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Influences upon Managerial Moral Decision Making: Nature of the Harm and Magnitude of Consequences¹

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Business ethics research typically emphasizes the influence of personal and organizational forces upon ethical decision making. While accepting these forces as important, Collins (1989) and Jones (1991) suggest that the moral issue and its intensity may also influence individuals' resolution of an ethical dilemma. Utilizing a sample of 259 managers and a modified Moral Judgment Interview survey, this research reports that the type of harm, that is, the nature or kind of harm, and the magnitude of the consequences, that is, the degree or extent of the harm affecting the victim, influence the moral reasoning criteria evoked to resolve the dilemmas, as predicted by Collins and Jones. This finding has significant theoretical, empirical, and practical implications, as discussed in the paper.

KEY WORDS: moral reasoning; moral intensity; ethical decision making; managerial ethics; ethical issue dependency.

INTRODUCTION

Theoretical ethics decision-making models typically emphasize personal characteristics and influences exerted by the organization in determining ethical decisions and behavior (for example, Ferrell & Gresham, 1985; Trevino, 1986). Similarly, empirical research reflects this emphasis upon decision makers and their organization. For example, positive relationships have been reported between improved ethical decision

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making and a variety of personal factors: work experience (Posner, 1986), personal ethical orientation and attitude (Forsyth & Pope, 1984; Gutkin & Suls, 1979), managerial style of leadership (Fritzsche & Becker, 1984), locus of control (Maqsd, 1980; Trevino & Youngblood, 1990), and completing an ethics course (Arlow & Ulrich, 1985; Penn & Collier, 1985). Organizational influences have also been found to manifest a positive relationship with ethical decisions, specifically regarding work climate (Elm, 1989; Gaertner, 1991; Higgins & Gordon, 1985), organizational size (Weber, 1990), group interaction (Dukerich, Nichols, Elm, & Vollrath, 1990; Nelson & Obremski, 1990; Nicholas & Day, 1982; Trevino & Victor, 1992), and organizational reinforcement mechanisms (Hegarty & Sims, 1978, 1979; Trevino & Youngblood, 1990; Worrell, Stead, Stead, & Spalding, 1985).

However, the emphasis upon ethical decision making by individuals in an organization has recently expanded to include the extent that the moral issue influences ethical decision making and behavior. Collins (1989) argues that the notion of harm or benefit generated from the ethical action and its impact upon the firm and/or its stakeholders dominates current ethics literature. Specifically, Collins proposes that the *nature of the harm*, that is, the type or kind of harm, is a critical influence upon ethical decision making. Relying upon distinctions embodied in legal theory and practice regarding torts, the nature of the harm (i.e., whether the nature of the harm is physical, economic, or psychological) influences the determination of just compensation for the victim of the harm. The type or nature of the harm affects how individuals think about, and act to fairly remedy, the injury.

Jones (1991) introduces an ethics model which incorporates a *moral intensity* dimension into the individual's decision process when confronted with ethical dilemmas in business. Drawing upon social psychology, Jones defines moral intensity as "a construct that captures the extent of issue-related moral imperative in a situation" (p. 372). He argues that moral intensity comprises an integral part of an issue-contingent model of moral decision making and behavior. The intensity affects the ethical decision-making process and resolution of the ethical conflict. Numerous empirical studies (for example, Fritzsche, 1988; Weber, 1990) add credence to the emphasis taken by Jones in constructing his ethical decision-making model.

The *nature of the harm* and its *moral intensity* emphasize two related yet distinct dimensions which influence moral decision making. For example, an individual may face a moral dilemma which involves the same type of harm but with varying intensity: increasing the price of a product by 3% vs. laying off 1000 employees and closing a plant. Both alternatives lead to negative economic consequences for either customers or employees, but the degree or intensity of the harm is quite different.

Another example illustrates how the nature of the harm may differ, yet the intensity may be relatively similar. A manager must weigh the economic consequences vs. the psychological effects when proposing a mandatory employee drug testing program. Mandatory drug testing could lead to economic benefits for employees and the organization. However, employees may feel that their right to privacy is being threatened, causing psychological harm. Although the types of harm differ (economic vs. psychological), the severity or importance of the consequences affect deeply-held values: protection from harm and respect for privacy.

The models developed by Collins and Jones are not intended to replace the advances embodied in previous decision-making models. Rather, their emphases extend the current understanding of the influences upon individuals' ethical decisions and behaviors. Previous models generally emphasize absolute rules and standards for ethical decision making (i.e., performing one's duty, respecting the rights of others, ensuring a fair and just resolution), that is deontological ethics. However, ethical decision making in business organizations tends to emphasize a concern for the consequences or outcomes derived from the behavior, that is utilitarian ethics (Fritzsche & Becker, 1984). Thus, the focus upon the moral issue and its intensity begins to bridge the gap between a theoretical, deontological emphasis upon absolute ethical principles and a practical, utilitarian concern for the consequences of actions (Brady, 1988).

