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The Link Between Management Behavior and Ethical Philosophy in the Wake of the Enron Convictions

Shane Premeaux

ABSTRACT. The current linkages between ethical theory and management behavior are investigated in the wake of the much-publicized convictions of Enron executives. The vignettes used in this investigation represent ethical dilemmas in the areas of coercion and control, conflict of interest, physical environment, and personal integrity. Since 2003, and after the successful prosecution of Enron executives, the link between ethical philosophy and management behavior has shifted somewhat dramatically. There has been a significant change in the rational basis for managerial decision making. In 2003, even after the Enron scandal was publicized, practitioners still relied heavily on both act and rule utilitarian ethical philosophies when making business decisions. Currently, the majority of respondents are likely to select ethically appropriate actions based on either rule utilitarian or rights rationales. It appears that ethical behavior is now more in line with ethical rhetoric, which may positively impact the ethical climate of business decision making. Apparently, business scandals of the past did not really impact actual ethical behavior much, but the high-profile prosecutions, convictions, and jail sentences may have impressed on managers that now is the time to incorporate ethics into business decisions.

KEY WORDS: ethics, scandals, philosophy, Enron

The ethical direction and health of organizations is a direct result of ethical actions by managers (Hyman et al., 1990). This statement has never seemed more true than when multiple unethical and illegal decisions by both Enron founder Kenneth Lay and Enron CEO Jeffrey Skilling brought down the Enron Corporation and destroyed the financial security of its employees. In addition, the actual consequences to managers may be that it impacts not only the company, but also their personal financial security, their health, and even their very survival. In the Enron case, not only did both Kenneth Lay and Jeffrey Skilling get convicted, but also Enron founder Kenneth Lay actually died after his conviction while awaiting sentencing. In 2003, after the collapse of Enron, the results of an investigation of management behavior and ethical linkages indicated that the collapse and ensuing scandal did not alter managerial behavior to a significant degree. Will actual convictions, jail time, and even death alter the way that managers approach ethical situations, and actually change their decision-making process?

Since managers are the link among labor, shareholders, suppliers, and customers, their ethical or unethical actions are critically important. In recent years, researchers have generated knowledge about the management of individual ethical behavior in organizations, but there are gaps in current knowledge and obstacles that limit understanding of ethical linkages (Treviño et al., 2006). The body of literature dealing with ethical beliefs and the behavior of managers is limited (Camenisch, 1986; Carroll, 1978; Stead et al., 1990), and little has been done regarding the direct link between ethical theory and management behavior (Fritzsche and Becker, 1984; Premeaux, 2004; Premeaux and Mondy, 1993). Evaluating the link in light of the Enron convictions could improve understanding of ethical managerial values and possibly provide the basis for positively altering managerial behavior.

This investigation re-examines a portion of the previous study and expands somewhat beyond the previous investigation (Premeaux, 2004). This study may provide additional insight into the nature of changes in ethical linkages in the wake of the Enron convictions. It will be interesting to note any differences between the 2003 findings, right after the collapse of Enron, and the current results given the high-profile convictions of top Enron executives. The Enron debacle caused by greed, political connections, and unethical actions resulted in a bankruptcy that shattered the lives and retirement savings of many employees (Sanger, 2002). The Enron and WorldCom bankruptcies typify the potential impact of unethical, as well as illegal business practices on companies, employees, and investors. However, these and past business scandals have had little real impact on the actual ethical behavior of managers, even though the ethical rhetoric and the development of ethical codes of behavior often increase after business scandals. In fact, ethical codes have not done much to belay the perception that American business executives are not very ethical (Stevens, 2004).

Possibly the recent highly publicized convictions have heightened the ethical awareness of managers and made it clear that devastating personal and professional outcomes will likely result from inappropriate actions. Due to the prosecution of unethical and illegal behavior by managers a great deal of attention is once again focused on ethics. Although the many scandals in the latter half of the 1980s, such as insider trading on Wall Street and the Savings and Loan crisis, did not really change the nature of ethical linkages that existed in 1984, and the collapse of Enron did not significantly alter the ethical linkages in 2003, possibly the 2006 convictions of top corporate officials will alter such linkages. Specifically, in the aftermath of the 2006 convictions of top Enron officials do practitioners still rely on the act and rule utilitarian philosophy of ethics or has the focus shifted to other ethical philosophies? In addition, has there been a significant shift in the number of respondents who select the various response alternatives in each ethical situation, with more respondents favoring the more ethical alternatives?

