

**University of Lethbridge Research Repository**

**OPUS**

**<https://opus.uleth.ca>**

---

Faculty Research and Publications

Ansari, Mahfooz

---

Ahmad, Noor H.

2005

# Ethical reasoning: the impact of ethical dilemma, egoism and belief in just world

---

<https://hdl.handle.net/10133/5587>

*Downloaded from OPUS, University of Lethbridge Research Repository*

## **ETHICAL REASONING: THE IMPACT OF ETHICAL DILEMMA, EGOISM AND BELIEF IN JUST WORLD\***

Noor Hazlina Ahmad<sup>1</sup>, Mahfooz A. Ansari<sup>2</sup> and Rehana Aafaqi<sup>3</sup>  
Universiti Sains Malaysia, 11800 USM, Pulau Pinang, Malaysia  
e-mail: <sup>1</sup>alis\_aiman@yahoo.com, <sup>2</sup>mahfooz@usm.my, <sup>3</sup>rehana@usm.my

Corresponding author: mahfooz@usm.my

### **ABSTRACT**

*Following a 3 [dilemma: coercion and control (CC); conflict of interest (CI); personal integrity (PI)] × 2 (egoism: self; organization) × 2 (belief in just world (BJW): strong; weak) between-subjects factorial design, we hypothesized the main effects of ethical dilemma, egoism, and BJW, and their interaction on ethical reasoning. The first two factors were manipulated by means of six vignettes and the last factor was a subject variable. Experimental participants were 384 managers representing 14 manufacturing organizations. Overall, utilitarian reasoning appeared to be a frequently used type of reasoning in relation to personal integrity dilemma involving self-interest, whereas principled reasoning appeared to be a frequently used reasoning in relation to personal integrity dilemma involving organizational-interest. BJW interacted strongly with the two manipulated factors in predicting ethical reasoning. Implications of the study are discussed, potential caveats are specified and recommendations for future research are provided.*

### **INTRODUCTION**

Ethical reasoning has occupied a central position in the study of business ethics in recent years. This can be witnessed in a growing body of literature, particularly on conflicts and dilemmas in the organizational context as well as their impacts on managerial ethical decision-making (Anderson & Davis, 2000; Holian, 2002). However, the majority of studies on business ethics have been conducted in the western – especially the United States (US) – business environment. This raises concerns when generalizing the findings in other contexts. Hence, the present study was designed to investigate the ethical reasoning used by Malaysian managers before a decision is judged to be ethical or otherwise.

In the wake of strong awareness pertaining to issues on social responsibility and ethical practices among the society, fostering ethical decision-making has

---

\* A previous version of this article was presented at the 5<sup>th</sup> Meeting of the Asian Academy of Management, Kuantan, Malaysia, September 2003.

become a topic of highest priority among business practitioners, managers and organization members (Jones, 2000). Despite this dramatic upsurge in dealing with ethical decision-making, little empirical research has been conducted to examine ethical reasoning among managers. This is more so of the Malaysian context. In fact, we found only four empirical studies in business ethics area dealing with managerial ethical orientations (Gupta & Sulaiman, 1996), managerial perception of business ethics (Rashid & Ho, 2002), and managerial attitudes toward corporate social responsibility (Egri et al., 2004; Rashid & Ibrahim, 2002). But none examined ethical reasoning in relation to ethical dilemma, egoism, and belief in just world (BJW). The paucity of research in this area may be because of the complexity involved in understanding the subject (Trevino, 1986). Nevertheless, research on ethical reasoning and the criteria used to justify managerial decisions need to be conducted, as this has implications for areas such as the effectiveness of codes of conduct as well as ethical training and development (Jones, 2000). Thus, the present study has four-fold objectives: (1) to examine the impact of different categories of ethical dilemma on ethical reasoning, (2) to examine the impact of egoism on ethical reasoning, (3) to examine the impact of BJW on ethical reasoning, and (4) to investigate the interaction among the three constructs on ethical reasoning.

The present experiment has been designed as an initial attempt to take a step further in exploring some of the essential areas that have rarely been highlighted in the past literature. Hence, (1) this study may be considered a preliminary research that integrates ethical dilemma, egoism dimension and BJW in determining the ethical reasoning used by managers in making decisions, and (2) most studies on ethical dilemma, egoism and BJW in relation to ethical reasoning have been conducted in the US. Hence, this study integrates and adds to the literature by testing the interaction among the above mentioned three constructs on ethical reasoning in the Malaysian context.

## **THEORETICAL FRAMEWORK AND DEVELOPMENT OF HYPOTHESES**

Given that ethical decision-making process is an important aspect of management function in the organization, it is essential to understand the various approaches people use in making decisions. Understanding ethical reasoning is seen vital, since it has some bearing on the decision style adopted by managers when faced with dilemma and conflict at work (Pennino, 2002). Furthermore, an enhanced understanding of ethical reasoning leads to a greater awareness of the influences it has on decision-making (Weber, 1990). Ethical reasoning is defined as "the process of sorting out the principles that help determine what is ethical when faced with ethical dilemmas" (Cook & Hunsaker, 2001: 430).

Previous research (e.g., Bommer et al., 1987; Ferrell, Gresham, & Fraedrich, 1989) suggests that the ethical reasoning adopted by an individual may be a primary source of influence on decision-making process. There are different types of ethical reasoning in making decisions (Cavanagh, Moberg, & Velasquez, 1981) and different modes of ethical reasoning are adopted for different ethical issues (Weber, 1990). In reality, there are many ethical philosophies and theories that are used in business decisions, and each one is complex. Among the most common types of ethical reasoning are *utilitarian* (i.e., right actions are those that maximize total utility), *rights* (i.e., every individual should be treated with respect and dignity), and *justice* (i.e., actions should be delivered on fair and equal basis) (McIntyre & Capen, 1993; Sims & Keon, 1997). The rationale of focusing on these three types of reasoning would be that most ethical debates are constructed based on these prominent ethical frameworks (Green, 2001).