In addition, if it is empirically verified that an individual's ethical thinking is influenced by various characteristics embodied in the moral issue, that is, moral reasoning is issue dependent, critical insights into enhancing future empirical research and ethics education may be discovered. This discovery may imply that subjects' responses reported in prior business ethics research are affected by additional forces beyond personal characteristics and the organization, as cited earlier. The reported responses may also be influenced by the moral issue and its intensity. The conclusions and implications presented in prior research which ignored the ethical issue when assessing decision making may be limited or misdirected.

Similarly, practitioners and academics engaged in ethics education may also detect that the moral issues used in business ethics training and instruction bias the ethical decision-making process. The specific framing of the ethical issue, influenced by the nature of the harm and the magnitude of its consequences for example, could seriously affect the ethical decision and behavior taken by the decision maker.

This research builds upon two of the central influences proposed by Collins and Jones, which are represented in the following research question:

As the moral issue and its intensity varies across ethical dilemmas, are there corresponding changes in the moral reasoning criteria used to resolve the dilemmas?

A positive response to this research question could significantly challenge the more narrow perspectives embodied in previous ethical decision-making models, business ethics research, and ethics education. Thus, a critical element in understanding an individual's ethical decision making could be missing if the content of the moral issue and the various aspects accounting for its perceived intensity by the decision maker are not considered. This research investigates the influence of these forces.

MORAL HARMS AND MORAL INTENSITY

As noted earlier, two recent theoretical developments (Collins, 1989; Jones, 1991) have emphasized the moral issue and its intensity when investigating the forces affecting an individual in an organization seeking to resolve an ethical dilemma. Each of these theoretical developments are discussed and hypotheses are developed in this section of the paper.

Nature of the Harm

Collins (1989) develops a typology of organizational harms and company transactions which sorts the ethical decision-making process according to various pertinent ethical issues, embodied in a four-step organizational harm analysis model. He acknowledges three critical components which could influence the resolution of an ethical dilemma: the nature of the harm, the nature of the harmed, and the transformation stage where the harm occurs (1989, p. 4). The consideration of all three of Collins' components in this research would result in an entangled data analysis, preventing an understanding of the impact of any one of the influences on the decision-maker's moral reasoning process. Therefore, only the "nature of the harm" dimension is selected for manipulation in order to control for additional and compounding effects in this research.

The nature of the harm can be understood through the distinctions identified in the legal environment literature, specifically tort law (see Prosser & Keeton, 1984, for a thorough discussion of torts). The primary purpose of tort action is to exact compensation from wrongdoers. Injuries may range from some physical harm to a person, to the economic loss of property, to some intangible harm done to a person's reputation or peace of mind. Critical in these determinations are the identification and severity of the harm incurred by the plaintiff (see Spiro, 1993, Chap. 10). Harms are differentiated into three types: physical, economic, and psychological.

Physical harms have typically been considered the most serious type of harm, receiving the greatest compensation. In law, physical harms are the easiest type of harm to prove and measure for compensation. Injuries sustained by the plaintiff are often medically verifiable and the monetary expense to repair the injuries is usually determinable. This certainty of harm suffered by the victim translates into a stronger reaction to the issue. For jurors, it may result in the award of substantial damages. In ethical decision making, the effect may be a higher moral ground in the reasoning used to analyze and resolve the ethical issue.

Economic harms may introduce intangibles into the consideration of damages. While current loss of property or wages may be readily determined, the claim of the loss of future financial gain is more speculative. Juries are confronted with the more difficult task of determining the exact amount of future wage loss or career earning power suffered from the wrongdoing. In addition, the loss of monetary power may be perceived to be less critical than a physical loss. In tort decisions, compensation is often lower for economic claims than for physical injuries. Ethical decisions may also reflect this distinction by evoking a more moderate level of moral reasoning. The need to rely upon the higher moral ground is not as compelling when confronted with a moral issue involving economic harm.

The most difficult task in determining compensation for injuries involves quantifying psychological harms. Emotional stress and hardship provide the least tangible type of injury and thus the most difficult to equitably compensate. This difficulty leads to skepticism or a sense of futility for the jurors. The lack of a clearly identified harm makes it increasingly difficult to evoke high ethical principles, such as fairness or avoid harming others. Thus, it may not be possible or warranted to use sophisticated ethical analysis to resolve conflicts involving psychological harms. As Collins proposes, "physical harms are the most serious and receive the highest condemnation from the justice system, followed by economic harms and psychological harms" (Collins, 1989, p. 4).

Based upon the distinctions found in legal torts and discussed by Collins, it is hypothesized that:

Hypothesis 1. Physical harm will evoke a higher stage of moral reasoning than economic harm.

Hypothesis 2. Economic harm will evoke a higher stage of moral reasoning than psychological harm.

Hypothesis 3. Physical harm will evoke a higher stage of moral reasoning than psychological harm.

