

Ethical Decision Making in Organizations: A Person-Situation Interactionist Model

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An interactionist model of ethical decision making in organizations is proposed. The model combines individual variables (moral development, etc.) with situational variables to explain and predict the ethical decision-making behavior of individuals in organizations. A major component of the model is based on Kohlberg's cognitive moral development model which provides the construct definition, measurement tools, and theory base to guide future business ethics research. Research propositions are offered and practical implications are discussed.

The issue of ethical decision making in organizations has received much attention in recent years for a variety of reasons: the post-Watergate atmosphere, mounting public scorn regarding business behavior, and managers' cynicism and internal personal-work values conflicts (Brenner & Molander, 1977; Crittenden, 1984; Ingersoll & Pound, 1984; Lincoln, Pressley, & Little, 1982; Ricklees, 1983). Despite the interest, concern, and a number of published prescriptions to deal with ethical decision making in organizations, little empirical investigation has been conducted. The paucity of research is not surprising, however, given the delicate nature and complexity of this area. Managers are not likely to allow their "ethics" to be directly observed or measured. Nor would it be acceptable to attempt to manipulate ethical decision making in the field. Further, the tendency to regard ethics as a branch of philosophy rather than as social science may

lead to the conclusion that business ethics is a "Sunday school" subject not worthy of serious investigation, or that it is a matter of subjective preference about which no objective statements can be made. Finally, the lack of theory to guide investigation has inhibited the systematic development of a research agenda.

An understanding of ethical decision making in organizations is important to the development of organizational science. Uncertainty is a fact of complex, dynamic organizational life. Ethical issues are ever present in uncertain conditions where multiple stakeholders, interests, and values are in conflict and laws are unclear. Managers engage in discretionary decision-making behavior affecting the lives and well-being of others. Thus, they are involved in ethical decision making. Their decisions and acts can produce tremendous social consequences, particularly in the realms of health, safety, and welfare of consumers, employees, and the community.

Previous approaches to the study of ethical decision making in organizations have tended to emphasize either the individual role or situational variables in producing ethical/unethical behavior. Neither approach has captured the important interfaces among individual and situa-

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tional variables. This paper proposes an interactionist model that recognizes the role of both individual and situational variables—an approach that seems to hold the most promise for advancing our understanding of this complex phenomenon.

Interactionist Model of Ethical Decision Making in Organizations

The proposed interactionist model (see Figure 1) posits that ethical decision making in organizations is explained by the interaction of individual and situational components. The individual reacts to an ethical dilemma with cognitions determined by his or her cognitive moral development stage. The individual's cognitive moral development stage determines how an individual thinks about ethical dilemmas, his or her process of deciding what is right or wrong in a situation. However, cognitions of right and wrong are not enough to explain or predict ethical decision-making behavior. Additional individual and situational variables interact with the cognitive component to determine how an individual is likely to behave in response to an ethical dilemma. Three individual variables, ego strength, field dependence, and locus of control, are proposed to influence the likelihood of an individual's acting on cognitions of what is right or wrong. Situational variables arising from the immediate job context and the broader organizational culture also moderate the cognition/behavior relationship. These include the organization's normative structure, referent others, obedience to authority, responsibility for consequences, reinforcement contingencies, and other pressures. Finally, characteristics of the job itself and the moral content of the organizational culture can have an impact on the moral development of the individual. This latter relationship is illustrated by the feedback loop arrow in Figure 1. The proposed specific relationships will be explored and developed further in a series of propositions for future research.

Cognitions

The point of departure for the model in Figure 1 is the individual's cognitions in response to an ethical dilemma. This component of the model relies upon Lawrence Kohlberg's model of cognitive moral development. It proposes that an individual's level of cognitive moral development strongly influences the person's decision regarding what is right or wrong; the rights, duties, and obligations involved in a particular ethical dilemma. Kohlberg's model provides a theoretical basis for understanding how managers think about ethical dilemmas. A brief review of the business ethics survey research suggests that this understanding has been lacking in the past.

Business Ethics Survey Research

Despite a number of surveys, there is little known about managers' thought processes regarding ethical dilemmas in their work. The survey research offers a pessimistic view of American business ethics, portraying managers who are cynical about their peers, their superiors, their industries, and sometimes even themselves.

Cynicism. A much cited survey of *Harvard Business Review* readers (Baumhart, 1961) was updated by Brenner and Molander (1977). Between 1960 and 1976, respondents became more cynical regarding the ethical conduct of their peers. Four-fifths agreed that business managers should try to live up to absolute ethical standards, and believed that sound ethics is good business. But nearly one-half reported that managers do not apply these standards. Reasons provided included preoccupation with gain, lack of reinforcement of ethical behavior, competition, and a sense that only "results" are important to superiors. Two-thirds of these respondents reported the existence of generally accepted unethical practices in their industries.