### **Ethical Dilemma**

Ethical dilemma refers to a situation that often involves complex and conflicting principles of ethical behavior because no clear guideline is available on how to act and respond to a specific problem (Kitchener, 1984). In addition, when an individual's personal business ethics is not compatible with that of the organization, ethical conflicts are inevitable. It is important for an individual to recognize the presence of ethical dilemma, since it acts as catalyst for the entire decision-making process (Hunt & Vasquez-Parraga, 1993). This is so because ethical decision-making criteria will not be employed if the existence of ethical dilemma is unrecognized (Jones, 1991). Moreover, as the general theory of ethics (Hunt & Vitell, 1986) states, it is vital to study ethical dilemma and ethical reasoning, since this will consequently lead to ethical actions.

Studies on business ethics have identified three categories of ethical dilemma: coercion and control (CC), conflict of interest (CI) and personal integrity (PI). (1) CC involves force or threats – physical or emotional (De George, 1999) – that attempts to force an individual to make a specific decision (Fritzsche & Becker, 1984); (2) CI involves a clash and conflicting interest between an individual and some other party; and (3) PI involves issues related to one's conscience or sense of rightness and wrongness (Fritzsche & Becker, 1984). At the organizational level, integrity reflects maintaining fair business practices and ensures good value for products or services received. In business, providing honest value for goods and services, and treating employees fairly are among the examples of professional integrity.

Researchers (e.g., Becker & Fritzsche, 1987; Fritzsche, 1988; Weber, 1990) have discovered the use of different modes of reasoning in response to different types of ethical dilemma. It appears that utilitarian concepts are widely practiced by

business professionals when they are faced with ethical dilemma (Premeaux & Mondy, 1993; Swinyard, DeLong, & Cheng, 1989). Despite the fact that researchers have widely reported about the evidence of utilitarian reasoning among executives, Kohlberg (1984) asserts that people are basically justice-oriented and they normally prefer justice in all aspects of life. In contrast, there is evidence that rights reasoning is the most preferred reasoning (Forrest et al., 1990; Reidenbach & Robin, 1990). McDonald and Pak (1996) claimed that, in resolving ethical dilemma, utilitarian and justice are among the salient concepts used by people. Snell (1995), however, refuted this claim and contended that the evidence toward rights- and justice-based reasoning is inconclusive.

Critically analyzing the different modes of ethical reasoning as a result of different categories of ethical dilemma, Fritzsche and Becker (1984) reported that in response to CC dilemma, utilitarian reasoning is highly preferable. On the other hand, right reasoning is widely used in relation to CI dilemma. However, there is a combination of approaches employed in response to PI dilemma. In addition, Glover et al. (1997) suggest that people tend to use higher level of reasoning in response to dilemmas pertaining to honesty and integrity. More recently, Wimalasari (2001) reported that ethical reasoning is affected by variables such as control and punishment. In short, the exact mechanism that operates in resolving the particular ethical dilemma still remains unknown (Peachment et al., 1995). Based on these arguments, we predict that managers tend to use different modes of ethical reasoning in response to different categories of ethical dilemma. Thus, we hypothesized:

- H1: Utilitarian reasoning is more likely to be used in response to CC dilemma, rights reasoning in response to CI dilemma and justice reasoning in response to PI dilemma.

### **Egoism**

Past literature (e.g., Wyld & Jones, 1997) indicates that the nature of egoism (self-interest or organizational-interest) influences the individuals' use of reasoning in making decisions. Thus, we treated egoism as another independent variable. The egoism theory involves two different dimensions affecting ethical reasoning: self-interest and organizational-interest. Past research attests that individuals vary their level of ethical response when faced with situation related to organizational-interest (Couch & Hoffman, 1995). According to Snell (1995), in situations where self-interest is involved, people tend to use lower level of ethical reasoning. In a recent study, Libby and Agnello (2000) found that there is a strong relation between utilitarian approach and self-interest. Soon (2003) reported that the two dimensions of egoism result in the different use of ethical judgement. Given such empirical evidence, we expect that managers tend to use

utilitarian reasoning in relation to self-interest, and rights and justice reasonings in relation to organizational-interest. This prediction is based on the *individualistic* view of the world whereby maximizing self-interest is considered important and therefore, using lower level of ethical reasoning to maximize self-interest is justified. Hence, we offered the following hypothesis:

- H2: Utilitarian reasoning is more likely to be used in relation to dilemma involving self-interest, whereas rights and justice reasoning are more likely to be used in relation to dilemma involving organizational-interest.

### **Belief in Just World (BJW)**

The way people react to certain events and situations depends on how they perceive the world (Bollmer, 2002). Therefore, we anticipated that BJW is one such dispositional determinant that may affect the way individuals react and respond to ethical dilemma and conflicts in the workplace. Although the concept of BJW was developed in the western context, there are some attempts made by the researchers to test this theory in eastern cultures such as Taiwan (Chi & Lo, 2003) and Japan (Tanaka, 1999). BJW is defined as the belief that this world has a mechanism whereby people will be rewarded or punished proportional to the good or evil that they have done (Tanaka, 1999). Thus, this belief explains the basic need of human nature whereby people expect to see good behaviors rewarded and bad ones punished (Lerner, 1980). Therefore, the just world believers will always try to uphold justice since they believe that, in the long run, people will be punished for the injustices that they have done. A study conducted by Chi and Lo (2003) revealed a significant effect of BJW on respondents' justice perceptions. Based on these few empirical evidence, we hypothesized:

- H3: Strong just world believers are more likely to use rights and justice reasoning, whereas weak believers are more likely to use utilitarian reasoning when justifying their decision-making.

