disconcerting is that in the aftermath of the crisis, and with clear knowledge of the consequences of subprime lending on organisations, stakeholders, and communities, legislation has not been implemented to curb predatory lending.

By intervening in the market, modern governments do not follow the capitalism devised by Smith (1776) that envisioned a level-playing field for all participants (Werhane, 2000). When governments interfere in the market, it is argued that they can upset the natural functionality of the marketplace (Spencer, 1851; Klein, 2003). Importantly, market interventions involving the creation of laws to protect human rights, which Smith advocated, are very different from providing corporate bailouts to malfeasant firms.

Whilst governments intervene in the market to avoid ‘upsetting the apple-cart’ (Nell, 2003), the rational egoists are critical of government intervention. Adam Smith (1776) foresaw governmental intervention as a tool that can be used to advance the interests of the few to the detriment of the many (James & Rassekh, 2000). The ramifications associated with Smith’s warning were clearly evidenced in this research – marketers remain unwittingly committed to malfeasance with, as in the case of subprime lending, the government is unwilling to permit failure. From the survival of the fittest discourse (Spencer, 1872; Dawkins, 1976), the companies that contributed to the subprime

lending failure should have been permitted to fail as only the fittest should survive. Indeed, governments should think critically about their interventions in the market as these interferences might circumvent failures in the short-term but in the long-term, the results might be far more debilitating.

Although governmental intervention in the marketplace should be used sparingly, as Smith (1776) indicated, legislation is needed to curb malfeasance, enforce contracts, human rights, and the rule of law (Werhane, 2000). “Hobbes believed that if people were left free to pursue their interests without hindrances of a coercive system of law, there would be nothing to prevent everyone resorting to the extremes of violence and deception to get what they wanted” (Sorrell & Hendry, 1994, p.47). Therefore, policy implications should involve governments balancing the need to: (1) avoid direct manipulations in the market that can cause one group to gain an advantage over another, and; (2) create controls to limit the imperfections of human decision-making.

Accounting professionals follow the stringent Generally Accepted Accounting Principles (GAAP). The operations of human resources managers are guided through labour legislation, human rights legislation, the equal employment opportunity acts, and professional accreditation standards. The consumer protection legislation in the U.S. can minimize deception and exploitation (Kotler & Keller, 2007). The packaging legislation in the U.S. can also curb certain forms of packaging deception but as found in this research, this legislation is clearly powerless against the deceptive practice of package downsizing (Gupta et al., 2007).

Other than the code of ethics of the American Marketing Association, an all-encompassing professional accreditation standard for marketing does not exist. Compared to the other functional areas, the marketing profession seems to be loosely regulated (Israel, 1993) and given the lack of normative policies (Hoek & Jones, 2011),

greater opportunities for malfeasance seem to exist in marketing. With the added pressures on employees to perform (Tepper, 2010) and the lack of regulation, the results of this research provide evidence that marketers appear willing to sacrifice the interests of others to protect their temporary concerns. Indeed, additional guidelines might be needed to address these issues.

Moreover, from the descriptive statistics exhibited (Table 7.1), 10.5%, 4.7%, and 10.4% of marketers were indifferent to the norms against deceiving customers, polluting the environment, and exploiting consumers, respectively. Indeed, the overwhelming majority of marketers believed the aforementioned behaviours were against social norms. However, package downsizing and subprime lending remain legal. From the findings of this research, there are clear implications for policy makers to address the concerns society seems to have of these EQBs.

U.S. firms have been accused of exploiting the natural resources of foreign nations, polluting the environment, and abusing local populations (Klein, 2000; Perkins, 2007). By outsourcing their operations, organisations are able to detach from malfeasance, avoid accountability, and move beyond the confines of the law in their respective countries (Zyglidopoulos & Fleming, 2011). Sarbanes and Oxley and the Foreign Corrupt Practices Acts are far-reaching in relation to the manipulation of financial statements and bribery. However, these regulations are seemingly powerless at curbing the exploitation of vulnerable consumers domestically, restricting pollution abroad, or minimizing the poor treatment of foreign workers.

In the environmental pollution vignette, marketers were willing to contaminate the water supply and adversely affect the crops of a small agricultural community if it only affected people living abroad. Clearly, there are policy implications to address the abhorrent behaviours of U.S. marketers in their operations abroad.



#### 8.4 Limitations

In this section, the limitations related to external validity, the use of new questionnaire items, using intentions as proxies for behaviour, and the issues with the Machiavellianism construct, are discussed. Given only marketing professionals were studied in this research, which were argued to be mostly inclined to behave illicitly compared to other functional areas (O'Higgins & Keller, 2005), managers from other organisational departments might not follow the same decision-making process. Based on this restriction, the findings of this research may not be generalizable beyond marketing professionals. However, it is worth reemphasizing that the demographic variables of age, gender, work experience, education, and the Machiavellian personality did not make an important contribution to the decision-making process. Therefore, it is possible that one's organisational functional area might also be an inconsequential factor in the decision-making process as many of those engaged in marketing have migrated from other functional areas and these other areas would have recruited from marketing.

Further to the limits of external validity, the target population of this study was U.S. marketing professionals. Marketing professionals from other nations were excluded. Therefore, the results of this study should not be generalized beyond U.S. marketers.

From the SEM, the path coefficients for the views of human nature ( $\beta = 0.60$ ) onto the Mach IV construct were below the acceptable threshold ( $\beta = 0.70$ ) for an exploratory model. However, considering that the views of human nature are a known facet of the Machiavellian personality and the outer loading is above 0.40 (Henseler et al., 2009), the construct was retained as the low-value was likely the result of the issues with the Mach IV. Even though a low factor loading was found, it is important to reiterate Machiavellianism was integrated into the model to: (1) understand if marketers, in

general, are capable of behaving as irrational egoists, and; (2) for external validity. The limitations of the Machiavellian construct do not dissuade the significant findings associated with the model that has been developed.

The use of a new questionnaire poses a potential limitation for this study. Conversely, the questionnaire used in this research was developed using the recommendations from the extant literature (Rungtusanatham, Wallin, & Eckerd, 2011). Specifically, marketing professionals were consulted during the development of the vignettes, several rounds of pretesting were conducted, and a pilot study was performed using the recommended sample size of 30 participants (Johanson and Brooks, 2010). Beyond these developmental procedures, each scale was tested and confirmed to exhibit convergent and discriminant validity (Siponen & Vance, 2010). To further validate the instrument, common method bias and socially desirable response bias testing was conducted and neither appears to offer valid alternative explanations for the findings of this research. Based on the statistical rigour followed in the development of the questionnaire, it is unlikely the newly developed instrument posed significant issues for this study.

Although intentions are argued to be acceptable proxies for behaviour (Reynolds, 2006; Kish-Gephart et al., 2010), actual behaviour was not tested directly. According to neurological cognitive theory, intentions and behaviour are argued to be the same phenomenon (Reynolds, 2006). However, there have been reported instances of intentions not leading to behaviour (Kish-Gephart et al., 2010). Specifically, intentions established in a hypothetical setting do not necessarily mean the intended behaviour will actually occur in reality. Different sensory receptors are used in hypothetical contexts (e.g., reading) versus reality (e.g., hearing a voice), and so it is “not surprising that these differences can and do lead to different outcomes” (Reynolds, 2006, p. 742). This adds an element of uncertainty in generalizing the findings from any study that tests only

intentions. In view of this potential limitation, the findings of this research should not be generalized to behaviour.

### **8.5 Directions for Future Study**

Whilst there are limitations with the main study of this research, several of these issues could be resolved through future study. The main areas for future study involve enhancing external validity by: testing the model on various populations; addressing the issues raised with the Machiavellian construct; and, if at all possible, studying actual behaviour.