Ethical philosophies & the decision-making process

Ethical philosophies are the foundations of ethical analysis that provide the decision-making guidance. Each philosophy emphasizes different reasoning that can be used to reach ethically correct decisions. As such each ethical philosophy focuses on certain aspects of an ethical dilemma and leads to the most ethically correct decision based on the guidelines within the ethical philosophy itself. The individual choice of the appropriate ethical philosophy can be influenced by such factors as education, experiences, beliefs, social norms, as well as environmental factors such as the Enron scandal. Effective decision making is often difficult particularly with complex issues that have ethical implications. The dilemmas that comprise this investigation have several possible resolutions depending on the constraints and rationales that are used when developing the selected decision. Basically, the ethical philosophy employed provides guidance for the decision maker and will ultimately influence the final decision.

The well-developed ethical theories from the field of philosophy that were utilized previously, will be used here to reexamine the ethical link between management behavior and ethical philosophy (Fritzsche and Becker, 1984; Premeaux, 2004; Premeaux and Mondy, 1993). The major ethical philosophies utilized in the decision-making process are utilitarian, rights, and justice. Utilitarian philosophies propose that individuals should evaluate behavior in terms of its social consequences. Rights philosophy emphasizes the entitlements of individuals, while the justice philosophy focuses on the distributional effects of actions or policies (Cavanagh et al., 1981, p. 365). Each of these is based on distinctive concepts that emphasize individually unique aspects of behavior. However, none of these are universally embraced by philosophers or researchers.

Act and rule utilitarian philosophies

Utilitarian theories are either act or rule utilitarian, and are founded on the ability to predict the consequences of an action. In line with this theory the choice that yields the greatest benefit to the majority is the ethically correct choice. Generally, utilitarian-based decisions are considered unethical when they create personal gain at the expense of societal gains and when they result in relatively inefficient attainment of desired ends (Fritzsche and Becker, 1984). Also, the utilitarian approach may have inherent problems associated with predicting and comparing various outcomes.

An individual acting in line with an act utilitarian approach bases decisions solely on the outcomes or consequences, selecting the act that provides the greatest social good regardless of social constraints like laws, etc. Possibly, current respondents moved from act utilitarianism because this approach requires acts that benefit the most people regardless of the societal constraints such as laws. Similarly, since act utilitarianism focuses on the greatest good, justice may be secondary. Subsequently, act utilitarianism is not always concerned with justice for the individual if that justice leads to an outcome that does not benefit the majority.

Rule utilitarianism takes into account the law, as well as fairness. The rule utilitarian approach seeks to benefit the most people through the fairest and most just means available. An added benefit of rule utilitarianism is that it values justice for the majority. In the post Enron business environment, managers may have a greater respect for laws or simply may be much more reluctant to violate laws. The decision maker following a rule utilitarian philosophy evaluates the rule under which the action falls. However, problems can occur when there are conflicting rules. Following a chosen rule may not lead to the greatest benefit in every situation, but over the long term the rule will result in decisions that lead to the greatest societal benefit.

Since rule utilitarianism takes into account the law it may be the safest alternative, and therefore most preferred. The preference for rule-based decisions may be the result of risk aversion or a general belief that following the law would have prevented problems such as the Enron debacle and the penalties that followed. The movement away from act based to rule based decisions may have also resulted because act utilitarianism is solely concerned with maximizing good, and therefore an individual's rights may be infringed upon to provide the greatest good. The collapse of Enron violated the individual rights of various stakeholders resulting in untold hardships for those involved.

Rights philosophy

The rights philosophy provides a guide to insure respect for the rights of individuals. In the rights ethical philosophy certain rights set forth by society are protected and given the highest priority. Basically, the rights established by society are protected, and therefore considered ethically correct and valid because they are endorsed by society. The usefulness of the rights philosophy is enhanced when used in conjunction with another ethical philosophy that keys on the goals of society. For rights to be applied, society must decide what rights the individual will have after determining the nature of societal goals and ethical priorities, and this can be problematic. The right to free consent, the right to privacy, the right to freedom of conscience, the right to free speech, and the right to due process are the five rights which have been suggested by theorists (Cavanagh et al., 1981).

Justice philosophy

The justice philosophy results in decisions that are based on equity, fairness, and impartiality (Rawls, 1971). Justice is basically giving people exactly what they deserve, no more and no less, but the resulting subjectivity involved in making that determination can be problematic. There may also be a problem determining if the rules of justice that govern society as a whole are actually just. Under the justice philosophy, rules must be administered fairly and impartially enforced, distributing both the benefits and risks equally.

The justice philosophy prescribes actions that are fair to those involved, meaning that ethical decisions should be consistent unless extenuating circumstances exist. Such extenuating circumstances must contain a significant and vital difference from similar cases to justify an inconsistent decision. An ethical decision based on the theory of justice has a consistent and logical basis that supports the decision. Also, individuals must not be held responsible for matters over which they have no control and injured individuals should be compensated by those responsible. Finally, individuals should receive differential treatment only when the basis of the treatment is related to the attainment of organizational goals and tasks.