Person-Role Conflicts. Another study surveyed Fortune 500 executives in marketing, finance, and production. These executives overwhelmingly admitted to compromises of personal values in order to succeed in their organizations

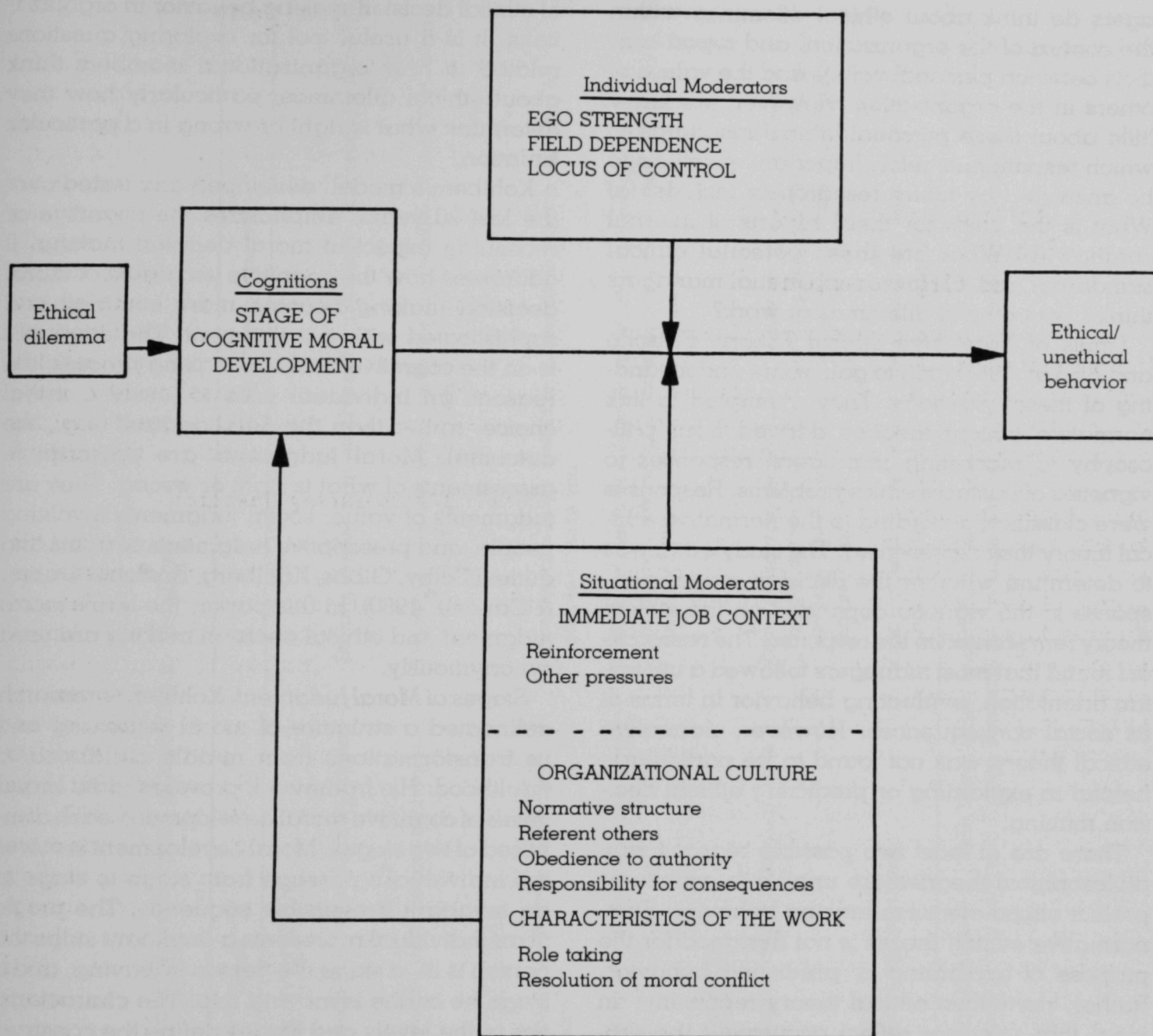


Figure 1. Interactionist model of ethical decision making in organizations.

(Lincoln et al., 1982). Carroll (1978) surveyed managers from different hierarchical levels. He found that managers who were lower in the organizational structure felt more pressure to compromise their personal values in order to achieve company goals. In a *Wall Street Journal* survey (Ricklees, 1983), 4 out of 10 executives reported that they were asked to behave unethically.

Ferrell and Weaver (1978) polled middle management marketing managers. These managers reported that they were more ethical than their peers, more ethical than top management, and that their own ethical standards were higher than existing enforced corporate policy.

The survey research suggests first that an ethics problem exists. Second, it suggests that man-

agers do think about ethical dilemmas within the context of the organization, and report conflicts between personal values and the values of others in the organization. However, we know little about these personal ethical standards to which respondents refer. Important questions to be answered by future researchers include: (a) What is the basis for these reports of internal conflict? (b) What are these personal ethical standards? and (c) How do individual managers think about ethical dilemmas at work?

Limits of Normative Ethical Theory. Fritsche and Becker (1984) tried to gain some understanding of these questions. They attempted to link normative ethical theories derived from philosophy to marketing managers' responses to vignettes of business ethics problems. Responses were classified according to the normative ethical theory they represented. The study's aim was to determine whether the decision made in response to the vignette depended on the ethical theory represented in the response. The researchers found that most managers followed a utilitarian orientation, evaluating behavior in terms of its social consequences. However, normative ethical theory was not found to be particularly helpful in explaining or predicting ethical decision making.

There are at least two possible reasons why philosophical theories are unable to explain or predict ethical decision-making behavior. First, normative ethical theory is not designed for the purpose of explaining or predicting behavior. Rather, normative ethical theory represents an ideal that may not reflect accurately the processes engaged in by people in actual situations. A second problem with the philosophical/normative theory approach is its lack of face validity. Few managers are likely to think of their day-to-day decision making as following normative ethical theories of utilitarianism, justice, or rights.