Magnitude of the Consequences

Jones (1991) proposes an issue-contingent model which emphasizes the influence of the moral intensity upon the ethical issue in the dilemma. According to Jones, moral intensity “is a construct that captures the extent of issue-related moral imperative in a situation” (1991, p. 372). He identifies six components in his multidimensional model which incorporate the influence of moral intensity upon ethical decision making by individuals in organizations. These components do not replace traits of the decision maker, such as moral development (Kohlberg, 1976); ego strength, field dependence, or locus of control (Trevino, 1986); or, knowledge or values (Ferrell & Gresham, 1985). Nor do the moral intensity components include organizational factors, as developed in prior models, such as organizational culture (Trevino, 1986) or corporate policies (Ferrell & Gresham, 1985). Rather, “the construct of moral intensity . . . is derived, in part, from the normative arguments of moral philosophers who differentiate levels of moral responsibility based on proportionality” (Jones, 1991, p. 373).

Based upon intuition, observation, and empiricism, Jones argues that the “characteristics of the moral issue itself, collectively called *moral intensity*, are important determinants of ethical decision making and behavior” (1991, p. 371). It may be intuitively understood that individuals increase their level of concern when confronting moral issues which increase in intensity. For example, news reports of the riots in Los Angeles may evoke some concern from individuals living in the Midwest. However, an individual’s perspective would heighten if they lived, worked, or had relatives located in the Los Angeles area.

Using a similar perspective, Jones argues that observational evidence supports his emphasis upon moral intensity. He reports an anecdotal story of a soldier who is unaffected by killing others in war-torn Beirut since the victims are strangers. However, when those killed are friends of the soldier a very different view of war and killing is understood.

There is also empirical evidence to support Jones’ reliance upon moral intensity as an influence upon ethical decision making. A study of marketing managers showed that ethical dilemmas “posing serious consequences” evoked more ethical responses than dilemmas presenting “less risky situations” (Fritzsche, 1988). Similar differences in managers’ moral responses were reported by Weber (1990) when managers were presented with three different ethical situations, although the specificity of differences involving moral intensity was not explicitly assessed. Therefore, it is reasonable to assume that individuals respond differently to moral issues as the characteristics of the moral issue differs or changes.

Six components are drawn from Jones' analysis of proportionality: magnitude of consequences, social consensus, probability of effect, temporal immediacy, proximity, and concentration of effect. The consideration of all six of Jones' components in this research would result in an entangled data analysis, preventing an understanding of the impact of any one of the influences of moral intensity on the decision-maker's moral reasoning process. Therefore, the "magnitude of consequences" dimension is selected for manipulation in this research in order to control for additional and confounding effects.

Jones defines this influence as "the sum of the harms (or benefits) done to victims (or beneficiaries) of the moral act in question" (1991, p. 374). He argues that the basic reason for the inclusion of this variable into the model is "common-sense understanding and observation of human behavior" (1991, p. 374), since some moral issues involve trivial consequences while others contain dire consequences. Ethical issues embodying extremely significant consequences (e.g., the potential for death) will typically evoke higher moral reasoning than issues involving non-life threatening consequences. However, the possibility of numerous individuals sustaining injuries would demand higher moral reasoning than a harm primarily affecting only one person (e.g., the threat of job termination).

Based upon Jones' (1991) emphasis regarding the magnitude of the consequences influencing the moral intensity of the issue, it is hypothesized that:

Hypothesis 4. A life and death issue will evoke a higher stage of moral reasoning than an injury issue.

Hypothesis 5. An injury issue will evoke a higher stage of moral reasoning than a job termination issue.

Hypothesis 6. A life and death issue will evoke a higher stage of moral reasoning than a job termination issue.

METHOD

Sample

A sample of 259 managers, enrolled in a part-time MBA program, was selected to test the hypotheses. The subjects' ages ranged from 22 to 41 years, with an average age of 28 years. Most of the managers held entry-level or middle management positions with medium- or large-sized organizations. Employment varied across industries, with manufacturing (42%) and financial services (17%) being the most representative. Sixty percent of the managers were male, with 96% of the managers caucasian. Statistical analysis utilizing the aforementioned demographic distributions

did not identify any systematic variation of the response measures based on demographic attributes regarding the subjects' age, employment, or gender.

Procedures

The managers were given an adapted Moral Judgment Interview (MJI) survey (see Appendix A). The MJI was originally developed by Lawrence Kohlberg (see Colby & Kohlberg, 1987, for a thorough discussion of the evolution of the MJI) to assess the development of an individual's moral maturity. The MJI presents three brief moral dilemmas, with each dilemma succeeded by a series of follow-up, probe questions. Each question is generally framed along the moral constructs embodied in a particular stage of moral rationale. In this research each subject was given the same three moral dilemmas in the same sequence. Specifically, the MJI is designed to "elicit a subjects' (1) own construction of moral reasoning, (2) moral frame of reference or assumptions about right and wrong, and (3) the way these beliefs and assumptions are used to make and justify moral decisions" (Colby & Kohlberg, 1987, p. 61).