Ethical philosophies can provide significant guidance during the decision making process. All ethical philosophies set forth certain guidelines that may be applicable to ethical dilemmas, but all philosophies have limitations. Basically, there are no perfect ethical philosophies, as there are no perfect decisions, but decision making may well benefit when ethical philosophies are consulted. In fact at times, these ethical philosophies can even be used in combination to obtain a more ethically correct decision. Basically, decision makers may improve their decision making process by consulting a combination of ethical philosophies when analyzing an ethical dilemma. Fortunately, the various ethical philosophies available provide an important framework that can help guide managers toward more ethically appropriate decisions.

Research design

The results, in the aftermath of the Enron convictions, should be useful in linking ethical theory with current management behavior because the data represents a wide variety of business scenarios. Three of the four vignettes used in 2003 were again utilized to gather data related to ethical linkages and these findings were compared to the 2003 results. Each vignette describes a business decision containing a potential ethical dilemma. Respondents to the mail survey were asked to assume the role of the decision maker and indicate how they would resolve each situation. Vignettes allow the injection of a greater amount of background information and detail into ethically questionable issues. In this type of research vignettes are thought to elicit higher quality data than is possible from simple questions (Alexander and Becker, 1978).

Four categories of ethical problems that represent a wide variety of ethical issues were included in this investigation. Three of the four vignettes were utilized in previous investigations, including the 2003 study (Fritzsche and Becker, 1984; Premeaux, 2004; Premeaux and Mondy, 1993). The four categories investigated remain the same and include coercion and control, conflict of interest, physical environment, and personal integrity. A coercion and control issue exists when some external force attempts to compel a manager to make a specific decision by using threats, extortion, or other sources of power. A conflict of interest situation arises when a manager has more than one interest that, if mutually pursued, may result in injury to individuals or to the firm (Beauchamp and Bowie, 1979). The physical environment is a special case of conflict of interest where one of the affected parties is the environment. Finally, personal integrity problems occur when personal decisions raise issues of right and wrong even when the issue of legality may be subject to broad interpretation.

The original personal integrity vignette is replaced with a vignette based on an Enron-type scandal, where management has the option of using misleading acts to prosper or deal ethically with the harsh realities of coping with unforeseen business conditions. Since the personal integrity vignette is new there will be no comparison made because no 2003 results exist. However, it is imperative that this new vignette be included so that an assessment can be made as to the current sensitivity of respondents to Enron-like behavior. Comparisons made in the other three scenarios will help determine if there has been a post Enron conviction shift in managerial decision making.

Vignettes were constructed to represent each of the four ethical categories. The original vignettes were pretested on a group of marketing managers drawn from a local chapter of the American Marketing Association, and were reviewed by a group of philosophers, business practitioners, and business professors working in the field of ethics. The vignettes were revised in line with the pretest results and the comments received from the ethics group. The wording of the alternatives in each vignette attempts to eliminate any unnecessary flexibility or leeway that could give respondents the opportunity to hedge their responses. The new personal integrity vignette was subjected to the same developmental approach as the other vignettes used in this investigation.

The revised and new vignettes were placed in the questionnaire in random order. Respondents were asked to indicate the likelihood of behaving in accordance with a requested behavior of questionable morality. A 0- to 10-point Likert scale anchored with ''definitely would not'' (0) and ''definitely would'' (10) phrases were used. After making a decision, the respondent was asked why the particular decision was made. These responses were then classified by the type of ethical theory they represent.

The questionnaire was mailed to a systematic random sample of 1,000 practicing marketing managers throughout the United States. The source of the systematic random sample of managers was drawn from a list of practicing marketing managers who were affiliated with the American Marketing Association, and who currently worked for, or had worked for, a major domestic firm for five or more years. The primary reason that the systematic random sample of managers was drawn from marketing managers is to help ensure that those who responded had been exposed to internal and external business situations that require ethically based decisions. Since marketing managers are responsible for business decisions that impact not only the image of their organizations, but also society in general, it is assumed that they would, as a group, be quite sensitive to the current ethical climate and to ethical business issues. A followup mailing was made to non-respondents within 4 weeks of the original mailing, and once again within 2 weeks of the follow-up. Subjects were randomly selected so that each of the fifty states was represented. Non-response bias should not be a problem because the survey procedure continued until each segment of the population was represented.