Model of Cognitive Moral Development

Kohlberg's model of cognitive moral development (Kohlberg, 1969) may provide a key to future progress in researching the cognitive component

of ethical decision-making behavior in organizations. It is a useful tool for exploring questions related to how organizational members think about ethical dilemmas, particularly how they determine what is right or wrong in a particular situation.

Kohlberg's model, developed and tested over the last 20 years, emphasizes the cognitive or reasoning aspect of moral decision making. It addresses how the cognitive processes of moral decision making become more complex and sophisticated with development. The emphasis is on the cognitive decision-making process, the reasons an individual uses to justify a moral choice, rather than the decision itself (e.g., the outcome). Moral judgments are prescriptive assessments of what is right or wrong. They are judgments of value, social judgments involving people, and prescriptive judgments of rights and duties (Colby, Gibbs, Kohlberg, Speicher-Dubin, & Candee, 1980). In this paper, the terms moral judgment and ethical decision making are used synonymously.

Stages of Moral Judgment. Kohlberg's research delineated a structure of moral reasoning and its transformations from middle childhood to adulthood. His framework provides three broad levels of cognitive moral development, each composed of two stages. Moral development involves the individual's passage from stage to stage in an invariant irreversible sequence. The profile of an individual represents a dominant stage the person is in, a stage the person is leaving, and a stage he or she is moving into. The characteristics of the levels and stages define the construct "moral judgment" and are outlined in Table 1 (Kohlberg, 1969).

At stages one and two (labeled the preconventional level), an individual is concerned with concrete consequences, particularly external rewards and punishments, and his or her own immediate interests. At stages three and four (the conventional level), "right" is that which conforms to the expectations of good behavior of the larger society or some segment like a family or peer group. More specifically, in stage three the

Table 1

Six Stages of Moral Development According to Kohlberg

Stage	What is considered to be right
<u>LEVEL ONE - PRECONVENTIONAL</u>	
Stage One - Obedience and punishment orientation	Sticking to rules to avoid physical punishment. Obedience for its own sake.
Stage Two - Instrumental purpose and exchange	Following rules only when it is in one's immediate interest. Right is an equal exchange, a fair deal.
<u>LEVEL TWO - CONVENTIONAL</u>	
Stage Three - Interpersonal accord, conformity, mutual expectations	Stereotypical "good" behavior. Living up to what is expected by people close to you.
Stage Four - Social accord and system maintenance	Fulfilling duties and obligations to which you have agreed. Upholding laws except in extreme cases where they conflict with fixed social duties. Contributing to the society, group.
<u>LEVEL THREE - PRINCIPLED</u>	
Stage Five - Social contract and individual rights	Being aware that people hold a variety of values; that rules are relative to the group. Upholding rules because they are the social contract. Upholding nonrelative values and rights regardless of majority opinion.
Stage Six - Universal ethical principles	Following self-chosen ethical principles. When laws violate these principles, act in accord with principles.

Note. Adapted from Kohlberg, L. (1969) Moral stages and moralization: The cognitive-developmental approach. In T. Lickona (Ed.), *Moral development and behavior: Theory, research, and social issues* (pp. 34 – 35). Holt, Rinehart & Winston.

motivation of ethical decisions is fulfilling the expectations of significant others. In stage four, the individual is capable of taking a broader perspective of society. For example, a society's laws become an important determinant of the individual's decision. Kohlberg places most adults in our society in stages three or four. At stages five and six (the principled level), "right" is determined by universal values or principles. The individual at this level sees beyond norms, laws, or the authority of groups or individuals. According to Kohlberg, less than 20 percent of American adults reach the principled level of development.

Measurement of Moral Judgment Stages. Kohlberg's method of assessing subjects' cognitive moral development stage is called "Standard Issue Scoring." Standard open-ended interview questions are designed to elicit spontaneous reasoning on the issues in several hypothetical dilemmas. The scoring system can be used to score any moral judgment in any context (Kohlberg, 1969; Colby, Gibbs, et al., 1980).

Kohlberg's colleagues (Gibbs & Widaman, 1982) recently developed a noninterview, open-ended instrument. The "Social Reflection Questionnaire" is easier and less time consuming to administer and score while retaining the qualitative nature of interview responses. Researchers can train themselves to administer and score the instrument, and it can be administered in groups. Developers report a correlation of .85 with the standard interview method in an age-heterogeneous sample.

The "Defining Issues Test" (DIT) (Rest, 1979) was based on Kohlberg's model, but is not considered equivalent to Kohlberg's open-ended measure (Gibbs & Widaman, 1982). The DIT is an objective recognition test that is concerned with how people at different developmental stages choose different statements as representing the most important issue in a moral dilemma. Major indices assess the relative importance a subject gives to principled moral considerations and provide an overall index of moral judgment development.

Empirical Support. During the last 20 years, many empirical tests of Kohlberg's model were conducted including longitudinal and cross-cultural studies. The cognitive nature of moral judgment was tested in a number of ways. For example, in Kohlberg's longitudinal sample, correlations between adult moral judgment level and IQ range from .37 to .57, indicating that moral judgment has a cognitive base but is not simply mental development applied to moral questions (Kohlberg, 1969; Colby, Kohlberg, Gibbs, & Lieberman, 1983).

The validity of the model is supported by evidence regarding the relationship between moral judgment level and behavior. For example, in several cheating experiments, it was found that cheating decreases as moral judgment level increases. In a Milgram obedience situation, where the experimenter ordered the subject to give increasingly severe electric shocks to a learning experiment confederate, 75 percent of stage six subjects quit the experiment while only 13 percent of lower stage subjects quit (Kohlberg, 1969). In an experimental helping situation in the laboratory, the decision to help and the act of helping a drugged student increased with moral judgment stage (Kohlberg & Candee, 1984).