Materials

In order to assess the moral rationales offered by the subjects in response to the questions following each moral dilemma, Kohlberg developed a series of moral reasoning stages to plot the individual's responses to the MJI to reflect their moral development. His theory identifies three levels of moral development: preconventional, conventional, and postconventional. Each level is comprised of two stages of reasoning. The second stage represents a more advanced and organized form of the first stage within each level.

At the primary level, the individual reasons in terms of the direct consequences to one's self. This "preconventional" level emphasizes the avoidance of physical punishment and the seeking of personal satisfaction. As the individual develops to the "conventional" level, the maintenance of expectations imposed upon the decision maker by the family, group, or nation is perceived as valuable. A concern for gaining approval from others and acting as a generalized member of society emerges. Finally, at the "postconventional" level, the individual exhibits a clear effort to define moral values and principles apart from various authoritarian figures. Individual rights and socially acceptable standards accompany a reliance upon the decision-maker's conscience, focusing upon universal ethical principles at the postconventional level of moral reasoning. (For a complete expla-

nation of the stages and their underlying theoretical foundation see Colby and Kohlberg, 1987.)

The stage designations and coding of subjects' responses into the stages have been challenged in the moral development and education literatures. Kohlberg and his associates have responded to their major critics (see Kohlberg, Levine, & Hower, 1983), addressing issues of stage sequencing, subjectivity in the scoring method, gender and cultural bias, and others. Snarey (1985) critically reviewed Kohlbergian research to test Kohlberg's claim of cross-cultural universality and uncovered support for much of his theory. The criticisms voiced by Gilligan (1982), challenging Kohlberg's theory with gender bias, have been explored by numerous researchers (see Lifton, 1985; Nunner-Winkler, 1984; Walker, 1984). Each of these studies provide general, empirical support for the application of Kohlberg's theory to both sexes. Kohlberg's framework is generally accepted (Rest, 1983) and is gaining credibility through its use in business ethics decision-making research (Trevino, 1992).

The MJI, as originally developed by Kohlberg and his associates, was adapted for use in business ethics research by Weber (1991) in a number of critical ways. First, in an effort to improve the instrument's face validity, Weber constructed two ethical dilemmas framed in a business context (Evelyn and Roger) to compliment the original social dilemma (Heinz) developed by Kohlberg. In Kohlberg's dilemma, Heinz must decide whether to steal a drug he cannot afford to purchase in order to save his dying wife. The business context dilemmas ask whether Evelyn should confront her boss who has altered the data of her product defect test, and if Roger should shred accounting working papers that implicate a key business client of illegal action.

Second, Weber incorporates key organizational variables into the follow-up probe questions which are asked of the subjects. Moral issues emphasizing organizational loyalty and obedience, honesty, adherence to professional norms, and job security are embodied in the various follow-up probe questions for the Evelyn and Roger dilemmas. Third, Weber, like most moral development researchers, found the original oral interview format, suggested by Kohlberg and his associates (Colby & Kohlberg, 1987), to be quite challenging in terms of time commitment and interviewing skills. As a modification to existing moral judgment instruments, Weber developed an open-ended, written interview survey instrument. He compared the results from an oral interview research project (using the original MJI format) with the results while administering the new written interview, using identical samples of managers as subjects. Weber (1991) found the results from the written interview (the adapted MJI) to be consistent with administering the MJI through the more traditional (and cumbersome) oral

interview procedure. Therefore, the MJI was administered to the managers in this research in accordance with the procedure outlined by Weber.

Manipulation

This research relies upon the general categorical distinctions discussed by Collins (1989), regarding the nature of the harm, and Jones (1991), regarding the magnitude of the consequences of the harm. Specific moral issue characteristics within each of the three moral dilemmas are utilized as measures of moral issue and intensity.

Nature of the Harm. In the first follow-up question to the Heinz dilemma, the ethical issue centers around the imminent possibility of his wife's death, a clear portrayal of a physical harm. The nature of the harm shifts to an economic harm in follow-up question 1 in the Roger dilemma. The central ethical issue facing Roger is economic, since at issue is an auditing assessment which reports an illegal economic transaction (and suggests an unethical coverup of the illegal transaction). Furthermore, the disclosure of, or failure to disclose, the irregularities found in the audit could have significant economic consequences for Roger, his firm, the firm audited, and the stockholders of the audited firm. Finally, the nature of the harm in the Evelyn dilemma is initially a psychological harm, as posed in the first follow-up question. There is no indication at the outset that any injury or economic consequences would be caused by Evelyn's superior falsifying her test data. Rather, what is at issue is a challenge to Evelyn's reputation and integrity, which constitutes a psychological harm.