A total of 413 usable questionnaires were received, which yielded a response rate of 41.3%. Not all managers responded to each question, thus the category frequencies related to each question are somewhat less than 413. The minimum sample size for the demographic analysis was determined by reviewing the average sample size of previous research studies. The typical sample size for previous research ranged between 200 and 500 individuals (Tull and Hawkins, 1987). The sample size of 413 is near the top response rate for similar studies and far above the 124 respondents in the original Fritzsche and Becker study, above the 361 respondents in the Premeaux and Mondy investigation, and nearly as high as the 431 in the previous study (Fritzsche and Becker, 1984; Premeaux, 2004; Premeaux and Mondy, 1993). This high-level response rate was attributed to the currency of the topic and the extensive follow-up procedure.

The categories then were classified according to the ethical theory they appear to represent. As in the 2003 investigation, the data were analyzed using a one-way analysis of variance (ANOVA) to determine whether the decision depended on the ethical theory espoused by the respondent. Differences across responses were analyzed using the Scheffe' a posteriori test with a significance level of $p < .05$. In addition, for the first three vignettes statistically significant differences between 2006 and 2003 means, where the PR > F value is less than the critical value of .05 are also analyzed.

Findings

Standardized responses and an open-ended question option were included to determine the rationale for each ethical decision made by the respondents. For the first three vignettes, the standard responses utilized in the 2003 investigation were provided as an alternative to responding in an open-ended fashion, and the standard responses developed during the pretest for the new personal integrity vignette are offered as an alternative to an open-ended response. The vast majority of the respondents selected one of these standardized responses or some variation or combination of these alternatives. The responses to these questions were aggregated into common response categories. Although specific responses tended to be well thought out, there was no evidence of a patterned set of responses. Specifically, there is no evidence that the ''ethically safe'' or ''socially acceptable'' response was selected merely because it was proper to do so. When a complete response contained elements from several response categories, it was classified according to the first response category discussed. However, a few multicategorical responses, embracing different ethical theories, were received.

The findings are discussed by the type of ethical dilemma faced. The vignette eliciting the response is presented, followed by the question posed to the respondent, and then a table containing the rationales for each response is developed. In each vignette, the mean responses relate to the nature and intensity of the answer and range from ''definitely would not'' (0) to ''definitely would'' (10). The frequency percentages are the number of individuals who selected each response alternative (frequency) divided by the total number of respondents. Each table contains the theory, the response, the means, and the frequencies for the 2006 investigation, and the first three tables also include the results from the 2003 study and the differences between means.

Coercion and control

Collusive efforts of local manufacturers have barred the Rollfast Bicycle Company from entering a large Asian market. Rollfast management expects to net 10 million dollars annually from bicycle sales if it could penetrate the market. Last week a businessman from the country contacted Rollfast management and assured them that he could smooth the way for the company to sell in his country for a ''grease'' fee of $1,000,000.

> If you were responsible, would you pay the bribe or so-called ''grease'' fee?

The six response categories relating to the reason for the action taken in the coercion and control vignette are shown in Table I. The selected response categories represent either rule utilitarian or act utilitarian philosophy. Individuals espousing a rule utilitarian philosophy were relatively unlikely to pay the bribe, as indicated by the very low mean responses. However, individuals expressing an act utilitarian justification are generally more in favor of paying the bribe, but were more reserved than in 2003. Although these two positions demonstrate the traditional conflict between ethical values and short run economic interests even those who selected the act utilitarian options were more uneasy with their decisions than in 2003. The notoriety of the Enron trial and the harsh sentences may have caused the shift toward more of a rule utilitarian approach, where the fairest, most just, and the most legally appropriate decisions are favored.

The responses for these two theories were significantly different from each other. There are several significant differences between means, with the current respondents being much more definitive that they would not pay the bribe because it is unethical. Also, there was a shift in frequency percentages, with nearly 55% of the respondents deciding not to pay the bribe simply because it is unethical to do so, which was up from about one-third of the respondents in 2003. This may signal that managers are becoming more ethically aware, and may therefore behave more ethical despite economic pressures.

Preference for the rule utilitarian approach may simply indicate that respondents are following the established rules because over the long-term this approach will provide the greatest societal benefit. Possibly, respondents are following the rules to avoid placing themselves in compromising situations. As previously discussed, the preference for rule based decisions may simply be the result of risk aversion or a general belief that following the law would have prevented situations such as the Enron scandal, but this preference did result in more ethically appropriate decisions.

TABLE I

Rationale for coercion and control responses

Theory	Response	2006 Mean*	2006 Freq	2003 Mean*	2003 Freq
Rule Util	Against company policy	.41	26	.53	36
Rule Util	Illegal under Corrupt Business Practices Act	.43	69	.51	71
Rule Util	Bribe, unethical	.46**	225	1.06	136
Act Util	No one is hurt	5.83	9	5.87	22
Act Util	Is an acceptable practice in other countries	5.21**	44	6.68	89
Act Util	Is not unethical, just the price paid to do business	5.29**	26	7.73	47
	Other responses		10		12
	Total		409		413

*The brackets enclose responses that did not differ significantly from each other per the Scheffe' test.