The literature review for this thesis was based on a systematic review of business ethics journal articles. Searches were primarily conducted through ProQuest, EBSCOhost, and Google Scholar. The key word searches included, but were not limited to, variations and combinations of unethical behaviour, corporate malfeasance, moral intensity, moral decision-making, ethical decision-making, unethical decisions, organisational pressures, and corruption. From the retained studies, 403 articles were sorted by culture with an interest on the U.S.A. and China; Far East Asia and North America. The publication dates ranged from 1957 to 2012 with 52% published within the period of 2000 to 2009. Of these 403 articles, studies that were based on Chinese participants were lacking (13.6%), Far East Asian and U.S. comparative studies were also limited (13.8%), the remainder (69.2%) being specifically focused on the U.S..

Based on these figures, business ethics researchers have mostly focused on analyzing the unethical decisions of U.S. practitioners. Given the shortage of research that involves studying Chinese participants there is a clear need to analyse unethical decision-making within a Far East Asian context. Based on Chatzidakis et al.'s (2007) theoretical framework involving background characteristics, culture could influence acceptance of neutralization techniques. Vitell and Grove (1987) also argued that

culture could have a profound effect on the decision-making process. In several empirical studies (Chung et al., 2008), differences in the propensity to behave illicitly have been found between U.S. based participants and Far East Asians. Therefore, a fruitful area of research would involve studying the model in this ethnic specific cross-cultural setting, as through these investigations, external validity could be further enhanced.

To extend external validity, the model for ethically questionable decision-making should be studied on populations from other functional areas. In addition, non-managerial participants from the general public or employees from outside an organisational context could be investigated to understand if the model developed has generality or ethical decision-making for managers is unique.

By extending Jones's (1991) PMI construct, the magnitude of consequences (self) was found to be a dimension of PMI. The construct also functioned well as a second-order formative latent variable. Using this theoretical foundation, researchers should address the PMI construct by analyzing all seven moral intensity dimensions within various contexts that have direct consequences to the decision-maker.

Researchers should further consider composing new vignettes as opposed to consistently relying on the same scenarios. For example, Dornoff and Tankersley (1975) and Reidenbach, Robin, and Dawson's (1991) vignettes have been used in numerous business ethics studies (Singhapakdi et al., 1999). Moreover, researchers should study behaviours that have not been exposed to rigorous study. Potential fruitful areas include exploitation, poor labour practices, and unsafe products.

In their model, Vitell and Grove (1987) contended that the successful use of neutralizations can influence subsequent behaviour. This feedback process is consistent with Reynolds's (2006) model, which involves decision-makers intuitively scanning

their memories and developing solutions based on social cognition. In other words, one's post-behavioural evaluation can lead to future pre-decisional evaluations (Vitell & Grove, 1987); the latter of course, is likely to occur subconsciously (Reynolds, 2006). It can be further argued that once neutralizations have been used, they can dull awareness that future illicit behaviours are unethical (Anand et al., 2005). From this discourse, a fruitful area for future study involves investigating the relationship between behaviour and judgments, previous behaviour and future behaviour, and the intervening influence of rationalization. In addition, an emerging field of research involves using neurological imaging and functional magnetic resonance imaging (fMRI) methods to develop further knowledge of the intermediary steps in the unethical decision-making process.

To address the issues with the Machiavellian construct, researchers should conduct a post-hoc investigation by way of confirming the factor structure found in this research. If the results are consistent, researchers should reword the Mach IV or develop a revised scale of Machiavellianism within the context of Christie and Geis's (1970) contextualization. Beyond revising the Mach IV construct, researchers should conduct analyses comparing the various Machiavellian instruments. Specifically, researchers should compare the Machiavellian Personality Scale (Dahling et al., 2009), the Mach IV (Christie & Geis, 1970), and the dirty dozen (Jonason & Webster, 2010) to see if similarities are found among the responses.

A potential area for future research would involve studying the model developed in this research in other decision-making contexts. Considering the behaviours studied in this research were poor business decisions, a natural area for future research would be to investigate the model in a business strategy context. Specifically, the model could be tested within the context of poor strategic decision-making.

A potential aim of this research would involve understanding the influential factors that lead to poor decisions and how managers justify their decisions. A possible construct to include as an influential factor would be organisational dependence (Wahn, 1993). Given the marketers tested in this research appear willing to develop ethically questionable intentions when their employment is threatened, organisational dependence might have a profound effect on the decision-making process.

As was found in this research, EQB does not seem to be influenced by the Machiavellian personality substantially. EQB seems to be primarily institutional, which is facilitated by rationalization. In short, malfeasance is the result of institutional and individual factors. An important area for future research is to understand if EQB can be addressed, monitored and hopefully, minimized. As indicated in chapter seven, minimizing EQB could be challenging as: (a) humans have bounded rationality, and; (b) marketers and business people in general encounter pressure in their careers to perform, which is a by-product of a free-market system.

To address the institutional problem, it is important to note that researchers have suggested that ethical training (Zhuang & Tsang, 2008), governance models, and codes of ethics (Singhapakdi & Vitell, 1991) be implemented to curb unethical behaviour. However, these suggestions have been shown to have minimal effect on minimizing corporate malfeasance (Cleek & Leonard, 1998; Sparks & Hunt, 1998). Establishing legislation might also have less desired results as it might provide managers with additional opportunities to creatively comply. To resolve malfeasance, perhaps regulation might not be the best approach, but rather professional accreditation standards similar to those found in the accounting and engineering professions might be

a useful tool. Through this solution, marketers might possess more of a duty or obligation to behave virtuously (Aristotle, 350 BC; Cornelius, 2012<sup>5</sup>).

From his encounter with an insurance salesman, Carson (1998) demonstrated the effect that professional standards can have on reducing unethical behaviour. Specifically, said insurance salesman had an opportunity to sell Carson insurance that would have left him uncovered for an extended period. Although the sale would have resulted in a commission, it would have been ethically questionable and the salesman decided against it. The following discourse summarizes his reasoning:

A client is someone with whom an insurance agent has a long-term relation and who is likely to refer friends and acquaintances to the agent. Agents who have clients and who act in the best interests of those clients will eventually find that their business is largely self-perpetuating... if insurance agents do this and make it a policy to always give all information and always think of the interests of the client then “people will see it and the sales will take care of themselves.” In a letter to me, he wrote “I have always believed in and practiced the Principles and Covenants of ‘The National Association of Life Underwriters’” (Carson, 1998, p. 728).

Indeed, professional codes and accreditation standards seem to instil a sense of pride among marketers, and perhaps they could be a useful tool in addressing corporate malfeasance.

From the results of this research, it appears that corporate malfeasance is informed by individual factors. Meaning that humans have bounded rationality, they can be weak and in their weak moments, they can behave irrationally. To address this important contributor to corporate malfeasance, a solution might also reside at the individual level.

Badaracco and Webb (1995) provided a suggestion to their commerce students to prepare them for the organisational pressure they might encounter in their careers. They suggested that students should “... get a ‘go to hell account.’ Get three to six months pay in the bank. Be prepared to tell someone to ‘go to hell’, and then walk” (p. 21).

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<sup>5</sup> N. Cornelius in an informal conversation on November 26<sup>th</sup>, 2012.

Indeed, the solution to corporate malfeasance might be for managers to not allow themselves to be vulnerable or overly dependent on their employers. Perhaps independence and mobility will provide managers with the freedom needed to avoid corporate pressures and thus, minimize the exposure of their inherent weakness (i.e., bounded rationality). If the aforementioned solutions are implemented at both the institutional and individual fronts, perhaps corporate malfeasance would decline.