To test the researcher's identification of the nature of the harm in each dilemma two pre-tests were conducted. In the first test, a panel of "experts" consisting of academics versed in empirical moral reasoning research was asked to identify whether the nature of the harm in each dilemma was economic, physical, psychological, or some combination. Seven of the eight experts identified the same nature of the harm as the researcher. The one dissenting opinion argued that the harm in the Roger dilemma was both economic and psychological.

In the second test senior-level, business majors were used to assess the validity of the researcher's classification. These subjects were selected due to their lack of familiarity with research investigating moral reasoning. The students' classifications of the harm were generally consistent with this researcher's opinions. The harm in the Heinz dilemma was seen as a physical harm in 98% of the students' responses. Eighty-eight percent of the students perceived Roger's harm to be economic in nature, and 96% of the students believed that Evelyn was experiencing psychological harm.

Magnitude of the Consequences. Differing magnitudes of consequences can be found in each of the three dilemmas. The most serious consequence is found in the Heinz dilemma. As emphasized in the follow-up question 1, the possibility of Heinz's wife dying clearly represents the most severe consequence. An intermediate level consequence is found in the Evelyn dilemma. In the fifth follow-up question to the Evelyn dilemma, it is indicated that the product could result in an accident leading to possible injury. Thus, the altering of Evelyn's test data by her superior could preclude the correction of a product defect resulting in physical harm to the product users. The least consequential magnitude of harm is contained in the Roger dilemma. Looking at the follow-up question 6, Roger's job is being threatened by his superior if Roger fails to comply with his superior's orders. While job termination is not a trivial matter, the "sum of the harms" (as defined by Jones, 1991) in the Evelyn dilemma (possible injury to an undetermined number of consumers) outweighs the harm in the Roger dilemma (possible job loss for one person).

Two tests were conducted to assess this researcher's initial classification of the magnitude of consequences in each dilemma. All eight of the moral reasoning "experts" recognized that the Heinz dilemma possessed the greatest consequences, the least consequences were facing Roger, and Evelyn's consequences were in the middle. Similar results were found in questioning a group of business majors. All of the students believed Heinz faced the most severe consequences. Ninety-six percent felt that Evelyn was encountering the next severe set of consequences and Roger was threatened with the least severe consequences.

Moral Reasoning. The subjects' responses to each question used in this research were evaluated using the Abbreviated Scoring Guide (developed by Weber, 1991, and presented in Appendix B). The statements in the Abbreviated Scoring Guide reflect the moral reasoning constructs contained in Kohlberg's original six stage model of moral development. The scoring procedure developed by Weber offers a simpler, yet reliable, alternative system to scoring the subjects' responses and identifying their stage of moral reasoning than the original 17-step process developed by Kohlberg and his associates. Weber (1991) reports interrater reliability levels of 78% for complete agreement and 95% for a within one stage agreement when using the new instrument. These scores are consistent with the reliability levels achieved by researchers using the original scoring procedure developed by Kohlberg and his associates (see Colby & Kohlberg, 1987).

A sample of 10% of the subjects was randomly selected to validate this researcher's assessments of the subjects' moral reasoning stage. Two researchers versed in Kohlberg's theory and the Abbreviated Scoring Guide were asked to code responses into a stage of moral reasoning. The agree-

ment between this researcher's scoring and the other scorers was 86% for complete agreement and 96% for within one stage agreement. These correlations are well within acceptable limits for this type of scoring procedure.

To statistically test the hypotheses developed in this research, the subjects' stage scores for the relevant follow-up probe questions to each dilemma were compared using a within-subject ANOVA procedure (in SPSS the statistic is MANOVA).

RESULTS

Table I shows the average stage score for each type of harm or moral issue embodied in the relevant probe questions of the adapted MJJ. As predicted, stage scores decrease, as suggested by Collins (1989), as the type

Table I. Moral Reasoning Stage Scores^a

| | Mean |
|--|-------|
| Nature of the harm | |
| Physical harm (Heinz question 1) | 3.942 |
| Economic harm (Roger question 1) | 2.938 |
| Psychological harm (Evelyn question 1) | 2.709 |
| Magnitude of the consequences | |
| Life and death issue (Heinz question 1) | 3.942 |
| Injury issue (Evelyn question 5) | 3.124 |
| Job termination issue (Roger question 6) | 2.964 |

^a(*n* = 259).