**Indicates a statistically significant difference between means, where the PR > F value is less than the critical value of .05.

Conflict of interest

Bill Smith has recently accepted a job with an aggressive microcomputer manufacturer. Microcomputer manufacturers are engaged in intense competition to become the first to develop a software package that utilizes English language commands to do complex tasks. Such a software package could replace traditional mouse commands and make computers even more mainstream than they are today. Smith's former employer is rumored to be the leader in this software development. When Smith was hired he was led to believe his selection was based on his management potential. However, the morning beginning the third week of his new job, Smith received the following memo from the company president:

> Please meet with me tomorrow morning at 8:15 for the purpose of discussing the progress your former employer has made in the development of language driven software.
>
> If you were Smith, would you provide your new employer with the information?

Six response categories were identified for the conflict of interest vignette. In addition to the five utilitarian orientations, one category represents a theory of rights philosophy. It is fairly obvious that Smith's right to free consent may have been violated because he was apparently hired to provide information relating to the activities of his former employer. Quite possibly, Smith may have refused the new position if this had been made clear during the interview. Even though the economic reality of the situation makes this a difficult decision, the rationalization that was most popular in 2003 appears to have shifted from a pragmatic ''to keep [his] job, loyalty to [the] new employer'' rationale to more ethical rule/rights based decisions. The frequencies are also much different and there is a significant difference between means regarding the act utilitarian response, ''to keep job, loyalty to new employer''. Apparently, the desire to keep one's job is not as influential as it was 3-years ago. This could be in part due to a better job market, but may also indicate a trend toward more rule/rights based decisions which tend to be more ethical.

Basically, the first two rule utilitarian responses and the rights response supports the position that Smith should refuse to divulge the information (Table II). Combined, these three account for nearly 55% of the overall responses with the rights response being most popular. Once again there appears to be a respondent preference for decisions that are sanctioned by society, and in this case respect for individual rights is the most preferred rationale. The Enron case is a perfect example of managerial decisions that violate both the individual rights of stakeholders, as well as the established rules of law. In the aftermath of the Enron case, these respondents mostly valued the rights and rules rationales when making decisions, which ultimately resulted in more ethically correct decisions. There are also significant mean differences between the two periods for the second rule response and the rights response. The other rule response hinged on whether there was a security agreement in force.

The response mean of 5.69 is near the original mean of 5.73 which indicates an indifferent response, which would be appropriate without knowledge of the existence of a security agreement. Expectations are that if an agreement was in effect, the mean response would be near the other rule responses. The first act response, ''provide some but not all information,'' appears to be the result of hedging by respondents which benefits the new employer. Overall, most respondents were less likely to provide the information than in 2003, which may indicate an ethical shift. Apparently, adherence to ethical values is much less compromised by short-term personal economic interest than in 2003.

Once again the preference for the rule utilitarian approach, along with a rights-based alternative may simply indicate a shift toward greater respect for established rules, as well as individual rights, or because of risk aversion. Following either approach would probably have mediated the Enron situation, while protecting the individual rights of stakeholders, and these respondents apparently prefer rights/rules based decisions in today's post Enron business world.

Physical environment

Master Millers has developed a special milling process that yields a wheat flour which when used for bread provides a lighter more uniform texture

TABLE II

Rationale for conflict of interest responses

		2006		2003	
Theory	Response	Mean*	Freq	Mean*	Freq
Rule Util	Unethical for Smith to provide and unethical for employer to ask	.84	72	.91	56
Rule Util	Protect Smith's reputation	1.03**	38	2.19	32
Rights	Unethical for employer to mislead Smith when he was hired	1.01**	107	2.38	71
Act Util	Provide some but not all information	4.61	33	5.01	68
Rule Util	Decision based on whether a security agreement is in force	5.69	69	5.73	87
Act Util	To keep job, loyalty to new employer	6.98**	61	8.69	105
	Other responses		16		7
	Total		396		426

*The brackets enclose responses that did not differ significantly from each other per the Scheffe' test.

**Indicates a statistically significant difference between means, where the PR > F value is less than the critical value of .05.

than conventionally milled wheat flour. Unfortunately, the process gives off more dust than the emission control equipment presently installed can handle and still maintain emissions within legal limits. Due to lack of availability, the company is unable to install new emissions control equipment for at least 2 years; however, if it waits that long to introduce the new process, competitors would very likely beat it to the market. The general manager wants to use the new process during the third shift which runs from 10 p.m. to 6 a.m. By using the process at that time, the new flour could be introduced and the excess pollution would not be detected due to its release in the dark. By the time demand becomes great enough to utilize a second shift new emission control equipment should be available.