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## Appendix A – Types of Ethically Questionable Behaviours in Business Ethics

SOURCE	TYPE OF BEHAVIOUR
(Abdolmohammadi & Sultan, 2002)	Insider trading
(Abratt, Nel & Higgs, 1992)	Gift-giving and insider trading
(Ahmed, Chung & Eichenseher, 2003)	Deception and consumer exploitation
(Al-Khatib, Vollmers & Liu, 2007)	Deceptive negotiating
(Ang & Leong, 2000)	Gift-giving
(Armstrong, 1996)	Gift-giving and bribery
(Armstrong & Sweeney, 1994)	Gift-giving, bribery, and inappropriate products
(Au & Tse, 2001)	Harmful products, deception, and bribery
(Badenhorst, 1994)	Bribery
(Barnett, Bass, Brown & Hebert, 1998)	Industrial espionage and bribery
(Bass, Barnett & Brown, 1999)	Gift-giving, industrial espionage, and preferential treatment
(Batory, Neese & Batory, 2005)	Pollution
(Baughn, Bodie, Buchanan & Bixby, 2010)	Bribery
(Beams, Brown & Killough, 2003)	Insider trading
(Belk, Devinney & Eckhardt, 2005)	Poor labour conditions
(Bellizzi & Hite, 1989)	Deception
(Bellizzi, 1995)	Territory raiding
(Bersoff, 1999)	Corruption
(Burnaz, Atakan, Topcu & Singhapakdi, 2009)	Deception
(Butterfield, Trevino & Weaver, 1996)	Industrial espionage
(Cadogan, Lee, Tarkiainen & Sundqvist, 2009)	Deception and gift-giving
(Carson, Wokutch & Cox, 1985)	Deception
(Carson, 1998)	Deception
(Chan & Armstrong, 1999)	Gift-giving and bribery
(Cherry, Lee & Chien, 2003)	Bribery
(Cherry, 2006)	Bribery
(Chung, Eichenseher & Taniguchi, 2008)	Deception

*Continued...*

<b>SOURCE</b>	<b>TYPE OF BEHAVIOUR</b>
(Cleek & Leonard, 1998)	Pollution
(Coynes & Traflet, 2008)	Deception
(Cragg, 1998)	Bribery
(DeConinck, 2003)	Deception
(Donoho, Polonsky, Roberts & Cohen, 2001)	Deception and whistle-blowing
(Dubinsky, Jolson & Kotabe, 1991)	Back-door selling, gift-giving, and industrial espionage
(Dubinsky, Natarajan & Huang, 2004)	Deception
(Dunfee, Smith & William, 1999)	Bribery
(Dunkelberg & Jessup, 2001)	Fraud and insider trading
(Ferrell & Weaver, 1978)	Improper use of company assets and gift-giving
(Folkes & Kamins, 1999)	Poor labour practices
(Fraedrich, Ferrell & Pride, 1989)	Manipulation and exploitation
(Fraedrich, 1993)	Industrial espionage and bribery
(Free & Radcliffe, 2009)	Bribery
(Gino, Ayal & Ariely, 2009)	Dishonesty and cheating for financial gain
(Grayson, 2006)	Pollution and poor labour practices
(Grover & Hui, 1994)	Deception
(Gurley, Wood & Nijhawan, 2007)	Deception, fraud, and insider trading
(Hegarty & Sims, 1978)	Bribery
(Hegarty & Sims, 1979)	Bribery
(Henthorne, Robin & Reidenbach, 1992)	Deception and consumer exploitation
(Ho, 2010)	Gift-giving, low quality products, and pollution
(Honeycutt, Glassman, Zugelder & Karande, 2001)	Deception
(Howe, Hoffman & Hardigree, 1994)	Deception and disparaging a competitor
(Hunt, Chonko & Wilcox, 1984)	Gift-giving and bribery
(Hunt & Vasquez-Parraga, 1993)	Deception
(Jehn & Scott, 2008)	Deception
(Jones & Kavanagh, 1996)	Deception
(Karparkin, 1999)	Predatory lending, advertising to children, and poor labour practices
(Keith, Pettijohn, & Burnett, 2008)	Deception and bribery
(Kellaris, Dahlstrom & Boyle, 1996)	Disparaging a competitor and bribery
(Kelley, Ferrell & Skinner, 1990)	Deception
(Kennedy & Lawton, 1998)	Bribery, pollution, conflict of interest
(Kim & Chun, 2003)	Bribery, price gouging, deception, harmful products, industrial espionage
(Kurland, 1996)	Deception
(Laczniak & Inderrieden, 1987)	Low quality products, bribery, and intelligence gathering
(Lam & Shi, 2008)	Pollution, bribery, piracy, and low quality products
(Lee, Beatson, Garrett, Lings & Zhang, 2009)	Deception
(Leung, Liu & Liu, 2009)	Deception
(Lewicki & Robinson, 1998)	Deceptive negotiating

*Continued...*

SOURCE	TYPE OF BEHAVIOUR
(Lund, 2000)	False advertising, bribery, conflict of interest, and harmful product
(Malinowski & Berger, 2007)	Pollution, bribery, abusive testing conditions, and exploitive target marketing
(Mantel, 2005)	Back-door selling
(Marta & Singhapakdi, 2005)	Deception
(Marta, Singhapakdi & Kraft, 2008)	Deception
(Marta, Heiss & De Lurgio, 2008)	Deception
(Martinson & Ziegenfuss, 2000)	Pollution and falsifying financial statements
(Mascarenhas, 1995)	Consumer exploitation and harmful products
(May & Pauli, 2002)	Pollution and harmful products
(Mazar, Amir & Ariely, 2008)	Deception for financial gain
(McDonald & Kan, 1997)	Industrial espionage, deception, exploitation, insider trading, and bribery
(McDonald & Zepp, 1988)	Bribery, industrial espionage, and deception
(Millington, Eberhardt & Wilkinson, 2005)	Bribery
(Nill & Schibrowsky, 2005)	Underreporting and manipulating sales figures
(Nonis & Swift, 2001)	Deception and consumer exploitation
(Nwachukwu & Vitell, 1997)	Advertising harmful products and consumer exploitation
(Nyaw & Ng, 1994)	Deception, poor labour practices, industrial espionage, and pollution
(O'Higgins & Kelleher, 2005)	Unfair pricing, pollution, bribery, and deception
(Olivette, 1995)	Deception and consumer exploitation
(Paolillo & Vitell, 2002)	Bribery and offensive advertising
(Powpaka, 2002)	Bribery
(Premeaux & Mondy, 1993)	Pollution, industrial espionage, harmful products, and bribery
(Rao & Singhapakdi, 1997)	Deception
(Robertson & Anderson, 1993)	Deception and gift-giving
(Roman & Munuera, 2005)	Deception
(Sanyal, 2005)	Bribery
(Schlegelmilch & Robertson, 1995)	Bribery, industrial espionage, and theft
(Scholtens & Dam, 2007)	Poor labour practices and bribery
(Schweitzer, Ordonez & Douma, 2004)	Deception
(Schwepker & Good, 2007)	Deception and exploitation
(Schwepker & Good, 1999)	Deception
(Schwepker, 1999a)	Deception and exploitation
(Schwepker, 1999b)	Deception and exploitation
(Schwepker, 2003)	Deception and exploitation
(Schwepker, Ferrell & Ingram, 1997)	Deception and low quality products
(Seleim & Bontis, 2009)	Bribery
(Shapeero, Koh & Killough, 2003)	Deception
(Shleifer, 2004)	Poor labour practices, bribery, and deception
(Sims, 1992)	Low quality products
(Sims, 2002)	Deception
(Singhapakdi & Vitell, 1991)	Bribery
(Singhapakdi & Vitell, 1992)	Bribery

