# Ethical Decision Making – Literature Survey

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**Abstract**

The paper tries to accumulate the research on Ethical decision making done by various researchers and bring them together for a meaningful knowledge spread. However the paper has its own limitations when it comes to covering all the areas.

**Keyterms:** Ethical Decision making, Ethics, Organizational ethics,

## 1. Ethical Decision Making

Different researchers have studied ethical reasoning methods of students and managers.

## 1.2 Students

The studies related to moral development and decision making Das (1985 and 1992) conducted studies to examine the ethical preferences among business students using fourteen ethical principles given under:

1. **The Utilitarian Ethics:** The greatest good for the greatest number determines whether the harm in an action is out weighted by the good. If the action maximizes benefit, it is the optimum course to take among alternatives that provide less benefit.
2. **The Categorical Imperative:** Act only according to that maxim by which it should become a universal law. In other words, one should not adopt principles of action unless they can, without inconsistency, be adopted by everyone else
3. **The Conventionalist Ethics:** Individuals should act to further their self-interests so long as they do not violate the law. It is allowed, under this principle, to bluff (lie) and to take advantage of all legal opportunities and widespread practices and customs.

4. **The Professional Ethics:** You should do only that which can be explained before a committee of your peers

5. **The Disclosure Rule:** If the full glare of examination by associates, friends, family, newspapers, television, etc. were to focus on your decision, would you remain comfortable with it? If you think you would, it probably is the right decision.

6. **The Golden Rule:** Do unto others as you would have them do unto you. It includes not knowingly doing harm to others.

7. **The Hedonistic Ethics:** Virtue is embodied in what each individual finds meaningful. There are no universal or absolute moral principles. If it feels good, do it.

8. **The Intuition Ethics:** People are endowed with a kind of moral sense with which they can apprehend right and wrong. The solution to moral problems lies simply in what you feel or understand to be right in a given situation. You have a "gut feeling" and "fly by the seat of your pants."

9. **The market Ethics:** Selfish actions in the marketplace are virtuous because they contribute to efficient operation of the economy. Decision makers may indulge selfish actions and be motivated by personal gain in their business dealings. They should ask whether their actions in the market further financial self-interest. If so, the actions are ethical.

10. **The Means – Ends Ethics:** Worthwhile ends justify efficient means – for example when ends are of overriding importance or virtue, unscrupulous means may be employed to reach them.

12. **The Might-Equals-Right Ethics:** justice is defined as the interest of the stronger. What is ethical is what an individual has the strength and power to accomplish. Seize what advantage you are strong enough to take without respect to ordinary social conventions and laws.

13. **The Organization Ethics:** The wills and needs of individuals should be subordinated to the greater good of the organization (be it church, state, business, military, or university). An individual should ask whether actions are consistent with organizational goals and what is good for the organization.

14. **The Proportionality Principle:** I am responsible for whatever I "will" as a means or a end. If both the means and the end and good in and of themselves, I may ethically permit or risk the foreseen but unwilled side effects if, and only if, I have proportionate reason for doing so.

15. **The Revelation Ethics:** Through prayer or other appeal to transcendent beings and forces, answers are given to individual minds. The decision makers pray, meditate, or otherwise commune with a superior force or being. They are then apprised of which actions are just and unjust.

The findings suggested that there is no single principle that is recommended to be always used. As one gets into each principle, one encounters a number of problems with definitions, with measurements, and with generalized ability. The more one gets into each principle, the more one realizes how difficult it would be for a person to use each principle consistently as a guide to decision making.

Parks and Sharon (1993), in her study made an attempt to understand the ethical orientations and concerns of Harvard Business School students as part of an initiative to strengthen the Business Ethics curriculum, the researcher interviewed 42 students at the School during the beginning of the 1989–90 academic year and 34 of these again in April–May of the following year.

Main finding of the study was:

* While the students had a strong sense of interpersonal accountability, they reflected only a limited consciousness of systemic harm and injustice.

The author explains this as the result of insulation from diversity and failure, and therefore of not being induced to reflect critically upon important issues about themselves and society. This absence of critical reflection tends to cause individuals to subscribe to whatever conventional ethos prevails as long as they are successful within it. The students exhibited a limited understanding of economic system and the connections and relationships between different parts of socio-political-economic systems. They demonstrated a split between commerce and social responsibility in their Value Constructs. Parks identified a "yearning for balance" (between values marking career success and values signifying quality of personal life) as a dimension on which the respondents differed from the conventional ethos and hence identified this dimension as a possible starting point for an ethical dialogue.

Reall and Micheal John (1993), in their research the investigation made on the moral development of upper – division business students during the anticipation stage with their moral reasoning during the involvement stage and their moral conduct during the behavior stage. The analysis found the following.

* The research sample scored significantly lower than college students in general on the defining issues test.
* No significant differences between the moral development, moral reasoning, or moral conduct by gender.