> If you were responsible, would you approve the general manager's request?

There also are six response categories for the environment vignette. The rule and justice philosophies are the most popular, with the remaining categories representing act utilitarian philosophies. As shown in Table III, the first three categories do not differ significantly from one another. In all three cases, there is a little likelihood that the respondents would approve the general manager's request. Significant differences between means do not exist for the rule, the justice, and the first act responses with all these groups being similarly definitive that they would not use the polluting process. Even though the third category is act utilitarian, the decision not to support the general manager's request was because of the risk of getting caught, not for any concern for the environment. In terms of frequency responses there has been a major shift, with the majority of the respondents choosing the rule utilitarian response of "it would be illegal" instead of the act utilitarian response of the "risk of getting caught with [the] resulting negative consequences [being] too great." Over 75% of the current respondents were quite definitive that they would not utilize the new process.

Also, the significant differences between means for the last three act responses indicate that these respondents are more reluctant than those in the 2003 study to behave inappropriately. The latter three act categories ranged from a low of 4.39 to a high of only 5.16 in support of producing the flour. Even though a conflict may still exist between ethical values and economic interests, the vast majority of respondents now select the more ethical nonpolluting alternatives.

Once again, the rule utilitarian logic most strongly influenced the decision process, where legality was

TABLE III

Rationale for physical environment responses

Theory	Response	2006 Mean*	2006 Freq	2003 Mean*	2003 Freq
Rule Util	It would be illegal	.51	183	.46	99
Justice	Concern for the environment-life	.77	61	.83	49
Act Util	Risk of getting caught with resulting negative consequences too great	.79	52	.91	126
Act Util	Not their fault, equipment would be installed if available	4.39**	21	5.49	38
Act Util	The pollution would not really hurt the environment	5.11**	49	7.16	63
Act Util	Large potential gain with low risk	5.16**	3	7.24	19
	Other responses		24		35
	Total		393		429

*The brackets enclose responses that did not differ significantly from each other per the Scheffe' test.
**Indicates a statistically significant difference between means, where the PR > F value is less than the critical value of .05.

of utmost concern. Those who preferred the justice logic did so even though extenuating circumstances existed, possibly because doing so demonstrated a consistent pattern of protecting the environment and life. Regardless of whether the respondent's motivation is to make decisions that are more ethically sound or to make decisions that are less likely to cause problems, it appears that a dramatic shift has occurred toward a rules-based decision-making process that results in more ethical decisions.

Personal integrity

Jeff Lay, Chief Operating Officer of Renewable Energy Company (REC), received advance notice that 10-year federal subsidies would be given to landowners who allowed wind turbines to be put on their property, earning them about $5,000 per month per turbine. Acting on this advance notice, REC purchased unprofitable farm land at depressed prices and bought 25% of GenElec, the company that produces most wind turbines. Two years later, about half of the proposed number of GenElec wind turbines were operating on REC land. Three months before the next shipment of turbines were to be delivered, GenElec informed REC that there would be at least a twelve month delay. Without all of the turbines fully operational in six months REC cannot pay their loan obligations, and restructuring the loan or additional stock sales could ruin the company and force it into bankruptcy, resulting in substantial job losses and severely jeopardizing Jeff Lay and Ken Skill's personal fortunes.

Ken Skill, the Chief Financial Officer, suggested that Jeff sell the existing turbines to the nearly bankrupt TurbineTuners for $17.5 million dollars, which is the 10-year contract value of the energy to be generated by the existing turbines. TurbineTuners would borrow the money to buy the turbines using the guaranteed contracts as collateral. REC would lease TurbineTuners each plot of REC land for $4,000 per month per turbine. TurbineTuners would then receive revenue of about $1,000 per month per turbine, be even more heavily in debt, and eventually would declare bankruptcy anyway. Upon completion of the deal the two senior executives at TurbineTuners would each receive a $1 million dollar bonus. REC would then pay all their outstanding debts, thereby owning all current land holdings and 25% of GenElec, while retaining most of the turbine-generated revenue. At that point REC stock should greatly appreciate in value. Skill assured Jeff that the accounting firm auditors will not find fault with these practices and that their personal fortunes will be secure.

> If you were Jeff Lay would you make the deal with TurbineTuners?