Table II

| | <i>SS</i> | <i>df</i> | <i>MS</i> | <i>f</i> | <i>p</i> |
|--|-----------|-----------|-----------|----------|----------|
| Within-subject ANOVA comparing moral reasoning responses to physical harm with economic harm (Hypothesis 1) | | | | | |
| Within-subject | 262.50 | 259 | 1.01 | | |
| Stage | 131.00 | 1 | 131.00 | 129.26 | .000 |
| Within-subject ANOVA comparing moral reasoning responses to economic harm with psychological harm (Hypothesis 2) | | | | | |
| Within-subject | 187.78 | 258 | .73 | | |
| Stage | 6.72 | 1 | 6.72 | 9.23 | .003 |
| Within-subject ANOVA comparing moral reasoning responses to physical harm with psychological harm (Hypothesis 3) | | | | | |
| Within-subject | 171.10 | 259 | .66 | | |
| Stage | 197.40 | 1 | 197.40 | 299.95 | .000 |

Table III

| | SS | df | MS | f | p |
|--|--------|-----|--------|--------|------|
| Within-subject ANOVA comparing moral reasoning responses to life and death issue with injury issue (Hypothesis 4) | | | | | |
| Within-subject | 171.86 | 258 | .67 | | |
| Stage | 85.14 | 1 | 85.14 | 127.80 | .000 |
| Within-subject ANOVA comparing moral reasoning responses to injury issue with job termination issue (Hypothesis 5) | | | | | |
| Within-subject | 210.06 | 250 | .82 | | |
| Stage | 2.44 | 1 | 2.44 | 2.90 | .090 |
| Within-subject ANOVA comparing moral reasoning responses to life and death issue with job termination issue (Hypothesis 6) | | | | | |
| Within-subject | 275.34 | 252 | 1.09 | | |
| Stage | 117.66 | 1 | 117.66 | 107.69 | .000 |

of harm changes from physical harm to economic harm to psychological harm. Similarly, as the magnitude of the consequences declines (life and death issue to an injury issue to a job termination issue), the stage of moral reasoning evoked to resolve the moral dilemma correspondingly declines, as proposed by Jones (1991). To assess the statistical significance of the findings, a within-subject analysis of variance test is conducted and the results are shown in Tables II and III. As indicated in the tables, support for five of the six proposed hypotheses is found.

Regarding Hypothesis 1, Table II indicates that the subjects' responses to the follow-up question emphasizing the potential for physical harm in the Heinz dilemma evokes a statistically significant higher stage of moral reasoning than the question indicating possible economic harm in the Roger dilemma ($f = 129.26$, $p < .01$). The question containing potential psychological harm (in the Evelyn dilemma) is shown to evoke a statistically significant lower stage of moral reasoning than reasoning addressing the economic harm, supporting Hypothesis 2 ($f = 9.23$, $p < .01$). Finally, the stage of moral reasoning used to assess the physical harm found in the Heinz dilemma is statistically different at a significant level than the stage reasoning used for the psychological harm in the Evelyn dilemma ($f = 299.95$, $p < .01$).

Similarly, in testing Hypotheses 4 and 6, Table III reveals that significant differences are discovered as the magnitude of the consequences changes across the dilemmas for each subject. The question presenting a life and death issue (in the Heinz dilemma) evokes a statistically significant higher mean stage score than an injury issue in the Evelyn dilemma, supporting Hypothesis 4 ($f = 127.80$, $p < .01$), and a job termination issue in

- Concern over personal integrity, how I will look to others
- A sense of duty to the consequences it may have for others
- 4. A sense of duty to a professional responsibility or group
 - A sense of duty due to a commitment to a code, oath, principle
 - A sense of duty to a larger, societal group
 - Concern for social order, harmony
 - Concern for society's laws
 - Concern over the consequences to the larger, societal group
- 5. Personally-held values or beliefs of justice, fairness, rights
 - Personally-held belief in a moral law, above society's laws
 - A "social contract" to protect everyone's rights
 - The greatest good for the greatest number of people affected
- 6. Universal principles of justice, fairness
 - Universal laws governing behavior, superseding society's laws

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BIOGRAPHICAL NOTE

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APPENDIX A. MORAL JUDGMENT INTERVIEW (adapted from Weber, 1990)

Instructions

The Moral Judgment Interview consists of several stories that we believe present some challenging issues. Some of you might choose one solution to the stories, others of you may choose another. We are primarily interested in the explanations or reasons you give for your decisions. Try to justify and explain your statements as fully as possible. Very short answers are of no help to us so be sure to elaborate fully. Use the backside of the paper provided to complete your answers if necessary. Keep in mind that we are more interested in your answers to the *why* questions than to the *what* questions. Even if you give a long description of what you think is right or what you think should be done, it is of no help if you do not explain *why* you think it is right or *why* you think it should be done. Answer each question the best you can. Please do not compare an answer to prior answers.

OK, please begin the Moral Judgment Interview by reading the first story on the next page.

Heinz

In Europe, a woman was near death from a special kind of cancer. There was one drug that the doctors thought might save her. It was a form of radium that a druggist in the same town had recently discovered.

The drug was expensive to make, but the druggist was charging ten times what the drug cost him to make. He paid \$400 for the radium and charged \$4,000 for a small dose of the drug.

The sick woman's husband, Heinz, went to everyone he knew to borrow the money and tried every legal means, but he could only get together about \$2,000, which was half of what it cost.

He told the druggist that his wife was dying, and asked him to sell it cheaper or let him pay later. But the druggist said, "No, I discovered the drug and I'm going to make money from it." So having tried every legal means, Heinz gets desperate and considers breaking into the man's store to steal the drug for his wife.