To assess the universality and invariant sequential nature of the proposed cognitive moral development stages, researchers carried out investigations with subjects in a number of cultures, across social classes and sex. Forty-five relevant studies were reviewed recently (Snarey, 1985), providing consistent support for the invariant stage-to-stage sequence proposition. Regarding universality, stages one to four were found in all cultures. Evidence of principled reasoning was found in many studies, including several in non-Western societies.

Adult Moral Development: Education and Work. Less is known about continuing adult moral development than about childhood development. Kohlberg argues that stages five and six are adult stages (Kohlberg & Turiel, 1973). Continuing adult development has been linked

to educational and work experiences. First, higher education is important to adult development. In Kohlberg's longitudinal sample, correlations between an adult's moral maturity score and educational level ranged from .53 to .69. Research results suggest that continuing adult development is related to the educational experience itself and is not just a reflection of IQ or socioeconomic status (Colby, Kohlberg, et al., 1983).

Work represents a major component of the life of most adults. Thus, work experiences may provide the stimulus for further adult moral development. Kohlberg's model provides a framework for hypothesizing relationships between work experiences and adult moral development. These are developed further below.

Relation to Managers' Ethical Decisions. Kohlberg's empirically defined cognitive moral development stages may be used to characterize the stages of managers' reasoning regarding ethical dilemmas in organizations. For example, Manning (1981) applied Kohlberg's model to a dilemma involving the annual performance appraisal of a senior salesperson whose productivity decreased due to emotional problems. A stage one manager would be expected to reason through the situation in egocentric terms (i.e., what will happen to *the manager* if he or she fails to punish the salesman?). A stage four manager would be more likely to take into account the salesperson's past loyalty, perhaps recognizing that the organization owes the individual an opportunity to seek professional help.

Stratton, Flynn, and Johnson (1981) used the six cognitive moral development stages to classify management students' responses to an ethical dilemma involving padding an expense account. Students who recommended padding the expense account used a rationale categorized in the first three moral reasoning stages. Students who recommended not padding the account overwhelmingly used arguments consistent with stages four through six.

Training. The cognitive moral development model logically leads to prescriptions for moral

education as a way to a higher moral maturity stage. Kohlberg and his colleagues developed and tested a specific training approach aimed at helping participants think through moral controversy. The purpose of the training was to promote movement through stages of moral judgment. Movement can be promoted by engaging participants in challenging moral decision making, particularly by exposing them to forms of reasoning one stage higher than the one to which the individual is accustomed. Change is most likely to occur when these discussions arouse cognitive conflict among the participants. A participant who is exposed to views based on moral reasoning one level higher than his or her own will experience cognitive disequilibrium, will question the adequacy of his/her own level, and will consider the merits of the other. This is the beginning of a process of restructuring cognitive patterns and movement toward more advanced moral reasoning (Hersh, Miller, & Fielding, 1980).

There is no clear finding on how much time it takes to change or increase moral judgment level. Significant results have been obtained in studies using a single treatment with children. Others have required three months to a year or more of intervention (Kohlberg, 1969).

Goldman and Arbuthnot (1979) used Kohlberg's approach to moral education in a medical ethics class. The class met twice weekly in two-hour sessions for a 10-week quarter. Pre- and posttest scores of moral judgment development showed positive and statistically significant changes. Penn and Collier (1985) applied Kohlberg's approach in an MBA business ethics course. No students demonstrated predominantly principled reasoning stages at the beginning of the course. However, 37 percent of the students moved to principled reasoning stages by the end of the course.

The significant and positive changes achieved with the cognitive moral development training approach stand in contrast to the more traditional approaches to teaching business ethics that have failed to achieve any significant change (Arlow & Ulrich, 1985; Martin, 1981). In addition,

the empirical evidence from the literature on change argues for the inclusion of Kohlberg-type ethics training in business school curricula, either as a separate course, or integrated into preexisting management courses. A majority of business schools do not offer courses, either elective or required, on ethical problems of management (Hosmer, 1985).

The Cognitive Moral Development Contribution. Kohlberg's model of cognitive moral development represents an important contribution to the future of business ethics research. First, it provides a clear and empirically validated definition of the construct "moral judgment." Stage definitions can be used as a basis for explaining how managers think about ethical dilemmas in their work.

Second, Kohlberg's work provides an inductive social science theory base rather than the more common deductive philosophical base. The inductive theory and empirical research can be used to develop operational hypotheses concerning the cognitive component of ethical decision making in management.

Third, the face validity of the definition of each moral judgment stage should be especially useful in research with and development of the manager. Although the detailed definitions of each stage incorporate philosophical notions, these are not the focus. The profile of each stage has meaning without any background in ethics or philosophy.

Fourth, a range of seemingly valid and reliable measurement tools is available for use in research and to evaluate training programs. The three measures described earlier should promote research and evaluation efforts.

Propositions for Future Research

The cognitive moral development model provides a well-developed theoretical basis for understanding how individuals think about moral dilemmas and how thoughts and actions appear to be related. The cognitive component of the proposed model of ethical decision making in

organizations provides the basis for a number of propositions to be tested in future research.

First, descriptive research should be undertaken in order to gain a clearer understanding of how managers reason about work-related ethical dilemmas. The cognitive moral development model can be used to stage-type managers' reasoning about work-related ethical dilemmas.