*Continued...*

<b>SOURCE</b>	<b>TYPE OF BEHAVIOUR</b>
(Singhapakdi & Vitell, 1993)	Deception and consumer exploitation
(Singhapakdi, Vitell & Leelakulthanit, 1994)	Deception and consumer exploitation
(Singhapakdi, Rao & Vitell, 1996)	Deception and consumer exploitation
(Singhapakdi, Vitell & Franke, 1999)	Deception
(Singhapakdi, Salyachivin, Virakul, & Veerayangkur, 2000)	Deception
(Singhapakdi, Marta, Rao & Cicic, 2001)	Deception
(Singhapakdi, 1993)	Bribery
(Singhapakdi, Marta, Rallapalli & Rao, 2000)	Deception
(Siu & Lam, 2009)	Pollution, bribery, gift-giving, harmful products, and deception
(Smith & Cooper-Martin, 1997)	Target marketing (tobacco and financial products)
(Sparks & Hunt, 1998)	Deception
(Statman, 2009)	Insider trading
(Street & Street, 2006)	Insider trading
(Steidlmeier, 1999)	Bribery
(Su & Richelieu, 1999)	Bribery
(Svensson & Wood, 2003)	Harmful products
(Takala & Urpilainen, 1999)	Deception
(Tang & Chen, 2008)	Deception and bribery
(Tang & Chiu, 2003)	Gift-giving
(Tang, Chen & Sutarso, 2008)	Deception and bribery
(Tenbrunsel, 1998)	Deceptive negotiating
(Trevino & Youngblood, 1990)	Poor quality products and bribery
(Tse, Lee, Vertinsky & Wehrung, 1988)	Faulty products
(Tyson, 1990)	Bribery, deception, and harmful products
(Valentine & Barnett, 2007)	Deception
(van Zyl & Lazenby, 2002)	Insider trading, gift-giving, and deception
(Vitell & Festervand, 1987)	Bribery and industrial espionage
(Whalen, Pitts & Wong, 1999)	Poor quality products and consumer exploitation
(Whitcomb, Erdener & Li, 1998)	Industrial espionage, pollution, harmful product, and bribery
(Wilson, 2008)	Inappropriate use of company resources and gift-giving
(Wood, Longenecker, McKinney & Moore, 1988)	Pollution, bribery, industrial espionage, insider trading, and harmful product
(Zarkada-Fraser & Fraser, 2001)	Deceptive negotiating
(Zey-Ferrell, Weaver & Ferrell, 1979)	Gift-giving and deception
(Zhuang & Tsang, 2008)	Gift-giving and bribery

## Appendix B – Development of Questionnaire Items

<b>Variable</b>	<b>Source</b>	<b>Questionnaire Items (7 – point rating scale)</b>
Ethical judgment	The ethical judgment scale is based on Dabholkar and Kellaris's (1992) six-item instrument. The question, which followed with 7-point semantic differential anchors, stated "now, given the limited information available, how would you evaluate the salesman's behaviour described above?" The anchors included: acceptable/unacceptable, ethical/unethical, correct/incorrect, moral/immoral, right/wrong, and good/bad. To reduce the items to four, which was conducted by Cherry and Fraedrich (2000), the instrument for this study used acceptable/unacceptable, ethical/unethical, right/wrong, and good/bad anchors (composite reliability = 0.98).	If (Q1) the cost-reductions were provided (Q2) the order was produced (Q3) the project was managed, how would you evaluate Jessie's behaviour? Please respond using the following scales: a) ethical (1 on Likert-scale) – unethical (7 on Likert-scale), b) acceptable (1 on Likert-scale) – unacceptable (7 on Likert-scale), c) right (1 on Likert-scale) – wrong (7 on Likert-scale), d) good (1 on Likert-scale) – bad (7 on Likert-scale).
Unethical intentions: projective technique.	The unethical Intentions projective technique item was modified from Robertson and Anderson's (1993) work. Specifically, "in each scenario, the respondent indicated on a 7-point scale (definitely should – definitely should not) whether his/her colleague, John, should undertake an action suggested in the scenario."	In this situation, Jessie should (Q4) provide the cost-reductions (Q5) produce the order (Q6) manage the project. Definitely should (7 on Likert-scale) – definitely should not (1 on Likert-scale).
Unethical intention: direct items	The unethical intentions direct items were modified from Cherry and Fraedrich's (2000) work that was based on Fritzsche and Becker's (1984) scale. Specifically, a four-item 7-point semantic differential scale with poles: definitely would/definitely would not, likely/unlikely, possible/impossible and probable/improbable, was used. The item stated "if you were responsible, what are the chances you would make the payment (composite reliability = 0.99)."	If you were responsible, what are the chances you would (Q7) provide the cost-reductions? (Q8) produce the order? (Q9) manage the project? Please respond using the following scales: a) definitely would (7 on Likert-scale) – definitely would not (1 on Likert-scale), b) likely (7 on Likert-scale) – unlikely (1 on Likert-scale), c) probable (7 on Likert-scale) – improbable (1 on Likert-scale), d) possible (7 on Likert-scale) – impossible (1 on Likert-scale).
Social Consensus	One social consensus item was based on Minor (1981) and Agnew's (1994) work. Minor (1981) asked participants to respond to the following item using a 5-point Likert scale of agree/disagree. "It is all right for J. to do this, whatever the reason." Somewhat divergently, Agnew (1994) used the question "how wrong is it for someone your age to hit or threaten to hit someone without any reason. The anchors were very wrong to not wrong at all.	It is alright for marketers to (Q10) deceive customers (Q11) pollute the environment (Q12) exploit consumers without any reason. Strongly agree (1 on Likert-scale) – strongly disagree (7 on Likert-scale).
Social Consensus	The other social consensus item was modified from Singhapakdi et al.'s (1996) work using agree/disagree anchors. Specifically, Singhapakdi et al. (1996) used "most people would agree that the [marketer's] action is wrong (composite reliability = 0.76)."	If Jessie (Q13) provides the cost-reductions, (Q14) produces the order, (Q15) manages the project, most people would agree the action is wrong. Strongly agree (7 on Likert-scale) – strongly disagree (1 on Likert-scale).
Magnitude of consequences (others)	The magnitude of consequences (others) was adapted from McMahon and Harvey's (2006) work. The researchers developed their perceived moral intensity questionnaire using the work of Singhapakdi et al. (1996) and Frey (2000). The questionnaire used a 7-point Likert-type scale with agree to disagree anchors. The items included: "the negative consequences (if any) of the decision will be very serious (reverse scored)" and "the overall harm (if any) as a result of the decision will be very small (composite reliability = 0.87)."	(Q16) If Jessie provides the cost-reductions, (Q17) If Jessie produces the order, (Q18) If Jessie manages the project, the negative consequences (if any) of the decision will be very serious. Strongly agree (7 on Likert-scale) – strongly disagree (1 on Likert-scale). (Q19) If Jessie provides the cost-reductions, (Q20) If Jessie produces