Demographic variables did not strongly influence moral conduct during the process of the commons game, whereas moral reasoning during competition was affected by point rewards and the moral reasoning employed during previous rounds.

Wittner and Dennis Raul (1993) developed a measure of "ethical sensitivity" and empirically tested the measure in a decision making exercise. The subjects were students in public administration; business management and engineering. An education program (personalized information) was introduced and empirically tested for its effect on ethical sensitivity. Ethical sensitivity was then examined along with other individual variables (Cognitive moral development and locus of control) to determine relationships to decision outcomes.

* Results indicated that increased levels of personalized information did generally increase on individual's level of ethical sensitivity, and ethical sensitivity was found to be related to decision outcome.

Bartlett and Ghoshal (1994), in their observed research that leaders of the firm need to achieve financial targets, but also go about "identifying, communicating and shaping organizational values".

Patrick and Quinn (1994) identified six stages of ethical work culture and three houses of work environment as follows: Darwinism, Machiavellianism, Popular Conformity, and Allegiance to Authority, Democratic Participation and Organizational Integrity. All these stages are further clubbed into three houses of work environment. The attributes of Darwinism and Machiavellianism jointly constitute house of manipulation, features of popular conformity and allegiance to authority together form house of compliance and other democratic participation and organizational integrity constitute house of integrity.

The collected data has been analyzed with the help of statistical techniques like mean and standard deviation. From results it is concluded as follows.

- SBI has most supportive and positive work culture followed by H.P. cooperative Bank.

Women are not only more dedicated to work than men but also ethically sound.

Snodgrass and James Edward (1994) study attempted to determine whether there are significant differences in principle, moral reasoning ability between undergraduate business majors and non-business majors and whether there are significant differences between lower and upper division students. The sample (n = 669 students), representing of majors, was examined in four groups - Lower division business majors, Major division business majors, Lower division non-business majors, and Major division non-business majors. A short form of Rest's Defining Issues Test (DIT) assessed the principled moral reasoning ability of undergraduates, reported as "P" scores. SYSTAT analyses the data reporting descriptive statistics. ANOVA compared respondent's scores against published norms and between groups.

Sekhar (1995), in his study tried to reveal about MBA students exposed to and not exposed to classes on ethics found the following

- MBA students not exposed to classes on ethics have very high deontological scores, that is, they hold that certain things are right and certain other things are wrong by themselves, irrespective of their consequences.

The same group scored low on a teleological score, that is, a tendency to believe that an action is right or wrong as judged by low opinion of the ethicality of others.

Collins & Denis (1996 and 2000), in his survey article examined regarding student's ethical sensitivities from earlier studies revealed the following

- Conflicting students' sensitivity to ethical issues, proclivity to ethical activity, perception of the social responsibilities of organizations, and belief in the typical business school ideology.
- Some studies revealed that students were more ethically sensitive to personal rather than vicarious situations; rated practicality as more important than ethicality; were dominated by "head" (rather than "heart") traits; believed that managers are more concerned with economics than ethics and emphasize financial goals more than social and employee oriented goals.

- There are conflicting findings on whether students of business have different ethical beliefs from other students.
- Collins concludes that context matters; in particular, the magnitude of consequences and perceived social consensus that something is right or wrong.
- Of the 47 studies identified by Collins that investigated the relationship of gender and ethical sensitivity, 32 found that women are more ethically sensitive than men, and 15 found no difference between men and women.

Collins also reported that the research findings on the impact of business ethics courses and coverage of ethics issues in other courses on students' ethical sensitivities are mixed.

**TABLE 1.** Impact of business ethics courses and coverage of ethics issues in other courses on students' ethical sensitivities.

| Peer related ethics | 4 | Sense of co-operation among peers, Generosity among peers, Respect for other peers, and Competitive spirit among peers |
| Organization related ethics | 4 | Commitment to the organization, Fostering institutional image, Conflict resolution through negotiation, and Accepting organizational changes |
| Trade union and community related ethics | 5 | Meaningful participation in trade union, Binding oneself to union decision, Not being a party to multiple membership, Social involvement, and Spirit of nationalism |

The main objectives of this paper are to study the extent of agreement and adherence of employees in different employee ethics and highlight the causes for agreement or disagreement of employees to different ethics. 100 respondents were selected at random sampling for the study out of 706 employees in the Perambalur Sugar Mills Ltd, located at Perambalur District, Tamil Nadu. The findings are as given under.

- The employees have positive attitudes towards the ethics but there are mixed responses toward different employee ethics.
- About 90% of respondents are in "high agreement" with ethics and 10% of respondents are in "agreement" with ethics. No respondent comes in the category of "disagreement" or "high disagreement" to ethics.

About 24 of the 100 respondents come with very high level of adherence to ethics, 68 respondents come with high level adherence to ethics, and 8 respondents come in the low level adherence to ethics.