1. Should Heinz steal the drug? _____ (Yes or No) Why, or why not?
2. Does it make a difference whether or not he loves his wife?
3. Suppose the person dying is not his wife but a stranger? Should Heinz steal the drug for the stranger?

4. Suppose the only chance Heinz had to acquire the money is to steal funds from his employer. Should Heinz steal his employer's money to purchase the drug?
5. Is it important for people to do everything they can to save another's life? Explain.
6. It is against the law for Heinz to steal. Does that make it morally wrong?
7. In general, should people try to do everything they can to obey the law?

Evelyn

Evelyn worked for an automotive steel casting company. She was part of a small group asked to investigate the cause of an operating problem that had developed in the wheel castings of a new luxury automobile and to make recommendations for its improvement. The problem did not directly create an unsafe condition, but it did lead to irritating sounds. The Vice President of Engineering told the group that he was certain that the problem was due to tensile stress in the castings.

Evelyn and a lab technician conducted tests and found conclusive evidence that the problem was not tensile stress. As Evelyn began work on other possible explanations of the problem, she was told that the problem had been solved. A report prepared by Evelyn's boss strongly supported the tensile stress hypothesis. All of the data points from Evelyn's experiments have been changed to fit the curves, and some of the points which were far from where the theory would predict have been omitted. The report "proved" that tensile stress was responsible for the problem.

1. Should Evelyn contradict her boss's report? _____ (Yes or No)
Why, or why not?
2. Should the potential conflict with Evelyn's boss have any impact on Evelyn's actions? Why, or why not?
3. If the report supporting the tensile stress hypothesis was issued by the lab technician working on the project, should Evelyn contradict the report?
4. Is it important that people do everything they can to have the truth known? Explain.
5. Suppose the problem with the brake involved more than irritating sounds. Would it make a difference if the brake problem caused uneven brake applications and skids which could lead to possible human injury?
6. The data in the boss's report are false. Does it make it morally wrong if Evelyn fails to contradict the report?

7. Should people do everything they can to work within the corporate organization and support their superiors?

Roger

Roger worked for a small auditing firm and conducted an annual audit of a machinery manufacturer. During the audit he discovered that the firm had received a large loan from the local savings and loan association. It was illegal for a savings and loan association to make a loan to a manufacturing firm; they were restricted by the law at that time to mortgages based upon residential real estate.

Roger took his working papers and a xerox copy of the ledger showing the loan to his boss, the partner in charge of the auditing office. His boss listened to Roger, and then told Roger: "I will take care of this privately. We simply cannot afford to lose a client of this status. You put the papers you have through the shredder."

1. Should Roger shred his papers? _____ (Yes or No) Why, or why not?
2. Does the illegality of the loan and Roger's duty as an auditor make a difference in Roger's decision to shred his papers?
3. If Roger had been advised by one of his peers to shred his papers, should Roger shred his papers?
4. Is it important for people to do everything they can to follow their conscience? Explain.
5. Shredding papers is against the AICPA Code and covers up an illegally made loan. Is Roger also morally wrong if he shreds his papers?
6. What if Roger's career was threatened if he refused to shred his papers?
7. Should people do everything they can to further their own careers?

APPENDIX B. ABBREVIATED SCORING GUIDE (from Weber, 1991)

Stage Orientation—Moral Reasoning Explanation

1. Concern over the consequences of personal harm
2. Concern over the consequences of personal need
Concern for personal satisfaction
A sense of duty to oneself
3. Concern over the consequences to an immediate group
Concern over personal relationships with others
A sense of duty due to how others will perceive me, my actions

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the Roger dilemma ($f = 107.69, p < .01$), supporting Hypothesis 6. Table III also reports that the possibility for injury (in the Evelyn dilemma) is not statistically higher than the question featuring the threat of job termination (in the Roger dilemma), which received the lowest mean stage score ($f = 2.90, p > .05$). Thus, no statistically significant support was found for Hypothesis 5.

In general, the hypothesized relationships, based upon the theoretical work by Collins and Jones and represented in the hypotheses developed for this research, are supported by the data from this sample of managers. Although it should be noted that the fifth comparison (between the injury issue and the threat of job termination issue) failed to demonstrate statistical significance.