### **Interaction Hypotheses**

Past literature suggests that whether the dilemma affects oneself or others contributes to the use of different modes of reasoning in resolving ethical dilemma (Weber, 1990). Thus, we expect that the change in ethical reasoning might be predicted by the interaction between ethical dilemma and egoism dimension. Since there is lack of study concerning this link, we make a step further to have a clearer picture regarding the interactive impact of ethical dilemma and egoism on ethical reasoning. Thus, we conjectured:

- H4: Utilitarian reasoning is more likely to be used in relation to CC and CI dilemmas related to self-interest, rights reasoning is more likely to be used in relation to CC and CI dilemmas involving organizational-interest, and PI dilemma involving self-interest, and justice reasoning is more likely to be used in relation to PI dilemma involving organizational-interest.

Pursuant to that, previous studies suggest that people often use different modes of ethical reasoning in response to different ethical issues (Weber, 1990) and the way they perceive the world around them (whether the world is just or unjust) (Bollmer, 2002). Both ethical dilemma and BJW may affect how managers react to certain issues. Thus, we anticipate that strong just world believers are more likely to use rights and justice reasoning when experiencing dilemma, whereas weak just world believers are more likely to employ utilitarian approach in response to CC dilemma as well as CI dilemma. As for PI dilemma, we predict that weak believers are more likely to use rights reasoning. Thus, we state the following hypothesis:

- H5: Strong believers are more likely to use rights reasoning in response to CC and CI dilemma and justice reasoning in response to PI dilemma. On the other hand, weak believers are more likely to use utilitarian reasoning in response to CC and CI dilemma and rights reasoning in response to PI dilemma.

Past researches indicate that individuals' ethical judgement is affected by their personal beliefs (Glover et al., 1997) and egoism (Wyld & Jones, 1997). Most previous studies, however, have treated the two variables almost independently. Thus, we attempt to integrate the two constructs together and examine their impact on ethical reasoning. Specifically, we anticipated that strong and weak just world believers tend to use different modes of ethical reasoning in justifying decisions that involved self-interest and organizational-interest. Therefore, we hypothesized:

- H6: Strong believers are more likely to use rights reasoning when justifying decisions involving self-interest and justice reasoning for decisions involving organizational-interest. In contrast, weak believers are more likely to use utilitarian reasoning when justifying decisions involving self-interest and rights reasoning for decisions involving organizational-interest.

Finally, in the relative paucity of empirical research on this subject, we make no specific predictions about a three-way interaction. Thus, we offer a general hypothesis as follows:

H7: There is a significant interaction among dilemma, egoism and BJW on ethical reasoning.

## **METHOD**

### **Participants and Procedure**

The sample consisted of lower-middle level managers ( $N = 384$ ) from 14 manufacturing organizations located in northern Malaysia. Over half of the participants (52.6%) were in the age range of 26 to 30 years. Male participants (62.2%) outnumbered female participants (37.8%). Chinese were the largest group participating in the study (48.2%), followed by Malays (36.2%) and Indians (13.8%). Data were collected by means of six vignettes and measures of ethical reasoning and BJW. A support letter from the university was attached with the study material that explained the purpose of the study and assured the confidentiality of individual responses.

### **Experimental Design**

This experiment employed a 3 (ethical dilemma: CC, CI, PI)  $\times$  2 (egoism dimension: self-interest; organizational-interest)  $\times$  2 (BJW: strong believers; weak believers) between-subjects factorial design. The first two factors were manipulated by means of six vignettes and the last factor served as a subject variable.

### **Experimental Manipulations**

#### *Ethical dilemma*

Each respondent was exposed to one of the six vignettes consisting of a dilemma (CC, CI or PI) and an egoism dimension (self-interest or organizational-interest). The widely used dilemma scenarios were adapted from the past literature (Fritzsche & Becker, 1984; Jackson & Artola, 1997; Loo, 1996).

#### *Egoism*

Following each ethical dilemma, the egoism dimension (self-interest or organizational-interest) was manipulated as follows:

1. Thus, you decided to follow the manager's instructions (*self-interest*).



2. In order to avoid making loss, Company X decided to pay RM2 million (*organizational-interest*).
3. Therefore, you decided to provide the information regarding your former company (*self-interest*).
4. The management decided to hire the competitor's R&D manager and expect the manager to disclose the details of the new product (*organizational-interest*).
5. Due to the recommendations, you get the promotion (*self-interest*).
6. The company decided to go ahead with the current design (*organizational-interest*).

## Measures

### *Ethical reasoning*

We employed 12-item dependent measures adapted from the past literature (Fritzsche & Becker, 1984; Reidenbach & Robin, 1990) to measure the ethical reasoning adopted by individual managers in justifying decisions. The respondents rated on a 7-point scale (1 = strongly disagree; 7 = strongly agree) related to their degree of agreement or disagreement with each item as a reaction to the scenario. A principal components analysis (with varimax rotation) was performed to examine the dimensionality of the scale. With a criterion of eigen value greater than 1.00 and factor loading criterion of 0.50, the analysis constrained to two interpretable factors that explained a total of 62.88% of the variance. The first factor (a total of 53.92% of the variance;  $M = 4.57$ ;  $SD = 1.35$ ) was composed of four items – two items from rights reasoning and two items from justice reasoning subscales. This factor was then renamed "Principled Reasoning". The two dimensions converging to one factor has been found in previous researches as well (e.g., Sims & Keon, 1997; Victor & Cullen, 1988). The second factor (a total of 8.96% of the variance;  $M = 3.59$ ;  $SD = 1.39$ ) was composed of "Utilitarian Reasoning" that included four items, as expected. Coefficients alpha for the two subscales, respectively, were 0.84 and 0.78. The two factors were significantly correlated ( $r = 0.61$ ;  $p < 0.01$ ).