		the order, (Q21) If Jessie manages the project, the overall harm (if any) as a result of the decision will be very small. Strongly agree (1 on Likert-scale) – strongly disagree (7 on Likert-scale).
Magnitude of consequences (self)	The magnitude of consequences (self) questionnaire items were adapted from McMahon and Harvey's (2006) work. The researchers developed their perceived moral intensity questionnaire using the work of Singhapakdi et al. (1996) and Frey (2000). Their questionnaire used a 7-point Likert-type scale with agree to disagree anchors. The items included: "the negative consequences (if any) of the decision will be very serious (reverse scored)" and "the overall harm (if any) as a result of the decision will be very small (composite reliability = 0.85)."	(Q22) If Jessie refuses the cost-reductions, (Q23) If Jessie rejects the order, (Q24) If Jessie refuses to manage the project, the negative consequences (if any) of the decision will be very serious. Strongly agree (1 on Likert-scale) – strongly disagree (7 on Likert-scale). (Q25) If Jessie refuses the cost-reductions, (Q26) If Jessie rejects the order, (Q27) If Jessie refuses to manage the project, the overall harm (if any) as a result of the decision will be very small. Strongly agree (7 on Likert-scale) – strongly disagree (1 on Likert-scale).
Denial of responsibility	Techniques of neutralization – denial of responsibility was adapted from the literature using Anand et al.'s (2005) contextualization. Specifically, the researchers argue that "actors construe that they have no choice due to circumstances beyond their control such as management orders, peer pressure, and dire financial straits, etc..." For the scale, Agnew's (1994) five-point rating scale was used. The researcher asked participants to agree or disagree with four statements. As an example using the denial of victim, participants were asked "it is alright to beat up people if they started the fight." Siponen and Vance's (2010) work was also used. Within the defence of necessity context, the researchers asked participants to agree or disagree with "it is all right to violate the company information security policy when you are under a tight deadline".	It is alright to (Q28) implement a package downsizing strategy (Q29) temporarily increase emissions beyond a safe level (Q30) manage a subprime lending project if there is no other option. Strongly agree (7 on Likert-scale) – strongly disagree (1 on Likert-scale).
Denial of injury	Techniques of neutralization – denial of injury was modified from Agnew's (1994) five-point rating scale. The researcher asked participants to agree or disagree with four statements. As an example within the context of the denial of victim, participants were asked "it is alright to beat up people if they started the fight." Siponen and Vance (2010) was also used. The researchers asked participants to agree or disagree with "it is OK to violate the company information security policy if no harm is done."	It is alright to (Q31) implement a package downsizing strategy (Q32) temporarily increase emissions beyond a safe level (Q33) manage a subprime lending project if no harm is done. Strongly agree (7 on Likert-scale) – strongly disagree (1 on Likert-scale).
Legality	Techniques of neutralization – legality was adapted from the literature using Ashforth and Anand's (2003) contextualization. The researchers argued that "actors may excuse corrupt practices on the grounds that they are not actually illegal." For the scale, Agnew's (1994) five-point rating scale was used. The researcher asked participants to agree or disagree with four statements. As an example of the denial of victim, participants were asked "it is alright to beat up people if they started the fight." Siponen and Vance's (2010) work was also used. Within the defence of necessity context, the researchers asked participants to agree or disagree with "it is all right to violate the company information security policy when you are under a tight deadline."	It is alright to (Q34) implement a package downsizing strategy (Q35) temporarily increase emissions beyond a safe level (Q36) manage a subprime lending project if no law is broken. Strongly agree (7 on Likert-scale) – strongly disagree (1 on Likert-scale).
Denial of victim	Techniques of neutralization – denial of victim was adapted from the literature using Ashforth and Anand's (2003) work. It was argued that "the 'victim' volunteered to participate in the act and so is not a victim at all." In addition, Ashforth and Anand (2003) further argued a person or group could be denied victim status	It is alright to (Q37) implement a package downsizing strategy (Q38) temporarily increase emissions beyond a safe level (Q39) manage a subprime lending project if (Q37)

	<p>“through depersonalization (the victim is an interchangeable member of a social category) or of the victim’s very humanity through dehumanization (the victim is an object or of a lesser species).” For the scale, Agnew’s (1994) five-point rating scale was used. The researcher asked participants to agree or disagree with four statements. As an example, “it is alright to beat up people if they started the fight.” Siponen and Vance’s (2010) work was also used. Within the defence of necessity context, the researchers asked participants to agree or disagree with “it is all right to violate the company information security policy when you are under a tight deadline.”</p>	<p>consumers will continue purchasing the product (Q38) it only affects people living abroad (Q39) borrowers seek credit. Strongly agree (7 on Likert-scale) – strongly disagree (1 on Likert-scale).</p>
Appeal to higher loyalties: Employer	<p>Techniques of neutralization – appeal to higher loyalties was modified from the literature using Vitell and Grove’s (1987) work. It was argued that “in special circumstances [the individual] feels a greater loyalty to the norms and values of some subgroup.” “One must have loyalty to the corporation, once hired.” For the scale, Agnew’s (1994) five-point rating scale was used. The researcher asked participants to agree or disagree with four statements. As an example using the denial of victim, participants were asked “it is alright to beat up people if they started the fight.” Siponen and Vance’s (2010) work was also used. Within the defence of necessity context, the researchers asked participants to agree or disagree with “it is all right to violate the company information security policy when you are under a tight deadline.”</p>	<p>It is alright to (Q40) implement a package downsizing strategy (Q41) temporarily increase emissions beyond a safe level (Q42) manage a subprime lending project if your employer benefits. Strongly agree (7 on Likert-scale) – strongly disagree (1 on Likert-scale).</p>
Appeal to higher loyalties: Family	<p>Techniques of neutralization – appeal to higher loyalties was modified from the literature using Perreti-Watel’s (2003) contextualization that stated “the delinquent justifies a temporary violation of the laws because he had to bow to a stronger commitment (family, friendship...)” Heath (2008) stated “I did it for my family, remains one of the most popular excuses for occupational crime...” For the scale, Agnew’s (1994) five-point rating scale was used. The researcher asked participants to agree or disagree with four statements. As an example using the denial of victim, “it is alright to beat up people if they started the fight.” Siponen and Vance’s (2010) work was also used. Within the defence of necessity, the researchers asked participants to agree or disagree with “it is all right to violate the company information security policy when you are under a tight deadline.”</p>	<p>It is alright to (Q43) implement a package downsizing strategy (Q44) temporarily increase emissions beyond a safe level (Q45) manage a subprime lending project if your family benefits. Strongly agree (7 on Likert-scale) – strongly disagree (1 on Likert-scale).</p>
Defence of necessity	<p>Techniques of neutralization – defence of necessity was modified from the literature using Minor’s (1981) contextualization stating “if an act is perceived as necessary, then one need not feel guilty about its commission, even if it is considered morally wrong in the abstract (p.298).” In addition, Gray (2006) argued “the related technique of neutralization – defence of necessity – was also evident because the supervisor tried to encourage me to not feel guilty because running the line in an unsafe manner was absolutely necessary if we wished to avoid a future contract loss and, in turn, possible lay-offs for workers (p. 881).” For the scale, Siponen and Vance (2010) developed items using a Likert format of agree or disagree for three statements. As an example, “it is all right to violate the company information security policy when you are under a tight deadline (composite reliability = 0.96).”</p>	<p>It is alright to (Q46) implement a package downsizing strategy (Q47) temporarily increase emissions beyond a safe level (Q48) manage a subprime lending project if you could be fired if you didn’t. Strongly agree (7 on Likert-scale) – strongly disagree (1 on Likert-scale).</p>
Social Weighting	<p>Techniques of neutralization – social weighting was adapted from the literature using Anand et al.’s (2005) contextualization that stated “individuals may characterize the law as vague, complex, inconsistent, rarely enforced, punitive, or politically motivated such that enforcement is capricious or malicious.” Vitell and Grove (1987) argued that participants attempt to deflect guilt by complaining “I was only doing what others do all the time (p. 434).” For the scale, Agnew’s (1994) five-point rating scale was used. The researcher asked participants to agree or disagree with four statements. As an example using the denial of victim, participants were asked “it is alright to beat up people if they</p>	<p>It is alright to (Q49) implement a package downsizing strategy (Q50) temporarily increase emissions beyond a safe level (Q51) manage a subprime lending project if everyone else is doing it. Strongly agree (7 on Likert-scale) – strongly disagree (1 on Likert-scale).</p>