Based on prior research, it is expected that managers' reasoning about work-related ethical dilemmas is primarily at the conventional level (stages 3 and 4). Therefore, most managers will look outside themselves for cues about what is right (appropriate) behavior and what is wrong (inappropriate) behavior.

Proposition One.

1. *The large majority of managers reason about work-related ethical dilemmas at the conventional level (stages 3 and 4).*

These managers (at stages 3 and 4) are, by definition, looking to others and to the situation to help define what is right and wrong, and how they should behave in a particular situation. Only at the higher, principled stages, are individuals expected to behave consistently with their internally held determinations of right and wrong.

Proposition Two.

2. *Managers at the principled moral reasoning level (stages 5 and 6) will exhibit significantly more consistency between moral judgment and moral action than those at lower stages.*

Individuals operate within a range of moral development stages. Their judgments and behavior in real situations, where situational cues are salient, are expected to be lower than their judgments in hypothetical dilemmas in which they are not personally involved (Higgins, Power, & Kohlberg, 1984).

Proposition Three.

3. *Managers' moral judgments in actual work-related decision situations will be lower (in cognitive moral development stage) than their judgments in response to hypothetical dilemmas.*

Prior research also suggests that adult moral maturity scores and educational level are highly correlated.

Proposition Four.

4. *Moral judgment development scores will be significantly higher for managers with higher levels of education than managers with lower levels of education.*

To the extent that higher education is correlated with level in the organizational hierarchy, it is also speculated that moral judgment development scores will increase with hierarchical level.

Finally, moral education research suggests that specific training interventions can increase cognitive moral development scores of participants in training programs.

Proposition Five.

5. *Participants (students or managers) in ethics training programs based on cognitive moral development training strategies will exhibit significant pretest to posttest increases in moral judgment development scores.*

Limitations of Kohlberg's Model

A limitation of Kohlberg's model is that tests of moral judgment are limited to cognitions—how individuals think about moral dilemmas—not behavior—what they would actually do in a particular decision situation. The relationship between moral judgment and moral action is not yet clearly defined. The model posits that the two should be related due to the individual's drive for consistency between thought and action. Research indicates that there is a moderate relationship between thought and action. Thus, moral judgment is a necessary but not sufficient condition for moral behavior such as honesty, altruism, and resistance to temptation (Kohlberg & Candee, 1984). In a critical review of the moral cognition/moral action empirical literature, Blasi (1980) concluded that: (a) considerable support exists for a statistical relationship between moral reasoning and moral action; (b) moral reasoning is important but does not totally explain delinquent behavior; (c) higher moral stage individuals are more likely to resist the pressure of conforming to the judgments of others; (d) weaker support exists for the hypothesis that higher stage individuals are more honest and altruistic; and

(e) less support exists for the hypothesis that post-conventional level individuals are more likely to resist social pressure to conform in moral action. The proposed relationship between moral judgment and moral action in organizations is developed further below.

Additional Individual Variables

The model proposed in Figure 1 suggests that both individual variables and situational variables influence the relationship between cognition and action in ethical decision making in organizations. The model proposes, first, that certain individual variables influence the likelihood of an individual's acting on the choice of what is thought to be right or wrong. These are ego strength, field dependence, and locus of control.

Ego Strength

Ego strength is a construct related to strength of conviction or self-regulating skills. Individuals high on a measure of ego strength are expected to resist impulses and follow their convictions more than individuals with low ego strength. Therefore, subjects with high ego strength are expected to be more consistent in the moral cognition/moral action relationship. They are more likely to do what they think is right (Grim, Kohlberg, & White, 1968). Rest (1984) reported a study in which stage four subjects with high ego strength showed less cheating than stage four subjects with low ego strength. Several studies have considered IQ and attention as factors of ego strength that help one carry out one's decision. For example, an interaction between moral reasoning and IQ was found in one study. Those high in both moral reasoning and IQ measures had the highest cognitive/action consistency scores, whereas those high in moral reasoning, but low in IQ, were the least consistent (Blasi, 1980).

Proposition Six.

6. *Managers with high ego strength will exhibit more consistency between moral judgment and moral action than those with low ego strength.*

Field Dependence

Witkin and Goodenough (1977) reviewed the literature on field dependence. They concluded that when the situation is ambiguous, and referents provide information that helps remove the ambiguity, field dependent individuals make greater use of external social referents to guide their behavior. Field independent people function with greater autonomy. Ethical dilemmas are by their nature ambiguous. Values and rights are in conflict. Ethical dilemmas in organizations are likely to involve external referents who provide information to help remove the ambiguity. For example, a superior who asks a subordinate to carry out an unethical act might either redefine the act to make it seem less problematic or assure the subordinate that he or she is not responsible for any negative consequences of the act. Therefore, it is proposed in the model that, for individuals not at the principled level of cognitive moral development, field dependence will moderate the relationship between moral cognition and moral action. In ambiguous situations, the actions of field dependent individuals will be more consistent with the information provided by the external social referent than will the actions of field independent individuals.

Proposition Seven.

7. *Field independent managers will exhibit more consistency between moral judgment and moral action than field dependent managers.*

Locus of Control

Another personality characteristic that may hold promise in explaining ethical behavior is Rotter's (1966) locus of control. Rotter's internal/external scale measures an individual's perception of how much control he or she exerts over the events in life. An "internal" believes that outcomes are the result of his or her own efforts, while an "external" believes that life events are beyond control and can be attributed to fate, luck, or destiny. An external, then, is less likely to take personal responsibility for the consequences of ethical/unethical behavior and is more likely to rely on external forces. An inter-

nal is more likely to take responsibility for consequences and rely on his or her internal determination of right and wrong to guide behavior.