### *BJW*

We used a 6-item scale (Dalbert, Montada, & Schmitt, 1987) to assess the individual's BJW. The participants indicated on a 7-point scale (1 = strongly disagree; 7 = strongly agree) related to their degree of agreement or disagreement

with each statement. A principal components analysis with varimax rotation disclosed one clean factor, with three significant items. This is justifiable since the selected three items obviously revealed the justice concept. The coefficient alpha was found to be 0.76.

#### *Demographic data*

A series of single-statement items were employed to assess the respondents' demographic characteristics such as age, gender and race.

## RESULTS

We tested the seven major hypotheses by means of a three-way MANOVA. The MANOVA yielded significant main effects for both manipulated independent variables – dilemma and egoism. The main effect of BJW was not significant, but it significantly interacted with both manipulated variables. Interestingly, all interactions – three two-way and one three-way – were significant (see Table 1).

TABLE 1  
SUMMARY OF MANOVA: EFFECTS OF ETHICAL DILEMMA,  
EGOISM AND BJW ON ETHICAL REASONING

Sources of variation	df	Wilks' Lambda	F	Eta Square
Dilemma (A)	2	0.79	22.68**	0.11
Egoism (B)	1	0.96	6.85**	0.04
BJW (C)	1	0.99	0.80	0.00
A × B	2	0.87	13.54**	0.07
A × C	2	0.85	15.66**	0.08
B × C	1	0.96	7.63**	0.04
A × B × C	2	0.94	5.75**	0.03
Error	372			

\*\* $p < 0.01$

Following a significant MANOVA, a univariate ANOVA for each dependent variable was performed. The analysis disclosed a significant main effect for ethical dilemma:  $F(2,372) = 9.21, p < 0.01$ ; and egoism,  $F(1,372) = 3.95, p < 0.05$ , on utilitarian reasoning. Significant interactions between ethical dilemma and egoism,  $F(2,372) = 12.27, p < 0.01$ ; between ethical dilemma and BJW:  $F(2,372) = 4.23, p < 0.05$ ; and between egoism and BJW:  $F(1,372) = 12.55, p < 0.01$ ; were also noted. In addition, the ANOVA yielded a significant main effect of ethical dilemma:  $F(2,372) = 15.75, p < 0.01$ ; and an interaction

between ethical dilemma and BJW:  $F(2,372) = 13.32, p < 0.01$ , on principled reasoning. The analysis also unearthed a three-way interaction among ethical dilemma, egoism dimensions, and BJW:  $F(2,372) = 3.44, p < 0.05$ , on principled reasoning. Descriptive statistics are displayed in Table 2.

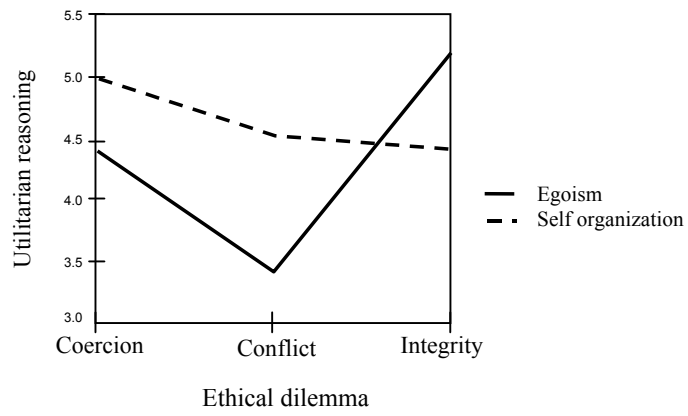
TABLE 2  
MEANS AND STANDARD DEVIATIONS OF ETHICAL REASONING

Reasoning				Utilitarian		Principled	
Ethical dilemma	Egoism	BJW	n	M	SD	M	SD
Coercion and control (CC)	Self	Weak	58	4.56	1.62	3.06	1.40
		Strong	20	4.26	1.06	2.51	0.70
		Total	78	4.49	1.49	2.92	1.28
	Organization	Weak	70	4.51	1.00	3.67	0.82
		Strong	9	5.53	0.42	2.44	1.38
		Total	79	4.63	1.00	3.53	0.97
	<b>Total</b>		<b>Weak</b>	<b>128</b>	<b>4.54</b>	<b>1.31</b>	<b>3.39</b>
		<b>Strong</b>	<b>29</b>	<b>4.66</b>	<b>1.08</b>	<b>2.49</b>	<b>0.94</b>
		<b>Total</b>	<b>157</b>	<b>4.56</b>	<b>1.27</b>	<b>3.23</b>	<b>1.17</b>
Conflict of interest (CI)	Self	Weak	52	4.17	1.01	3.89	0.95
		Strong	7	4.46	2.14	4.04	0.17
		Total	59	4.00	1.20	3.91	0.89
	Organization	Weak	26	4.46	1.27	3.07	1.25
		Strong	32	4.66	2.14	3.73	1.92
		Total	58	4.57	1.79	3.43	1.67
	<b>Total</b>		<b>Weak</b>	<b>78</b>	<b>4.27</b>	<b>1.10</b>	<b>3.62</b>
		<b>Strong</b>	<b>39</b>	<b>4.31</b>	<b>2.19</b>	<b>3.78</b>	<b>1.74</b>
		<b>Total</b>	<b>117</b>	<b>4.28</b>	<b>1.54</b>	<b>3.67</b>	<b>1.35</b>
Personal integrity (PI)	Self	Weak	37	5.09	1.18	3.86	1.65
		Strong	23	5.32	0.85	4.26	1.86
		Total	60	5.18	1.06	4.01	1.73
	Organization	Weak	20	4.09	1.81	3.03	1.62
		Strong	30	4.83	0.32	4.73	0.59
		Total	50	4.53	1.21	4.05	1.39
	<b>Total</b>		<b>Weak</b>	<b>57</b>	<b>4.74</b>	<b>1.50</b>	<b>3.57</b>
		<b>Strong</b>	<b>53</b>	<b>5.04</b>	<b>0.65</b>	<b>4.53</b>	<b>1.31</b>
		<b>Total</b>	<b>110</b>	<b>4.88</b>	<b>1.17</b>	<b>4.03</b>	<b>1.58</b>
Total	Self	Weak	147	4.56	1.36	3.55	1.39
		Strong	50	4.53	1.39	3.53	1.57
		Total	197	4.55	1.36	3.55	1.43
	Organization	Weak	116	4.43	1.23	3.42	1.12
		Strong	71	4.84	1.47	3.99	1.60
		Total	187	4.58	1.34	3.64	1.35
	<b>Total</b>		<b>Weak</b>	<b>263</b>	<b>4.50</b>	<b>1.30</b>	<b>3.50</b>
		<b>Strong</b>	<b>121</b>	<b>4.71</b>	<b>1.44</b>	<b>3.80</b>	<b>1.60</b>
		<b>Total</b>	<b>384</b>	<b>4.57</b>	<b>1.35</b>	<b>3.59</b>	<b>1.39</b>