	<p>started the fight.” Siponen and Vance’s (2010) work was also used. Within the defence of necessity context, the researchers asked participants to agree or disagree with “it is all right to violate the company information security policy when you are under a tight deadline.”</p>	
<p>Machiavellianism</p>	<p>Christie and Geis’s (1970) Mach IV test</p>	<p>(Q52) Never tell anyone the real reason you did something unless it is useful to do so. Strongly agree (7 on Likert-scale) – strongly disagree (1 on Likert-scale). (Q53)The best way to handle people is to tell them what they want to hear. Strongly agree (7 on Likert-scale) – strongly disagree (1 on Likert-scale). (Q54) One should take action only when sure it is morally right. Strongly agree (1 on Likert-scale) – strongly disagree (7 on Likert-scale). (Q55) Most people are basically good and kind. Strongly agree (1 on Likert-scale) – strongly disagree (7 on Likert-scale). (Q56) It is safest to assume that all people have a vicious streak and it will come out when they are given a chance. Strongly agree (7 on Likert-scale) – strongly disagree (1 on Likert-scale). (Q57) Honesty is the best policy in all cases. Strongly agree (1 on Likert-scale) – strongly disagree (7 on Likert-scale). (Q58) There is no excuse for lying to someone else. Strongly agree (1 on Likert-scale) – strongly disagree (7 on Likert-scale). (Q59) Generally speaking, people won't work hard unless they're forced to do so. Strongly agree (7 on Likert-scale) – strongly disagree (1 on Likert-scale). (Q60) All in all, it is better to be humble and honest than to be important and dishonest. Strongly agree (1 on Likert-scale) – strongly disagree (7 on Likert-scale). (Q61) When you ask someone to do something for you, it is best to give the real reasons for wanting it rather than giving reasons which carry more weight. Strongly agree (1 on Likert-scale) – strongly disagree (7 on Likert-scale). (Q62) Most people who get ahead in the world lead clean, moral lives. Strongly agree (1 on Likert-scale) – strongly disagree (7 on Likert-scale). (Q63) Anyone who completely trusts anyone else is asking for trouble. Strongly agree (7 on Likert-scale) – strongly disagree (1 on Likert-scale). (Q64) The biggest difference between most criminals and other people is that the criminals are stupid enough to get caught. Strongly agree (7 on Likert-scale) – strongly disagree (1 on Likert-scale). (Q65) Most people are brave.</p>



		<p>Strongly agree (1 on Likert-scale) – strongly disagree (7 on Likert-scale). (Q66) It is wise to flatter important people. Strongly agree (7 on Likert-scale) – strongly disagree (1 on Likert-scale). (Q67) It is possible to be good in all respects. Strongly agree (1 on Likert-scale) – strongly disagree (7 on Likert-scale). (Q68) P.T. Barnum was wrong when he said that there's a sucker born every minute. Strongly agree (7 on Likert-scale) – strongly disagree (1 on Likert-scale). (Q69) It is hard to get ahead without cutting corners here and there. Strongly agree (7 on Likert-scale) – strongly disagree (1 on Likert-scale). (Q70) People suffering from incurable diseases should have the choice of being put painlessly to death. Strongly agree (7 on Likert-scale) – strongly disagree (1 on Likert-scale). (Q71) Most people forget more easily the death of their parents than the loss of their property. Strongly agree (7 on Likert-scale) – strongly disagree (1 on Likert-scale).</p>
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## Appendix C – Survey of Marketing Practices



Greetings,

Thank you for accessing the survey portal. I am a research student at the University of Bradford, School of Management under the supervision of Professor Jon Reast and Dr. James Wallace. I am conducting a survey to assist me with completing my PhD thesis. The purpose of my survey is to (1) examine various marketing practices and (2) understand how marketers make decisions.

I would be grateful if you would spend approximately 15 minutes to complete the survey. The survey theme is an interesting topic and you might find participation engaging.

Please note this survey has received full ethics approval from the University of Bradford and confidentiality is offered for participation. If you wish to participate, please follow the instructions provided on the next page. If you choose to participate, the results will greatly improve if all questions are answered.

Thank you,

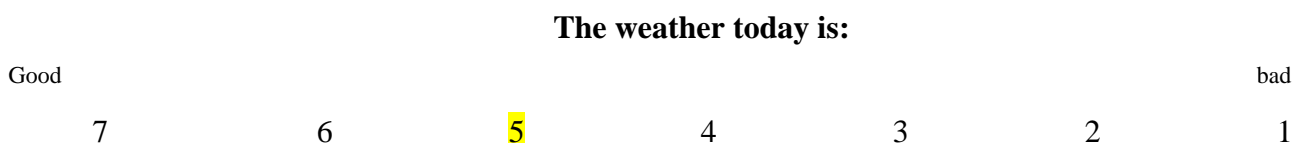
Jeffrey Overall

## Instructions

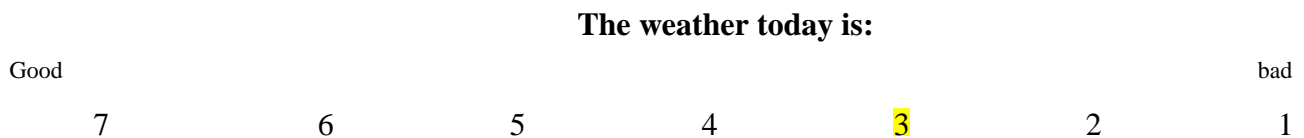
In the following pages, please read each scenario involving a marketing practice. Each scenario contains a marketing behaviour and **it is important to note the behaviour is legal within the jurisdiction of the scenario**. After reading the scenario, you will find a list of different factors that might explain these behaviours. For each type of behaviour, please indicate to what extent the factors explain that behaviour. Please note there are no right or wrong answers.

In this survey, the questions make use of a seven-point rating scale. You are asked to select the option that best describes **your opinion** about the situation. For example:

If you think the weather today is slightly good, then you would select the option as follows:



If you think the weather today is slightly bad, then you would select the option as follows:



Please read the following scenario carefully and note the behaviour is **legal within the jurisdiction of the scenario**.

Jessie works as an account manager at Lennon Inc., a supplier in the grocery retail industry. Recently, Jessie’s largest account requested cost-reductions on Lennon Inc.’s consumer products. To provide the cost-reductions while maintaining Lennon Inc.’s existing profits, Jessie would have to implement a package downsizing strategy. Package downsizing involves reducing the product quantity without changing the package or the price of the product. The only change to the package would be the fine print stating the updated product quantity, which will likely go unnoticed by consumers. By implementing this strategy, the distribution price to the grocery retailer would be reduced. However, the end grocery consumer would be paying the same price, but receiving less value. If Jessie refuses the cost-reductions, the retailer will likely purchase all future products from Lennon Inc.’s competitor and Jessie could be fired for losing the account.

Please select the option that best describes **your opinion** about this situation.