Proposition Eight.

8. *Managers whose locus of control is internal will exhibit more consistency between moral judgment and moral action than managers whose locus of control is external.*

Situational Variables

The individual comes to the organization with a particular level of cognitive moral development and other individual characteristics. But, moral action takes place in social context and can be influenced heavily by situational variables. Therefore, ethical/unethical behavior in practical situations is not simply a product of fixed individual characteristics, but results from an interaction between the individual and the situation (Higgins, Power, & Kohlberg, 1984).

It is important to remember that the individual's susceptibility to situational influences varies with cognitive moral development stage. Susceptibility is probably the greatest at the conventional level where the person's level of development leads to his or her looking to the group for a moral definition of the situation. As stated earlier, the conventional level is by definition situationally influenced and most adults operate at the conventional level.

Proposition Nine.

9. *Conventional level (stages 3 & 4) managers will be most susceptible to situational influences on ethical/unethical behavior.*

At higher stages, individuals' behavior is expected to be less influenced by external factors because the higher stage individual is more actively involved in structuring the external world. For example, principled individuals may be more likely to resist external influence, to try to change the situation, or to select themselves out of situations where they were expected to behave unethically.

Proposition Ten.

10. *Principled (stages 5 or 6) managers will be more likely to resist, attempt to change, or select themselves out of unethical situations.*

The *relative strength* of situational influences is also important to consider. Where the situational contingencies are tight and powerful, there may be little discretion left for individual differences to guide behavior. Therefore, in either experimental laboratory or real situations where behavior is strongly "manipulated" through cues and constraints, situational influences are expected to have a powerful effect in reducing the role of individual predisposition.

The proposed model in Figure 1 illustrates two kinds of situational effects. First, situational effects can influence the individual's moral development through work experiences. The individual is not to be thought of as a stagnant entity frozen at a particular developmental level. Both characteristics of the job itself and the organizational culture can contribute to the individual's continuing moral development.

Characteristics of Work and Cognitive Moral Development

Kohlberg's longitudinal research found that some adults continue their cognitive moral development beyond their years in school (Colby, Kohlberg, et al., 1983). It is proposed that work plays a significant role in continued adult moral development. Two characteristics of a job that may contribute to continuing adult moral development are opportunities for role taking and responsibility for the resolution of moral dilemmas.

Role taking is defined as taking account of the perspective of others. The centrality of the individual to the communications and decision making of the group increases role-taking opportunities. It is speculated that individuals whose work either allows or requires them to engage in complex role taking are more likely to continue to advance in cognitive moral development stage. These might be individuals placed in democratic (rather than autocratic) leadership positions. Democratic leadership roles require role taking via sensitivity to group members' attitudes and group communication (Kohlberg, 1969).

It is further speculated that individuals whose work holds them responsible for the frequent

resolution of moral conflicts are more likely to continue to advance in cognitive moral development stage. For example, physicians frequently must resolve ethical dilemmas. Certain managers may be responsible for balancing the needs of the organization with the welfare of workers, customers, or the general public.

Organizational Culture and Cognitive Moral Development

Organizational culture also can play an important role in the moral development of organizational members. Organizational culture has recently become a topic of interest to organizational scientists (Deal & Kennedy, 1983; Schein, 1984; Smircich, 1983). It can be defined as the common set of assumptions, values, and beliefs shared by organizational members. Organizational culture influences thoughts and feelings, and guides behavior. It manifests itself in norms, rituals, ceremonies, legends, and the organization's choice of heroes and heroines.

The culture of the organization can contribute to an individual's moral development by allowing organizational members decision-making responsibility and by encouraging role-taking opportunities. For example, in a democratic culture, members may be encouraged to take responsibility for decisions, to resolve conflicts at lower organizational levels, and to take into account numerous points of view and interests. This type of culture actually may enhance the individual's cognitive moral development. Alternatively, in an authoritarian or mechanistic organization where roles are strictly prescribed and decisions are based on formal authority, moral development may be arrested or its expression in work situations may be repressed (Higgins & Gordon, 1985).

In addition to influencing cognitive moral development, situational variables moderate the cognition/behavior relationship. It is expected that most adults, because they operate at the conventional level of cognitive moral development (stages 3 and 4), are susceptible to the influence of these cultural and job context variables.

Organizational Culture and Ethical/Unethical Behavior

Normative Structure. Culture also can provide the collective norms that guide behavior. With regard to moral content, a strong culture has a normative structure. Collective norms about what is and what is not appropriate behavior are shared and are used to guide behavior. Organizational members share values and the goals, purposes, and beliefs of the organization are clear (Higgins & Gordon, 1985). These help individuals judge both what is right and who is responsible in a particular situation (Higgins, Power, & Kohlberg, 1984).

Proposition Eleven.

11. *In a culture that has a strong normative structure, there will be more agreement among organizational members about what is appropriate (ethical) or inappropriate (unethical) behavior.*

In a weak culture, the values, goals, purposes, and beliefs of the total organization are not clear. Diverse subcultures, each with its own assumptions, are likely to exist. Therefore, the individual is more likely to rely on norms generated by his or her relevant subculture or referent others (Schein, 1984).

Proposition Twelve.