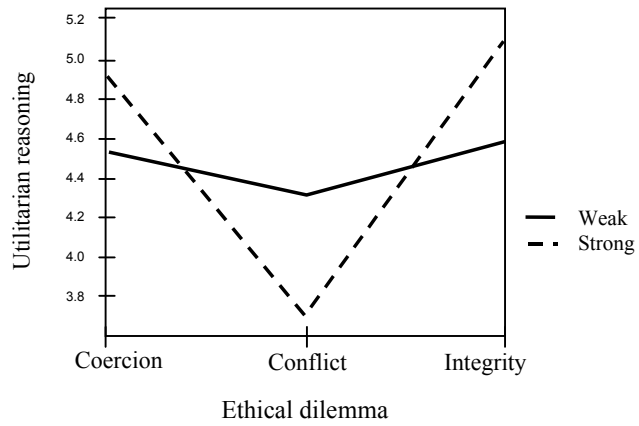
Clearly (see Table 2), managers tended to use utilitarian reasoning more when faced with PI dilemma than with CC dilemma or CI dilemma. It was also apparent that managers tended to use utilitarian reasoning more in response to dilemma involving organizational-interest than to dilemma involving self-interest. In addition, managers preferred to use utilitarian reasoning more to justify their decisions in response to CC dilemma related to organizational-interest than to self-interest. Taken together, results revealed that managers agreed to use utilitarian reasoning more than principled reasoning.

Of interest were significant interactions – see Figures 1 and 2. The first interaction [Figure 1(a)] indicated that, managers tended to use utilitarian reasoning more in relation to CC ethical dilemma that involved organizational-interest. But, in the case of PI dilemma, the greater use of utilitarian reasoning was observed in relation to self-interest. Interestingly, the least use of utilitarian reasoning was observed for CI dilemma involving self-interest. The second and the third interactions [Figures 1(b) and 1(c)] revealed that weak just world believers generally showed no difference in their use of reasoning in relation to different categories of ethical dilemma and egoism. As for strong believers, the higher use of utilitarian reasoning was manifested in relation to CC and PI dilemmas, whereas the tendency to endorse utilitarian reasoning was less apparent in the case of CC, but more in the case of PI dilemma.

Strong just world believers showed a great difference in their principled reasoning when justifying decisions related to self-interest and organizational-interest compared to weak believers [Figure 2(a)]. It was also noted that weak just world believers tended to agree with principled reasoning more in response to PI dilemma related to self-interest [see Figure 2(b)]. Finally, strong just world believers tended to show a similar trend in their use of principled reasoning when faced with dilemma related to self-interest and organizational-interest, in which, stronger agreement with principled reasoning was apparent in relation to PI dilemma and less in relation to CC dilemma [see Figure 2(c)].

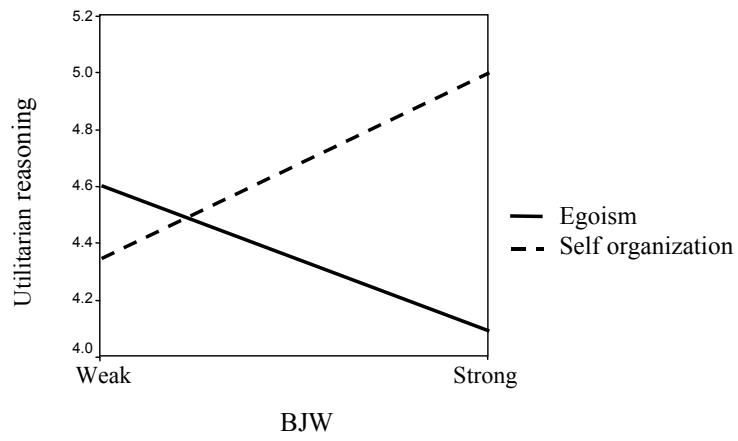


(a)



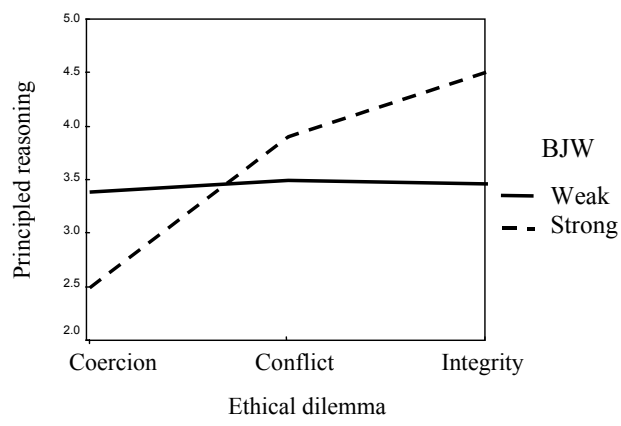
(b)