**(Q1) If the cost-reductions were provided, how would you evaluate Jessie’s behaviour?**  
**Please respond using the following scales:**

Unethical								ethical
1	2	3	4	5	6	7		
Unacceptable								acceptable
1	2	3	4	5	6	7		
Wrong								right
1	2	3	4	5	6	7		
Bad								good
1	2	3	4	5	6	7		

**(Q10) It is alright for marketers to deceive customers without any reason.**

Strongly agree			neutral				strongly disagree
7	6	5	4	3	2	1	

**(Q4) In this situation, Jessie should provide the cost-reductions.**

Definitely should							definitely should not
7	6	5	4	3	2	1	

**(Q7) If you were responsible, what are the chances you would provide the cost-reductions?  
Please respond using the following scales:**

Definitely would not								definitely would
1	2	3	4	5	6	7		7
Unlikely								likely
1	2	3	4	5	6	7		7
Improbable								probable
1	2	3	4	5	6	7		7
Impossible								possible
1	2	3	4	5	6	7		7

**(Q16) If Jessie provides the cost-reductions, the negative consequences (if any) of the decision will be very serious**

Strongly agree				neutral				strongly disagree
1	2	3	4	5	6	7		7

**(Q19) If Jessie provides the cost-reductions, the overall harm (if any) as a result of the decision will be very small.**

Strongly agree				neutral				strongly disagree
7	6	5	4	3	2	1		

**(Q22) If Jessie refuses the cost-reductions, the negative consequences (if any) of the decision will be very serious.**

Strongly agree				neutral				strongly disagree
7	6	5	4	3	2	1		

**(Q25) If Jessie refuses the cost-reductions, the overall harm (if any) as a result of the decision will be very small.**

Strongly agree				neutral				strongly disagree
1	2	3	4	5	6	7		

**(Q13) If Jessie provides the cost-reductions, most people would agree the action is wrong**

Strongly agree				neutral				strongly disagree
1	2	3	4	5	6	7		

**(Q28) It is alright to implement a package downsizing strategy if there is no other option**

Strongly agree			neutral			strongly disagree
7	6	5	4	3	2	1

**(Q31) It is alright to implement a package downsizing strategy if no harm is done**

Strongly agree			neutral			strongly disagree
7	6	5	4	3	2	1

**(Q34) It is alright to implement a package downsizing strategy if no law is broken**

Strongly agree			neutral			strongly disagree
7	6	5	4	3	2	1

**(Q49) It is alright to implement a package downsizing strategy if everyone else is doing it**

Strongly agree			neutral			strongly disagree
7	6	5	4	3	2	1

**(Q37) It is alright to implement a package downsizing strategy if consumers will continue purchasing the product**

Strongly agree			neutral			strongly disagree
7	6	5	4	3	2	1

**(Q40) It is alright to implement a package downsizing strategy if your employer benefits**

Strongly agree			neutral			strongly disagree
7	6	5	4	3	2	1

**(Q43) It is alright to implement a package downsizing strategy if your family benefits**

Strongly agree			neutral			strongly disagree
7	6	5	4	3	2	1

**(Q46) It is alright to implement a package downsizing strategy if you could be fired if you didn't**

Strongly agree			neutral			strongly disagree
7	6	5	4	3	2	1

Please read the following scenario carefully and note the behaviour is **legal within the jurisdiction of the scenario**.

Jessie works as an account manager at Lennon Inc., a supplier in the retail industry. Unexpectedly, Jessie’s largest account placed a new order. Lennon Inc.’s factory, which is located abroad, has the capacity to produce the order, but the factory is operating at the maximum safety level for water emissions. By producing the order, Lennon Inc.’s factory would temporarily increase water emissions beyond a safe level in a small agricultural community, which would affect a portion of the local crops. If Jessie rejects the order, the retailer will likely purchase all future products from Lennon Inc.’s competitor and Jessie could be fired for losing the account.

Please select the option that best describes **your opinion** about this situation.

**(Q2) If the order was produced, how would you evaluate Jessie’s behaviour?  
Please respond using the following scales:**

Unethical								ethical
1	2	3	4	5	6	7		7
Unacceptable								acceptable
1	2	3	4	5	6	7		7
Wrong								right
1	2	3	4	5	6	7		7
Bad								good
1	2	3	4	5	6	7		7

**(Q11) It is alright for marketers to pollute the environment without any reason**

Strongly agree			neutral				strongly disagree
7	6	5	4	3	2	1	

**(Q5) In this situation, Jessie should produce the order**

Definitely should						definitely should not
7	6	5	4	3	2	1

**(Q8) If you were responsible, what are the chances you would produce the order?  
Please respond using the following scales:**

Definitely would not								definitely would
1	2	3	4	5	6	7		7
Unlikely								likely
1	2	3	4	5	6	7		7
Improbable								probable
1	2	3	4	5	6	7		7
Impossible								possible
1	2	3	4	5	6	7		7

**(Q17) If Jessie produces the order, the negative consequences (if any) of the decision will be very serious**

Strongly agree				neutral				strongly disagree
1	2	3	4	5	6	7		7

**(Q20) If Jessie produces the order, the overall harm (if any) as a result of the decision will be very small.**

Strongly agree				neutral				strongly disagree
7	6	5	4	3	2	1		1

**(Q23) If Jessie rejects the order, the negative consequences (if any) of the decision will be very serious.**

Strongly agree				neutral				strongly disagree
7	6	5	4	3	2	1		1

**(Q26) If Jessie rejects the order, the overall harm (if any) as a result of the decision will be very small.**

Strongly agree				neutral				strongly disagree
1	2	3	4	5	6	7		7

**(Q14) If Jessie produces the order, most people would agree the action is wrong**

Strongly agree				neutral				strongly disagree
1	2	3	4	5	6	7		7



**(Q29) It is alright to temporarily increase emissions beyond a safe level if there is no other option**

Strongly agree			neutral			strongly disagree
7	6	5	4	3	2	1

**(Q32) It is alright to temporarily increase emissions beyond a safe level if no harm is done**

Strongly agree			neutral			strongly disagree
7	6	5	4	3	2	1

**(Q35) It is alright to temporarily increase emissions beyond a safe level if no law is broken**

Strongly agree			neutral			strongly disagree
7	6	5	4	3	2	1

**(Q50) It is alright to temporarily increase emissions beyond a safe level if everyone else is doing it**

Strongly agree			neutral			strongly disagree
7	6	5	4	3	2	1

**(Q38) It is alright to temporarily increase emissions beyond a safe level if it only affects people living abroad**

Strongly agree			neutral			strongly disagree
7	6	5	4	3	2	1

**(Q41) It is alright to temporarily increase emissions beyond a safe level if your employer benefits**

Strongly agree			neutral			strongly disagree
7	6	5	4	3	2	1

**(Q44) It is alright to temporarily increase emissions beyond a safe level if your family benefits**

Strongly agree			neutral			strongly disagree
7	6	5	4	3	2	1

**(Q47) It is alright to temporarily increase emissions beyond a safe level if you could be fired if you didn't**

Strongly agree			neutral			strongly disagree
7	6	5	4	3	2	1

Please read the following scenario carefully and note the behaviour is **legal within the jurisdiction of the scenario**.

Jessie works as an account manager at Lennon Inc., a financial service provider in the retail industry. Recently, Jessie’s largest account requested support in managing a new project. The project will permit retail consumers to purchase goods on credit at each retail outlet. The project will be targeted at subprime consumers - those with low-incomes and low-credit ratings. The interest rates associated with the purchases on credit are 38% per year. Because of their low-incomes, these subprime consumers would require several months to repay the interest on their purchases. If Jessie refuses to manage the project, the retailer will likely seek support for all future projects from Lennon Inc.’s competitor and Jessie could be fired for losing the account.