12. *In a weak culture, organization members are more likely to rely on subculture norms for guidance regarding ethical/unethical behavior.*

Referent Others. It has been found that referent others significantly influence ethical decision making in organizations. This finding is consistent with social learning theory. In terms of ethical decision-making behavior, the presence of a model can serve to elicit either ethical or unethical behavior (Rosenhan, Moore, & Underwood, 1976).

Zey-Ferrell, Weaver, and Ferrell (1979), in a survey of marketing practitioners, found that perceptions of what peers did had the greatest influence on self-reported unethical behavior. This influence was greater than the influence of one's own beliefs or the beliefs of top management. In a later study of two random samples of advertis-

ers (ad agency account executives and corporate clients), Zey-Ferrell and Ferrell (1982) found that intraorganizational referent others influenced the ethical/unethical behavior of both samples.

This research suggests that if organizations are interested in influencing the ethical behavior of their members, they should focus on identifying appropriate referent others, perhaps through the organization's choice of heroes and heroines. The organization also could focus on changing the attitudes and behaviors of the employee's referent other(s). Particularly in a weak organizational culture, referent others are likely to be different for different employees.

Proposition Thirteen.

13. *Managers' ethical/unethical behavior will be influenced significantly by the behavior of referent others.*

Obedience to Authority. Two specific ways organizational culture can influence ethical/unethical behavior are through the culture's definition of authority relationships and through the ascription of responsibility for the consequences of actions. First, in organizations where legitimate authority is an accepted tenet of the work setting, most individuals are expected to carry out the orders of those with legitimate authority, even if those orders are contrary to the person's determination of what is right. Compelling evidence exists for the capacity of individuals to inflict harm on others if asked to do so by an authority figure. Generally cited are the Milgram-type obedience studies where subjects ostensibly are involved in a scientific experiment concerned with the effects of punishment on learning. They are asked to administer increasingly severe electric shocks to learners. Despite apparent harm to the subject and obvious discomfort with their own behavior, a majority of subjects obey the experimenter's authority and continue to shock the learner (Rosenhan, Moore, & Underwood, 1976).

Proposition Fourteen.

14. *Managers' ethical behavior will be influenced significantly by the demands of authority figures.*

Responsibility for Consequences. Research by Schwartz (1968) suggested that an awareness of the consequences of one's actions on others, and an ascription of responsibility to self are necessary conditions for the activation of the individual's moral norms and his/her influence on behavior. He found correspondence between norms and behavior was lowest where the individual scored low on both ascription of responsibility and awareness of consequences; it was highest where the individual scored high on both measures.

The organizational culture may serve to diffuse responsibility for the consequences of action by promoting external definitions of responsibility based on formal role definitions, hierarchy, and authority jurisdictions (MacLagan, 1983). For example, a middle manager might express concern for public safety when asked to falsify data in engineering reports. His or her superior could contribute to the diffusion of responsibility by claiming that higher authorities in the organization were aware of the situation and would take responsibility for the consequences.

This notion suggests that if organizations are interested in encouraging moral action, they should promote individual responsibility for action consequences at every level of the organization. Where this is not done, organizational considerations may outweigh moral ones in the individual's determination of appropriate behavior (Turiel & Smetana, 1984).

Proposition Fifteen.

15. *Correspondence between moral judgment and action is significantly higher where the organizational culture encourages the individual manager to be aware of the consequences of his or her actions and to take responsibility for them.*

Codes of Ethical Conduct. Another way organizations attempt to guide members' ethical behavior is by developing formal codes of ethical conduct. Research is inconclusive regarding effectiveness of the formal codes in changing attitudes or behavior. It suggests that codes of ethics must be consistent with the organizational

culture and must be enforced in order to be effective.

In a 1979 survey of Fortune 1000 corporations, three-fourths of the companies had codes; however, only one-half of the companies distributed the codes beyond the level of officers and "key employees" (White & Montgomery, 1980). Weaver and Ferrell (1977) found that codes of ethics were more likely to affect beliefs about what is right, than behavior, and that enforcement of corporate policy was necessary to change ethical behavior. Hegarty and Sims (1979), in a laboratory experiment, found that an organizational ethics policy significantly reduced unethical decisions. Cressey and Moore (1983) analyzed the conduct codes of 119 corporations. They concluded that codes did not relieve organizational pressure to be unethical.

Where they are effective in guiding behavior, it is likely that codes of ethics are a reflection and manifestation of the existing organizational culture. They are not only distributed, but enforced. Ineffective organizational codes are more likely to serve as "window dressing." In these situations, the codes may not even be distributed and are counteracted by other organizational pressures toward unethical behavior, such as financial gain.

Proposition Sixteen.

16. *Codes of ethics will affect ethical/unethical behavior significantly only if they are consistent with the organizational culture and are enforced.*

Immediate Job Context

In addition to the guidance provided by the organizational culture, several more immediate job context variables are proposed to moderate the relationship between cognition and action. These are reinforcement contingencies and other job pressures.

Reinforcement Contingencies. Reinforcement theory posits that individual behavior is a result of its consequences. This approach suggests that an organization can influence the ethical/unethical behavior of its members through specific

rewards and punishments for ethical/unethical behavior. In a laboratory computer simulation of marketing decisions, Hegarty and Sims (1978) evaluated ethical decision-making behavior under different contingencies of reinforcement. They found that extrinsic rewards of higher profits for unethical behavior produced significantly more unethical behavior for rewarded subjects.