Figure 1. Interaction effects of ethical dilemma, egoism and BJJ on utilitarian reasoning (continued)



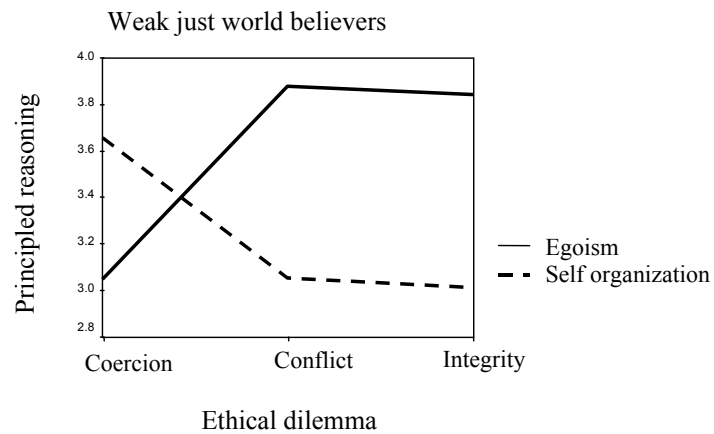
(c)

Figure 1. (continued)

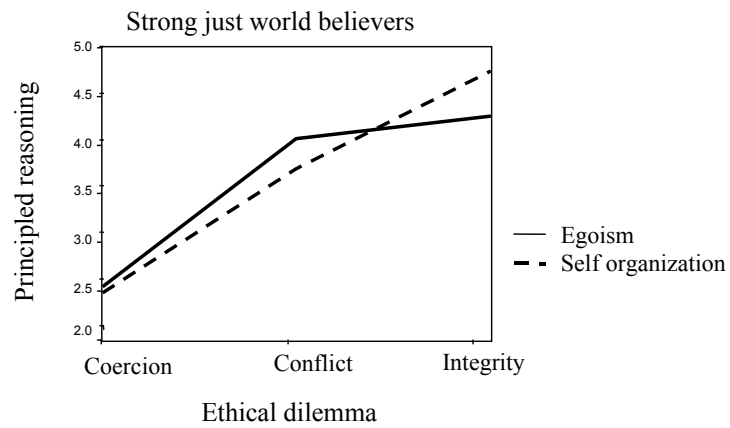


(a)

Figure 2. Interaction effects of ethical dilemma, egoism and B JW on principled reasoning (continued).



(b)



(c)

Figure 2. (continued)

## DISCUSSION

Although most of the hypotheses were not supported by the data, several conclusions can be drawn. First, our analysis indicates that people prefer to use utilitarian reasoning more in response to PI dilemma compared to CC and CI dilemmas. While past research has found evidence that utilitarian reasoning is more prevalent in the case of CC dilemma (Fritzsche & Becker, 1984), the present data revealed an unexpected finding. This signifies that in Malaysia, regardless of the types of dilemma, people tend to emphasize more on the use of

economic reasons and justifications in decision-making. Obviously, in making decisions, more weight is given to alternatives or choices that generate greatest utility. This could be because of the *economization of the society* trend (Enderle, 1997), which denotes that what is relevant is what counts economically and yields the greatest profit.

Second, we found that ethical dilemma influences the use of principled reasoning among managers. As expected, the analysis revealed that people tend to use principled reasoning in response to PI, followed by CI, and CC dilemma. This seems justified because people generally tend to use higher level of reasoning pertaining to issues related to integrity (Weber & Green, 1991).

Third, we noted that the use of utilitarian reasoning is more prevalent in relation to dilemma involving organizational-interest compared to the dilemma involving self-interest. From this, we may conclude that living in the collectivist society like Malaysia (Dooley, 2003), the main concern should be to protect the organizational-interest relative to self-interest. Thus, justifying decisions using utilitarian reasoning is considered acceptable, as long as it is made for the sake of organizations.

Fourth, our data show some interesting interactions between ethical dilemma and BJW on both utilitarian and principled reasoning. Our findings indicate that when strong and weak just world believers experience dilemma, they tend to employ different types of reasoning to justify their decisions. It is clearly evident that BJW will only affect individuals' ethical reasoning, given the presence of ethical dilemma. This finding is in line with that of Glover et al. (1997) who suggested that when faced with ambiguous problem or ethical dilemma, individuals' personal belief moderates the use of different modes of reasoning.

Overall, our findings suggest that utilitarian reasoning appears to be a predominant type of reasoning in the Malaysian context. This is consistent with past studies (Fritzsche & Becker, 1984; Robin et al., 1996), which claimed that utilitarian reasoning is preferable because it is seen as a rational way to justify decisions. This finding may suggest that, in Malaysia too, people are more economic-oriented than ethics-oriented. To date, there can be seen very few evidence supporting the use of justice and rights (i.e., principled) reasoning in justifying decision-making, even though studies regarding ethical reasoning have been present for more than 20 years (Glover et al., 2002). Perhaps, there is still lack of awareness on the importance of using this higher level of moral reasoning in making decisions, or may be, the efforts made to inculcate an ethical culture in the society generally and in the workplace specifically, are still questionable. Given the absence of the use of deontological-based ethics in individual's



decision-making, concerns may be raised regarding the use of codes of conduct in organizations as a means for assuring good business practices.