IMPLICATIONS

The discovery that the type of harm embodied in a moral dilemma and the magnitude of its consequences significantly influence the moral rationales used in the managers' ethical decision-making processes has important theoretical, empirical, and practical implications. The support for the theoretical propositions developed by Collins (1989), regarding the type of moral harm, and Jones (1991), regarding the magnitude of the moral harms' consequences, has serious implications concerning ethical decision-making models. Previous models (Dubinsky & Loken, 1989; Ferrell & Gresham, 1985; Hunt & Vitell, 1986; Rest, 1986; Trevino, 1986) typically emphasize influences exerted upon decision making by environmental, personal, and organizational forces. While these influences are not unimportant, as borne out by previous empirical research reported elsewhere, the comprehensiveness of these decision-making models must be challenged. Jones' Synthesis of Ethical Decision-Making Models (1991, p. 370) may represent the most complete ethical decision model in the literature, since he includes not only environmental, personal, and organizational forces but also inserts a "moral intensity" variable. Researchers interested in developing future ethical decision models or modifying current models should seriously consider the importance of including the influence of the moral issue and its multiple components (see Jones, 1991, p. 379) to fully represent the decision-making processes of individuals in an organization.

The discovery of the importance of the consequentially based notions of moral issue and moral intensity presents additional significant implications for researchers developing ethical decision-making models. Rather than primarily relying upon deontological-based ethics criteria which emphasize duty, rights, fairness, and justice, researchers building ethical decision models should incorporate consequential or utilitarian ethics rea-

soning, as argued by Brady (1988). Not only has it been reported that most corporate managers typically rely upon utilitarian thinking for ethical decision making (Fritzsche & Becker, 1984), but the consequences perceived by the decision maker while framing the ethical issue are critical influences in determining the moral rationales used in resolving the moral conflict. Thus, an emphasis upon consequential ethics reasoning is an essential addition in constructing a comprehensive and representative model of ethical decision making.

Future empirical research regarding ethical decision making may also be influenced by this research. Utilizing an analysis of harms from the legal torts system, Collins' (1989) prediction that physical harm will evoke the strongest response was found, followed by economic harm and psychological harm. Researchers must be sensitive to the fact that the type of harm embodied in the scenarios used to elicit individuals' ethical reasoning or decisions could be a significant influence in the reasoning process. Similarly, general support for Jones' Proposition 2, which argues that "Issues of higher moral intensity [measured in this research as magnitude of consequences] will elicit more sophisticated moral reasoning (higher levels of cognitive moral development)" (1991, p. 385), should alert future researchers to carefully assess, or account for, the magnitude of the moral issue contained in the ethical dilemmas used in their research. The support for Collins' and Jones' theoretical arguments should inform researchers that moral reasoning may be *issue dependent*. While research should also explore the influence of the decision-maker's personal characteristics and the influence exerted by the decision-maker's organization upon ethical decision and behavior, the issue itself must also be considered as a significant influence.

Finally, this research also has significant practical implications regarding ethical decision making by individuals in an organization. Research has generally found that moral reasoning is associated with moral decisions and action [see Blasi (1980) and Rest (1979) for a thorough review of moral development research, as well as Brabeck (1984) and Weber and Green (1991) for empirical confirmation utilizing business school students]. Therefore, the framing of the ethical issue, regarding the perception of the type of harm and its magnitude, may seriously influence ethical behavior.

For example, a manager's perception when adopting a strategy of environmental apathy which could lead to ecological tragedy could be understood as an economic harm (resulting in costs to the firm and/or to society that is measured in dollars), or as a physical harm (where organizational employees and/or the public could suffer significant physical ailments or possibly death). This research implies that there is a significant difference whether ecological responsibility is understood in economic or

physical terms, since the perception of physical harm evokes a higher stage of moral reasoning which could lead to a greater probability of moral behavior.

Similarly, if the manager believes that an ecological disaster might affect a few dozen workers vs. thousands of community residents, the implication of the magnitude of the consequences regarding the potential harm would influence the level of moral reasoning evoked by the manager to address the moral dilemma. Additional comparisons between consumer safety issues, treatment of employees, etc. magnify the importance regarding how managers frame moral dilemmas in terms of the type of harm or the magnitude of its consequences. This framing, or understanding, of the moral intensity of the ethical dilemma could be as strong an influence upon ethical behavior as other environmental, personal, or organizational forces.

Efforts to train managers toward ethical decision making and behavior (as suggested by Harrington, 1991) should also include a focus on how managers frame an ethical decision, especially in terms of the perceived type of harm and the magnitude of its consequences. For example, an ethics discussion in an employee training program or classroom regarding the effects of sexual harassment could be significantly influenced by the manner in which the harms are presented. If it is argued that sexual harassment causes only psychological harms to the victim, the findings in this research suggest that a relatively low level of moral reasoning would be evoked. Lower levels of moral reasoning are associated with less frequent practices of moral action. However, if sexual harassment is understood as causing economic harm through discriminatory promotion practices, or physical harm by restricting the victim's physical actions at work or by increasing instances of sexual assault, then the moral rationales used to address the ethical issue of sexual harassment would be higher. Higher stages of moral reasoning are associated with more frequent occurrences of moral action.

In conclusion, the discovery that the type of harm embodied in the moral issue and the magnitude of the consequences of the harm influence individuals' moral reasoning and decisions should motivate future researchers constructing ethical decision-making models, conducting empirical assessments of ethical decision making, or developing ethics training approaches to consider this additional influence.

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