As is apparent in Table IV, the personal integrity vignette yielded three act utilitarian response categories and one rights category. The near neutral

TABLE IV

Rationale for personal integrity responses

Theory	Response	2006 Mean*	2006 Freq
Act Util	Risk of bankruptcy and the loss of jobs is too great not to do the deal	4.49	11
Rights	Management has a responsibility to shareholders and the public-the deal may be criminal and it is dishonest	.79	269
Act Util	Risk of getting caught with the resulting negative consequences are too great to complete the deal	.91	71
Act Util	Risk to firm's image, profitability, and long-run potential are too great to complete the deal	1.12	33
	Other responses		22
	Total		406

*The brackets enclose responses that did not differ significantly from each other per the Scheffe' test.

mean response for the eleven individuals who selected the first act response indicates that they are reluctant to make the deal. For the rights response the frequency percentages account for nearly two-thirds of the total respondents. These respondents would decline to do the deal because it "may be criminal and it is dishonest". The second most popular response is the act response of the "risk of getting caught with the resulting negative consequences are too great to complete the deal". Even though the frequency rate was second to that of the rights response, only 71 respondents selected this rationale. Finally, the other act response that the, "risk to [the] firm's image, profitability, and long-run potential are too great to complete the deal," was selected by only 33 respondents.

Ethical decisions can have negative repercussions, and therefore personal integrity and character can be at risk. Managers are discovering that the cost of integrity and character is cheap compared to the cost of not having them (Copeland, 2005). The rights philosophy of insuring respect for the rights of individuals is the preferred logic of the respondents, with the greatest responsibility being to protect shareholders and the public, while avoiding criminal or dishonest acts. In this case the rights of shareholders and the public are protected and given the highest priority, which is in direct contrast to the behavior of Enron management. Regardless of the motives involved, preference for the rights philosophy resulted in a more ethically appropriate decision to protect rights while avoiding illegal and dishonest behavior. Due to the high level of media exposure relating to the Enron convictions, these respondents may feel more comfortable with the rights rationale because it avoids actions that may be criminal and dishonest in favor of a more ethical approach.

Discussion of findings

The current findings are not similar to those in the 2003 study, and these significant differences may signal a greater tendency toward more ethical decision making where following certain ethical codes of practice is preferred. This is true even though the evaluative standard that is operating in the background, and against which behaviors are evaluated remain the social standards within the community. Results indicate that current decision making centers primarily on rules and rights, where managerial judgments are statements of fact that are in line with established societal guidelines. Basically, managerial decision making is primarily a deliberate and reasoned exercise that follows the law and the protection of rights to avoid sanctions. Even though it is very difficult to analyze the mindset of respondents, it is theorized that these individuals are adopting a strategic attitude toward the law in view of the changing social and political environment post Enron, rather than experiencing a resurgence of moral considerations.

Specifically, the link between ethical theory and management behavior has changed rather dramatically since the 2003 investigation. Even though some managers continue to make ethically sensitive decisions as they did before the recent Enron convictions there are definite major shifts regarding the nature of managerial reasoning. Specifically, managers appear to have a heightened sense of ethical awareness with most rationales being either rule utilitarian or rights based, rather than predominately act utilitarian and rule utilitarian based as in 2003. The majority of respondents are quite firm in their desire to avoid unethical or potentially dishonest behavior even if it negatively impacts economic circumstances.

Quite possibly, the significant level of media attention, including the recent convictions of high-level Enron officials and the premature death of Kenneth Lay demonstrated the potential costs of inappropriate behavior. Since individuals who follow a rule or a rights philosophy place greater emphasis on ethical interests relative to economic gains, it is possible that ethical actions are now catching up with ethical rhetoric. However, it may be even more likely that respondents are simply adopting a strategic attitude toward the law that provides managerial protection in view of the changing business climate.

It is unlikely that the vignettes used were responsible for the strong rule utilitarian and rights response bias since previous investigations favored both utilitarian orientations, rather than the rights orientation. Possibly the lack of an act utilitarian bias may result because the role of economics in managerial decision making appears to be less influential than it once was. Managers may be making decisions that are more ethically sound because they want to avoid the personal and professional penalties that unethical managers are now paying. Although economic factors will continue to have an impact on decision making it is possible that the level of ethical awareness in business has finally altered decision making in a more ethical direction as defined by the rule of law and societal rights, which may account for the preference toward rule and rights philosophies.

These respondents are more likely to select the more ethically appropriate action because it is right to do so, or because the consequences or risk of not doing so are too great. Past scandals appear to have had little impact on ethical decision making, but recent convictions may have impacted managerial decision making by increasing awareness that violators will be prosecuted and penalized for inappropriate behavior. Managers may now have a much greater appreciation of the repercussions of not doing the right thing, and therefore are more likely to act within the rules and guidelines of society.