This study has obvious theoretical ramifications, as it provides an integration of several important theories – egoism theory and belief in just world theory – in examining the relationship between the effects of ethical dilemma on ethical reasoning. In addition, since the study utilized Hunt and Vitell's (1986) general theory of ethics, our study has therefore enriched this theory. Constructs were identified that appeared to fit the general factors put forth by Hunt and Vitell such as egoism and BJW. As for practical aspects, the study highlights the importance of understanding individuals' decision-making process in order to minimize the conflict and dilemma in the workplace. Findings also raise concern about the need of a variety of methods to incorporate and govern ethical conduct at work such as ethics training programs, ethics committee and codes of ethics. The need of a set of codes and training programs are necessary, as people progress from lower to higher reasoning through education and training (Abdolmohammadi, Read, & Scarbrough, 2003).

While the study makes important contributions regarding the main and interaction effects of the variables studied, it is not without some potential shortcomings. First, this study focuses on only the managers working in the manufacturing sector and neglects other sectors (such as service and government). Second, this research is limited due to the missing link between ethical reasoning and actual ethical actions. Even though this gap is recognized, researchers continue to predict behavior from individual's current reasoning and judgements (Weber & Gillespie, 1998). Third, a noteworthy caveat of this study is that ethics and ethical frameworks are constructs that are not easily measured and quantified (Trevino, 1986). While some of the findings were significant, the overall effect size was not overly large. Future research can be geared toward the following directions. First, if this study is replicated in the future, extensive longitudinal and sequential studies should be considered in order to investigate the changes in terms of individuals' reasoning given a certain period of time. This would enable researchers to examine whether individuals' moral reasoning evolves over the lifetime. Secondly, we gathered data from all the three major races of Malaysia, but the distribution of respondents was uneven across the three races: Chinese (48.2%), Malay (36.2%) and Indian (13.8%). This could be a reason why our one-way MANOVA results ( $F = 1.88, p > 0.05$ ) for ethnicity did not account for any significant variation in ethical reasoning. Thus it would be interesting for future researchers to examine if ethnicity has an influence on ethical reasoning. Such studies might add a cross-cultural dimension to the area of ethical reasoning.

In conclusion, given the overwhelming concern on ethics in our society, we predict that issues on ethical reasoning and decision-making will continue to be an issue of great concern in the business context. It is, therefore, crucial for the managers, business professionals and practitioners, and employees to understand the basis of making ethical decisions – especially when confronted with ethical dilemma – as this would have implications for organizations and the society as a whole. Thus, we hope that the results from this study will serve as a basis for future references in the area of business ethics.

## **REFERENCES**

- Abdolmohammadi, M. J., Read, W. J., and Scarbrough, D. P. (2003). Does selection-socialization help to explain accountants' weak ethical reasoning? *Journal of Business Ethics, 42*, 71–81.
- Anderson, S. K., and Davis, T. G. (2000). An ethical decision making model: A necessary tool for community college presidents and board of trustees. *Community College Journal of Research and Practice, 24*, 711–728.
- Becker, H., and Fritzsche, D. J. (1987). A cross-cultural comparison of managers' attitudes. *Journal of Business Ethics, 6*, 286–296.
- Bollmer, J. (2002). *Interpersonal aspects of the just world hypothesis*. Retrieved January 13, 2003, from <http://www.scu.edu/Ethics/publications/ie/v3n2/justworld.html>
- Bommer, M., Gratto, C., Gravander, J., and Tuttle, M. (1987). A behavioral model of ethical and unethical decision-making. *Journal of Business Ethics, 6*, 265–280.
- Cavanagh, G., Moberg, D., and Velasquez, M. (1981). The ethics of organizational politics. *Academy of Management Review, 6*, 363–374.
- Chi, S. C., and Lo, H. H. (2003). Taiwanese employees' justice perceptions of co-workers' punitive events. *Journal of Social Psychology, 143*, 27–42.
- Cook, C. W., and Hunsaker, P. L. (2001). *Management and organizational behavior*. Madison, WI: McGraw-Hill.
- Couch, G., and Hoffman, J. J. (1995). The effect of firm survival situations on managerial ethics. *Journal of Employment Counseling, 32*, 79–88.

- Dalbert, C., Montada, L., and Schmitt, M. (1987). *General belief in just world scale*. Retrieved December 12, 2001, from <http://www.erzwiss.uni-halle.de/gliederung/paed/ppsych/segbjw.pdf>
- De George, R. T. (1999). *Business ethics*. Upper Saddle River, NJ: Prentice-Hall.
- Dooley, R. (2003). Four cultures, one company: Achieving corporate excellence through working cultural complexity (part 2). *Organization Development Journal*, 21, 52–62.
- Egri, C. P., Ralston, D. A., Milton, L., Naoumova, I., Palmer, I., Ramburuth, P., Wangenheim, F., Fu, P. P., Kuo, M. H., Ansari, M. A. et al. (2004, August). *Managerial perspectives on corporate environmental and social responsibilities in 22 countries*. Paper presented at the Annual Meeting of the Academy of Management, New Orleans, Louisiana.
- Enderle, G. A. (1997). Worldwide survey of business ethics in the 1990's. *Journal of Business Ethics*, 14, 1475–1483.
- Ferrell, O. C., Gresham, L. G., and Fraedrich, J. (1989). A synthesis of ethical decision-making models for marketing. *Journal of Macromarketing*, 9, 55–64.
- Forrest, P. J., Cochran, D. S., Ray, D. F., and Robin, D. P. (1990, August). *An empirical examination of four factors thought to be influential in ethical judgments*. Paper presented at the Annual Meeting of the Academy of Management, San Francisco, California.
- Fritzsche, D. J. (1988). An examination of marketing ethics: Role of the decision-maker. Consequences of decision, management position and sex of respondent. *Journal of Macromarketing*, 8, 29–39.
- Fritzsche, D. J., and Becker, H. (1984). Linking management behavior to ethical philosophy – An empirical investigation. *Academy of Management Journal*, 27, 166–175.
- Glover, S. H., Bumpus, M. A., Logan, J. E., and Ciesla, J. R. (1997). Re-examining the influence of individual values on ethical decision-making. *Journal of Business Ethics*, 16, 1319–1329.
- Glover, S. H., Bumpus, M. A., Sharp, G. F., and Munchus, G. A. (2002). Gender differences in ethical decision-making. *Women in Management Review*, 17, 217–227.