Marnburg and Einars' (1998), in their research consist of an empirical examination of the ethical behavior of Norwegian University graduates in private firms. The study is based on a mail survey of 1010 Norwegian University graduates (engineering graduates, graduates in business administration and economics) in Norwegian private firms. About 449 questionnaires were completed. Besides using the defining issues test in the questionnaire (Rest, 1986) for measuring moral reasoning, indexes for measuring ethical attitudes, philosophical knowledge, and decision behavior were constructed. Main findings are:

- There exist differences in attitudes between profession groups.

- There are apparently no development in attitudes and reasoning according to age or experience.

  Significant effects of differences in education, organization variables, and demographics are reported.

  Siemensma and Fran (1999) interviewed the students at the Indian Institute of Management, Calcutta and Calcutta University and found the following

- Most students saw the pursuit of corporate profit as incompatible with total honesty.
- In general, the students were of the opinion that the pressure to succeed would lower the priority accorded to personal and family values as they started their careers. None of the students were worried that compromising on values in the early years of their career would lead to the long term erosion of these values.
- Further, they saw their future success in personal terms. They did not anticipate contributing to the larger good of society through their work and the resolution of future business problems was depicted in terms of personal power relationships. Environmental concerns, although perceived as of major significance, were considered outside the realm of an individual's personal influence. Social justice concerns, when recognized, were seen as beyond their sway and field of study.

Weaver, Trevino, and Colhram (1999), in their study pointed on formal corporate ethics programs are very useful in creating a positive ethical climate in the organization.

Krishnan and Manohar Reddy (2002) conducted a questionnaire-survey based on an instrument developed by the authors consisting of some basic demographic information, 37 items on "Perceptions and Attitudes about Business, Society and Ethics" and 17 items on "Religious and Spiritual Beliefs". The items on the Perceptions and Attitudes about Business, Society, and Ethics section related to issues such as the goal of an organization, social responsibility of business, conflicts between individual values and corporate objectives, performance orientation, corruption, and individual morality.

A total of 321 Post Graduate Program (PGP – equivalent to an MBA) students were surveyed, divided across the first year (175 students) and second year (146 students). The authors also surveyed 51 students of a private management institution affiliated to Bengaluru University for the purpose of comparison. In an attempt to determine whether there are some typical ethical profiles among the sample of IIMB students, a cluster analysis was performed out of a total of 288 students who had answered all the items, generating three clusters consisting of 145, 84, and 59 students respectively. Differences between groups were established by comparing means at the 5% significance level.
The major findings are:

- Goal

  Over 92% of the respondents agree that the primary goal of an organization is earning profits and maximizing shareholder value. More than 86% of the respondents agree with the broad idea that businesses have a responsibility towards society.

- Personal vs. Business ethics :

(i)   More than 62% of the respondents disagree with the notion that personal conscience and values ought not to come in the way of business decisions, which are in the interest of the organization.  About 71% reinforce this by saying that if the employer were to force them to do something against their conscience, they would leave the organization.

(ii)  Almost 65% disagree that one can't have the same stringent standards in business dealings as in personal life and almost 55% disagree with the notion that the ethics of business and family and personal life are different.  At the same time, more than 56% believe that to achieve success in business dealings one may occasionally have to indulge in a certain degree of dishonesty and half-truths.

(iii) More than 86% of the respondents agree that there are absolute and minimum standards of ethics that everyone should maintain. But there is not the same degree of agreement on what these standards are.

- Acceptable practices

(i)   Almost 58% believe that if a person manages to do well in his/her career and life by networking and politicking even without doing his/her work properly, it is okay.

(ii)  There is a high level of agreement (about 83%) with the notion that it is acceptable to break apart a competitor's product to study its inner working. This is consistent with the view that it is not unethical to buy a product and then analyze it as long as it is publicly purchased, bought for fair value, intellectual property rights are not violated and the product is not copied exactly and passed off as one's own.

(iii) About 63% do not think it is all right to exaggerate the performance of a product in order to achieve higher sales. But the group is almost evenly divided on the appropriateness of sexually suggestive messages in advertisements to attract the attention of potential customers. Over 63% have nothing against the advertisement of cigarettes and alcohol.

(iv)  Almost 90% are of the view that good ethics is no substitute for performance and that the observance of a strong ethical code cannot be an excuse for non-performance by the organization.  Further, almost 72% of the respondents believe that organizations need not show any leniency to employees on humanitarian considerations and should deal with them based solely on their performance. At the same time, more than 73% believe that unethical practices are not justifiable in the name of performance.

(v)   More than 69% believe that while team work is important, one need not always sacrifice one's own personal interest for the sake of the team.  A little over two-thirds endorse the statement that it is a dog-eat-dog world and that each person has to take care of his/her own interests before being concerned about others' interests.

There is a higher degree of agreement on corruption in government – more than 72% believe that the government and the public sector are more corrupt than the private sector, 68% believe that if a bribe is a must to get what is legitimate, as happens in some government offices, they have no choice but to pay up.

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