Please select the option that best describes **your opinion** about this situation.

**(Q3) If the project was managed, how would you evaluate Jessie’s behaviour?**  
Please respond using the following scales:

Unethical								ethical
1	2	3	4	5	6	7		7
Unacceptable								acceptable
1	2	3	4	5	6	7		7
Wrong								right
1	2	3	4	5	6	7		7
Bad								good
1	2	3	4	5	6	7		7

**(Q12) It is alright for marketers to exploit consumers without any reason**

Strongly agree			neutral				strongly disagree
7	6	5	4	3	2	1	

**(Q6) In this situation, Jessie should manage the project**

Definitely should							definitely should not
7	6	5	4	3	2	1	

**(Q9) If you were responsible, what are the chances you would manage the project?  
Please respond using the following scales:**

Definitely would not								definitely would
1	2	3	4	5	6	7		7
Unlikely								likely
1	2	3	4	5	6	7		7
Improbable								probable
1	2	3	4	5	6	7		7
Impossible								possible
1	2	3	4	5	6	7		7

**(Q18) If Jessie manages the project, the negative consequences (if any) of the decision will be very serious**

Strongly agree				neutral				strongly disagree
1	2	3	4	5	6	7		7

**(Q21) If Jessie manages the project, the overall harm (if any) as a result of the decision will be very small.**

Strongly agree				neutral				strongly disagree
7	6	5	4	3	2	1		1

**(Q24) If Jessie refuses to manage the project, the negative consequences (if any) of the decision will be very serious.**

Strongly agree				neutral				strongly disagree
7	6	5	4	3	2	1		1

**(Q27) If Jessie refuses to manage the project, the overall harm (if any) as a result of the decision will be very small.**

Strongly agree				neutral				strongly disagree
1	2	3	4	5	6	7		7

**(Q15) If Jessie manages the project, most people would agree the action is wrong**

Strongly agree				neutral				strongly disagree
1	2	3	4	5	6	7		7

**(Q30) It is alright to manage a subprime lending project if there is no other option**

Strongly agree			neutral				strongly disagree
7	6	5	4	3	2	1	

**(Q33) It is alright to manage a subprime lending project if no harm is done**

Strongly agree			neutral				strongly disagree
7	6	5	4	3	2	1	

**(Q36) It is alright to manage a subprime lending project if no law is broken**

Strongly agree			neutral				strongly disagree
7	6	5	4	3	2	1	

**(Q51) It is alright to manage a subprime lending project if everyone else is doing it**

Strongly agree			neutral				strongly disagree
7	6	5	4	3	2	1	

**(Q39) It is alright to manage a subprime lending project if borrowers seek credit**

Strongly agree			neutral				strongly disagree
7	6	5	4	3	2	1	

**(Q42) It is alright to manage a subprime lending project if your employer benefits**

Strongly agree			neutral				strongly disagree
7	6	5	4	3	2	1	

**(Q45) It is alright to manage a subprime lending project if your family benefits**

Strongly agree			neutral				strongly disagree
7	6	5	4	3	2	1	

**(Q48) It is alright to manage a subprime lending project if you could be fired if you didn't**

7	6	5	4	3	2	1	
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## Instructions

The questions in the final part of this survey make use of a seven-point rating scale. Please read the following statements and indicate to what extent each statement accurately describes **you**. By choosing a number from the scale below, please indicate the degree to which **you** personally agree or disagree with each of the statements. For example:

If you slightly agree with the statement ‘never tell anyone the real reason you did something unless it is useful to do so,’ then you would select the option as follows:

**Never tell anyone the real reason you did something unless it is useful to do so.**

Strongly agree			no opinion			strongly disagree
7	6	5	4	3	2	1

If you strongly disagree with the statement ‘never tell anyone the real reason you did something unless it is useful to do so,’ then you would select the option as follows:

**Never tell anyone the real reason you did something unless it is useful to do so.**

Strongly agree			no opinion			strongly disagree
7	6	5	4	3	2	1

**(Q52) Never tell anyone the real reason you did something unless it is useful to do so.**

Strongly agree				no opinion				strongly disagree
7	6	5	4	3	2	1		

**(Q53) The best way to handle people is to tell them what they want to hear.**

Strongly agree				no opinion				strongly disagree
7	6	5	4	3	2	1		

**(Q54) One should take action only when sure it is morally right.**

Strongly agree				no opinion				strongly disagree
1	2	3	4	5	6	7		

**(Q55) Most people are basically good and kind.**

Strongly agree				no opinion				strongly disagree
1	2	3	4	5	6	7		

**(Q56) It is safest to assume that all people have a vicious streak and it will come out when they are given a chance.**

Strongly agree				no opinion				strongly disagree
7	6	5	4	3	2	1		

**(Q57) Honesty is the best policy in all cases.**

Strongly agree				no opinion				strongly disagree
1	2	3	4	5	6	7		

**(Q58) There is no excuse for lying to someone else.**

Strongly agree				no opinion				strongly disagree
1	2	3	4	5	6	7		

**(Q59) Generally speaking, people won't work hard unless they're forced to do so.**

Strongly agree				no opinion				strongly disagree
7	6	5	4	3	2	1		

**(Q60) All in all, it is better to be humble and honest than to be important and dishonest.**

Strongly agree				no opinion			strongly disagree
1	2	3	4	5	6	7	

**(Q61) When you ask someone to do something for you, it is best to give the real reasons for wanting it rather than giving reasons which carry more weight.**

Strongly agree				no opinion			strongly disagree
1	2	3	4	5	6	7	

**(Q62) Most people who get ahead in the world lead clean, moral lives.**

Strongly agree				no opinion			strongly disagree
1	2	3	4	5	6	7	

**(Q63) Anyone who completely trusts anyone else is asking for trouble.**

Strongly agree				no opinion			strongly disagree
7	6	5	4	3	2	1	

**(Q64) The biggest difference between most criminals and other people is that the criminals are stupid enough to get caught.**

Strongly agree				no opinion			strongly disagree
7	6	5	4	3	2	1	

**(Q65) Most people are brave.**

Strongly agree				no opinion			strongly disagree
1	2	3	4	5	6	7	

**(Q66) It is wise to flatter important people.**

Strongly agree				no opinion			strongly disagree
7	6	5	4	3	2	1	

**(Q67) It is possible to be good in all respects.**

Strongly agree				no opinion			strongly disagree
1	2	3	4	5	6	7	

**(Q68) P.T. Barnum was wrong when he said that there's a sucker born every minute.**

Strongly agree				no opinion			strongly disagree
1	2	3	4	5	6	7	

**(Q69) It is hard to get ahead without cutting corners here and there.**

Strongly agree				no opinion			strongly disagree
7	6	5	4	3	2	1	

**(Q70) People suffering from incurable diseases should have the choice of being put painlessly to death.**

Strongly agree				no opinion			strongly disagree
7	6	5	4	3	2	1	

**(Q71) Most people forget more easily the death of their parents than the loss of their property.**

Strongly agree				no opinion			strongly disagree
7	6	5	4	3	2	1	



## General Information

Please answer all the following questions by selecting where appropriate.

1. What is your gender? Male ( ) Female ( )
2. What is your age? \_\_\_\_\_
3. What is your nationality? \_\_\_\_\_
4. What is your country of birth? \_\_\_\_\_
5. How many years have you been working in marketing? \_\_\_\_\_
6. What is your highest educational qualification? \_\_\_\_\_
7. What is your most recent employment title? \_\_\_\_\_
8. Have you participated in a study involving marketing behaviour within the past six months?  
Yes ( ) No ( )