- Green, G. D. (2001). An exploration of what the great philosophers can do to assist ethical decision-making. *Journal of Management in Medicine*, 15, 488–499.
- Gupta, J. L., and Sulaiman, M. (1996). Ethical orientations of managers in Malaysia. *Journal of Business Ethics*, 15, 735–748.
- Holian, R. (2002). Management decision-making and ethics: Practices, skills and preference. *Management Decision*, 40, 862–870.
- Hunt, S. D., and Vasquez-Parraga, A. Z. (1993). Organization consequences, marketing ethics, and sales force supervision. *Journal of Marketing Research*, 30, 78–90.
- Hunt, S. D., and Vitell, S. (1986). A general theory of marketing ethics. *Journal of Macromarketing*, 6, 5–16.
- Jackson, T., and Artola, M. C. (1997). Ethical belief and management behavior: A cross-cultural comparison. *Journal of Business Ethics*, 16, 1163–1173.
- Jones, J. (2000). *Ethics revisited. The 1990s: An ethical decade or a decade of hypocrisy?* School of Commerce Research Paper, Flinders University, Australia.
- Jones, T. M. (1991). Ethical decision making by individuals in organization: An issue contingent model. *Academy of Management Review*, 16, 366–395.
- Kitchener, K. S. (1984). Intuition, critical evaluation, and ethical principles: The foundation for ethical decisions in counseling psychology. *The Counseling Psychologist*, 12, 43–55.
- Kohlberg, L. (1984). *The psychology of development*. San Francisco, CA: Harper & Row.
- Lerner, M. J. (1980). *The belief in a just world: A fundamental delusion*. New York: Plenum.
- Libby, B., and Agnello, V. (2000). Ethical decision-making and the law. *Journal of Business Ethics*, 3, 223–232.
- Loo, R. (1996). Utility and construct validity of an ethical dilemma scale in management education. *Journal of Business Ethics*, 15, 551–557.

- McDonald, G., and Pak, P. C. (1996). It's all fair in love, war, and business: Cognitive philosophies in ethical decision-making. *Journal of Business Ethics*, 15, 973–995.
- McIntyre, R. P., and Capen, M. M. (1993). A cognitive style perspective on ethical questions. *Journal of Business Ethics*, 12, 629–634.
- Peachment, A., McNeil, M., Soutar, G., and Molster, C. (1995). Means or ends? Ethical decision framework in the Western Australian public service. *Journal of Business Ethics*, 14, 629–643.
- Pennino, C. M. (2002). Is decision style related to moral development among managers in the U.S? *Journal of Business Ethics*, 4, 337–347.
- Premeaux, S. R., and Mondy, R. W. (1993). Linking management behavior to ethical philosophy. *Journal of Business Ethics*, 12, 349–357.
- Rashid, M. Z. A., and Ho, J. A. (2002). Perceptions of business ethics in multicultural community: The case of Malaysia. *Journal of Business Ethics*, 21, 1–13.
- Rashid, M. Z. A., and Ibrahim, S. (2002). Executive and management attitudes towards corporate social responsibility in Malaysia. *Corporate Governance*, 2, 10–16.
- Reidenbach, R. E., and Robin, D. P. (1990). Toward the development of multidimensional scale for improving evaluations of business ethics. *Journal of Business Ethics*, 9, 639–653.
- Robin, D. P., Gordon, G., Jordan, C., and Reidenbach R. E. (1996). The empirical performance of cognitive moral development predicting behavioral intent. *Business Ethics Quarterly*, 6, 493–515.
- Sims, R. L., and Keon, T. I. (1997). Ethical work climate as a factor in the development of person-organization fit. *Journal of Business Ethics*, 16, 1095–1105.
- Snell, R. S. (1995). Does lower-stage ethical reasoning emerge in more familiar contents? *Journal of Business Ethics*, 14, 959–976.
- Soon, L. G. (2003). Differences in ethical judgment between Chinese and Singaporeans: Individual reactions to self and organizational interest considerations. *Singapore Management Review*, 25, 1–15.

- Swinyard, W. R., DeLong, T. J., and Cheng, P.S. (1989). The relationship between moral decisions and their consequences: A tradeoff analysis approach. *Journal of Business Ethics*, 8, 289–297.
- Tanaka, K. (1999). Judgment of fairness by just world believers. *Journal of Social Psychology*, 139, 631-639.
- Trevino, L. K. (1986). Ethical decision-making in organizations: A person-situation interaction model. *Academy of Management Review*, 11, 601–617.
- Victor, B., and Cullen, J. B. (1988). The organizational bases of ethical work climates. *Administrative Science Quarterly*, 33, 101–125.
- Weber, J. (1990). Managers' moral reasoning: Assessing their responses on three moral dilemmas. *Human Relations*, 43, 687–702.
- Weber, J., and Gillespie, J. (1998). Differences in ethical beliefs, intention, and behavior. *Business and Society*, 37, 447–467.
- Weber, J., and Green, S. (1991). Principled reasoning: Is it a viable approach to promote ethical integrity? *Journal of Business Ethics*, 10, 325–333.
- Wimalasari, J. S. (2001). Moral reasoning capacity of management students and practitioners: An empirical study in Australia. *Journal of Managerial Psychology*, 16, 614–634.
- Wyld, D. C., and Jones, C. A. (1997). Importance of context. The ethical work climate construct and models of ethical decision-making – An agenda for research. *Journal of Business Ethics*, 16, 465–472.