The impact of demographic variables on the findings

The demographics of this sample closely parallel the 2003 sample and basically consist of a group of highly educated, experienced marketing managers. The demographic variables included in the survey are gender, race, age, income, martial status, education, religion, and political affiliation. Information was also requested on the number of years before retirement and the type and size of firm the individual was employed by.

As in the 2003 investigation, the group is overwhelmingly composed of white males, 83% of whom were married. About 69% of the respondents are middle managers and 31% occupied top management positions. There were approximately 3% more middle managers and 2% more top managers in this study than in the 2003 investigation. A slightly greater percentage of this group had baccalaureate and masters degrees, with 98% of the respondents having college degrees and 69% having masters degrees.

The respondents' age distribution was relatively uniform across categories from 30 to 59 and above. The average level of experience was 22 years, ranging from a low of 10 years to a high of 39 years. As might be expected, salaries were higher than in the 2003 investigation. About 21% of the group earned \$40,000 to 59,999 annually, 22% earned \$60,000 to 69,999 annually, 20% earned \$70,000 to 79,999 annually, and the remaining 37% earned in excess of \$80,000. About 29% of respondents were 5 years or less from possible retirement. Finally, the survey group included individuals with various religious affiliations, 79% of whom were Republicans.

Possibly such a large percentage of respondents favored the Republican perspective because the Republican Party strongly values markets and individuals who pursue business careers may be quite sympathetic to that aspect of Republican politics that places great value on free markets that are unencumbered by governmental regulations and interference. Scandals such as Enron tend to disrupt markets and result in governmental intervention and additional regulatory restrictions which are counter to this political doctrine. The apparent increase in the importance of rights may well result from a desire by these individuals to make decisions that protect individual rights, thereby forming decisions that are unlikely to be challenged by the majority. These individuals may view that decisions that do not violate the law and protect individual rights are most acceptable and even sanctioned by the majority, and therefore are in society's best interest and result in a healthier business environment over the long-term.

The analysis revealed that there was no significant variation by region, income, religion, political affiliation, education, or by the type and size of firm the individual was employed by. As might be expected, there was also no significant variations by gender, race, and marital status. It is interesting to note that once again the segment of the group who were 5 years or less from retirement are much more likely to act in accordance with a rule or rights philosophy, which appears to be the current trend for the majority of respondents. Possibly, those with extensive business careers, as well as the majority of current respondents, now realize that the long-term benefits of acting more ethically outweigh the possible short-term gains, or these individuals may simply be playing it safe not to jeopardize their personal and professional lives.

Conclusion

As previously mentioned, the field of business ethics appears to be entrenched in a cognitive approach where the ethical decision making process is a completely deliberate and reasoned exercise (Reynolds, 2006). Since reasoned analysis appears to be the accepted basis for ethical decision making a better understanding of the rationales of such reasoning can improve the overall understanding of the decision making process. The shift from act utilitarianism to rule utilitarianism, as well as a renewed focus on rights, appears to be more of a strategic shift where managers are following laws and rights more closely rather than a vigorous reevaluation of the underlying moral aspects. Respondents may simply be altering their decision making process in line with theories that provide the protective cover of laws and rights to avoid future punitive actions.

A heightened state of ethical awareness apparently now exist, with most respondents being more likely to select the more ethically based rationales of rules and rights to guide their decision making process. In addition, after the Enron convictions, managers may have a more thorough appreciation of the negative ramifications of behaving inappropriately. With this new heightened level of ethical awareness by managers comes a change from primarily act and rule based decisions to the majority favoring rule and rights based decisions. Currently, more respondents are likely to make decisions that are more ethically sound than in 2003 by adhering to rules and rights philosophies, but the underlying personal motive for this shift may be a self-serving one of self protection. Regardless of the underlying personal motives, the shift toward a more ethical decision-making process is positive.

Since many of the 2003 findings are not corroborated by this research, it may well be that ethical awareness has finally translated into more ethically appropriate decisions. Since the findings now indicate majority support for the rules and rights alternatives, practitioners may begin acting in the long-term best interest of business and society. By embracing the rights theory and stressing a rule utilitarian philosophy over an act utilitarian philosophy the shift toward more appropriate behavior may have begun. Even if this shift is more of a risk avoidance strategy than a moral metamorphosis it is a positive move in the right direction.

Possibly the impetus for this focus on a rule or rights philosophy could be the result of a realization that society will no longer tolerate inappropriate behavior, and instead will prosecute and convict violators who fail to properly link ethical philosophy and management behavior. Finally, it appears that the pressure to perform, particularly economic pressure, may no longer dominate management decision making, but rather may be more influenced by society's lack of tolerance for ethical violators.

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Management & Marketing,
McNeese State University,
Box 92135, Lake Charles, Louisiana 70609, U.S.A.
e-mail: spremeaux@suddenlink.net