In another laboratory study, Trevino, Sutton, and Woodman (1985) involved student subjects in an in-basket decision-making exercise. Embedded in the exercise were an ethical decision and reinforcement contingencies. Subjects whose behavior was manipulated in an unethical direction by having either ethical behavior punished or unethical behavior rewarded were significantly more likely to make an unethical kickback decision. Subjects whose behavior was pushed in an ethical direction made significantly more ethical decisions. The most ethical behavior was achieved under the condition where unethical behavior was clearly punished.

The above research supports the argument that reinforcement contingencies have an impact on the behavior of most individuals. It also suggests that organizations can influence the ethical decision-making behavior of members by making clear what behavior will be rewarded or punished.

Proposition Seventeen.

17. *Managers' ethical/unethical behavior will be influenced significantly by reinforcement contingencies.*

Other External Pressures. Rest (1984) suggested that personal costs and other pressures will have an impact on individual moral behavior. For example, where the personal costs of moral behavior are high, subjects are more likely to defensively reappraise the situation. In addition, persons who are under great time pressure are simply less likely to notice the needs of others. These individuals are so engrossed in completing the assigned task that they pay little attention to the needs of others.

In addition to the business ethics survey research, research by Staw and Szwajkowski (1975) suggested that the external pressures of scarce

resources or competition may promote unethical behavior. Staw and Szwajkowski found that the less munificent the environment, the more effort the organization engaged in to obtain scarce resources, and the greater the likelihood of questionable illegal activities. Although this research was at the organizational level of analysis, it suggested that individual managers made decisions to engage in questionable activities in response to situational pressures.

Proposition Eighteen.

18. *Managers' ethical behavior will be influenced negatively by external pressures of time, scarce resources, competition, or personal costs.*

Theory and research related to the situational effects on ethical/unethical behavior offer strong support for situational variables having a profound effect on ethical/unethical behavior in most people. The clear implication is that it is inappropriate for organizations to rely totally on individual integrity to guide behavior (Boling, 1978). Work organizations provide the social context within which behavior takes place. It is unlikely that all adults can be moved to principled stages of moral reasoning where consistency is expected between ethical cognitions and actions. Therefore, organizations must provide a context that supports ethical behavior and discourages unethical behavior.

Ethical Decision Making and Managerial Performance/Organizational Effectiveness

In the model, a relationship between ethical decision making and managerial performance is not formally proposed. However, an intriguing question for further study is whether managers' ethical decision making is linked to more general measures of managerial performance. It is likely that moral judgment development predicts managerial performance in jobs where the manager is required frequently to resolve complex ethical problems. Further work is required to identify those jobs. The proposed relationship is supported by a recent study that found cognitive moral judgment level to be a strong predictor of clinical performance among pediatricians (Sheehan, Husted, Candee, Cook, & Burgen, 1980).

Corporate accountability for the ethical behavior of managers is receiving increasing attention from the U.S. Congress; it has been suggested that a potential relationship exists between the ethical decision making of managers and organizational effectiveness. As a result of the unethical or illegal decisions of one or more managers, an organization could be faced with lawsuits that possibly hold severe financial consequences and/or could badly tarnish its public image.

Implications For Practice

It is suggested in the proposed model that ethical decision-making behavior can be better explained and predicted by the interaction of personal and situational variables. A number of practical implications are embedded in the foregoing discussion of the model. Potential interventions available to organizations include complementary cognitive and behavioral approaches. First, organizations could use assessment of cognitive moral development when selecting managers for positions in which ethical decision making is an important part of the job. Second, the organization could develop members' critical moral awareness and understanding through training programs based on cognitive moral development or by providing opportunities for role taking and the resolution of moral conflicts. Of course, it can be argued that the continuing moral development of organizational members is a desired end in and of itself. Complementary behavioral interventions include: reinforcement of ethical behavior, provision of normative structure through organizational culture, encouragement of managerial responsibility for the consequences of actions, and so on. It is suggested by the model that the cognitive and behavioral approaches, in combination, will lead to more ethical behavior than either one would alone. However, principled individuals (stages 5 and 6) are expected to be ethical despite situational pressures toward unethical behavior. Most importantly, the proposed model provides a basis for understanding that most individuals search outside themselves for guidance in ethical di-

lemmas. Therefore, both educational institutions and organizations have important roles to play in providing opportunities for growth and an environment conducive to ethical behavior.

Ethical decision making in organizations can only become more important as the structure of the economy and the labor force continue to change. These changes involve movement away from simple, routine jobs to work in service and information industries. In these jobs, workers exercise greater discretion and interact increasingly with the environment, providing more opportunities for ethical decision making to occur.

Conclusion

This paper suggests that an inductively driven model can be used for understanding, investigating, and predicting ethical decision making in organizations. The model offers insight into how managers think about ethical dilemmas and provides a way to typologize real world decision-making phenomena based on Kohlberg's empirically grounded cognitive moral development model. It also posits a relationship between cognition and action based on other individual and situational variables. The proposed variables and relationships have been specified in propositions to aid future research. These variables and relationships are based upon and are consistent with prior social science theory and research. The strength of the relationships remains to be tested. With regard to research methods, the proposed model does not alter the fact that the observation and measurement of managers' ethics is difficult. However, with the adoption of the moral judgment construct, future investigations can benefit from the measurement tools available. These, combined with anonymous self-report and laboratory simulation strategies, should expand the scientific exploration of this issue. It is hoped that the proposed model and propositions add to the conceptual base needed to develop a research agenda for the future investigation of ethical decision making in organizations.

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