The role of ethical theories in ethical reasoning and behavior within organizations - Research proposal

Sigalit Pasternak, Phd student
The Faculty of Management
Tel Aviv University
Supervisor: Dr. Ishak Saporta

Introduction

Business ethics is a specialized branch of ethics focusing on how moral standards apply to business organizations and behavior (Velasques, 1998). As such, it cannot be understood separately from the general ideas of ethics, and the general ethical theories apply to business ethics as well (Hunt & Vitell, 1986; Fritzsche & Becker, 1984; Schumann, 2001; Lahdesnati, 2005). Normative ethical theory offers different moral theories, each prescribing a set of moral rules that individuals can apply in the process of deciding whether an action is morally right or wrong in various situations (Ferrell & Gresham, 1985; Weber, 1990; Alder, Schminke, Noel, & Kuenzi, 2008). Research on the role of ethical theories in business usually focuses on the application of ethical guidelines in human resources practices (Shultz & Brender-Ilan, 2004; Schumann, 2001), corporate social responsibility policies (Frederiksen, 2010), and the assessment of managers’ ethical evaluations (Reidenbach & Robin, 1990). Most studies aim to identify basic ethical rules that individuals can follow in business or to prescribe frameworks of moral principles to apply in decision making. These moral principles are derived from various traditional ethical theories.

The role of ethical theories is less dominant in the field of ethical decision making. Only a few ethical decision-making models rely directly on ethical theories. One example is Hunt and Vitell's (1986) ethical decision making model according to which the evaluation phase of a decision-making process is carried out through a combination of utilitarian and deontological assessments. Some ethical decision-making models keep ethical theories in the background, implying that the theories are reflected in the process (e.g., Trevino, 1986). Others ignore the theories completely or rely on other theoretical foundations, such as cognitive moral development (e.g., McDevitt, Giapponi, & Tromely, 2007) or ethical values (e.g., Fritzsche & Oz, 2007). Studies that have explored the link between ethical theories and ethical decision
making usually focus on the ethical reasoning or justification that individuals use to explain their decisions and actions in morally challenging situations. These reasons are assumed to be derived from various ethical theories that differ in the basic criteria used for moral reasoning (Victor & Cullen, 1988). These studies demonstrate that individuals usually rationalize their decisions using terminology that expresses different ethical theories such as utilitarianism (Fritzsche & Becker, 1984; Premeaux & Mondy, 1993; Premeaux, 2004), egoism (Granitz & Loewy, 2007), deontology, and virtue ethics (Lahdesmati, 2005). Note that most of these studies focus on utilitarian and deontology theories, or limit their research to three ethical theories, disregarding other theories and moral rules that people may resort to in making decisions within organizations (Reidenbach & Robin, 1988; Shultz & Bender-Ilan, 2004). Indeed, studies that have included more than three ethical theories (for example, Granitz & Loewy, 2007; Shultz & Bender-Ilan, 2004) revealed more diversity in ethical reasoning than did studies that focused on fewer theories. Exploring the application of six different ethical theories and moral principles in the ethical reasoning individuals assign to their decisions in ethically challenging situation is the main objective of the proposed research. Moreover, examining the link between the specific content of different ethical issues typically encountered by individuals within organization and the specific ethical reasoning individuals assign to the resolutions of these issues is another major objective of the proposed research. The research on the content of ethical issues is almost exclusively focused on the moral strength of an issue as defined by Jones (1991). Only a few qualitative researches in business ethics focus on the unique content of business ethical decisions (for example, Payne & Joyner, 2006; Lahdesmaki, 2005) or discusses the relevance of ethical theories to decisions regarding different management practices (for example, Schumann, 2001; Shultz & Bender Ilan, 2004). Finally, most of the empirical research on the connection between ethical theories and ethical reasoning is carried out in separation from research on the ethical decision-making process. Although there is a consensus as to the role of important individual and contextual components on ethical decision making within organizations (for review, see Kish – Gephart, Harrison and Trevino, 2010 Meta analysis), relatively little is known about the effect of these components on ethical reasoning within organizations. The third objective of this research is to explore the link between different individual and environmental factors and the application of different ethical theories in ethical reasoning.
The proposed research can generate a theoretical contribution to the literature on ethical decision making within organizations in several ways. First, the research attempts to resolve the differences in past research finding in regard to the role of ethical theories in ethical reasoning by examining the connection between the specific content and context of ethical dilemmas and the ethical rule or theory applied by individuals to explain their resolution. Secondly, it can deepen our understanding about the content of ethical reasoning by exploring the role of a wide range of normative ethical theories and rules individuals can apply to reason their ethical decision. In addition, the proposed research addresses the possible connection between individual and environmental factors on one hand and ethical reasoning on the other. These factors have been found to be connected to ethical decision making but their connection with ethical reasoning has not been explored before. Finally, the proposed research can also make a methodological contribution, since it combines qualitative and quantitative methods to the study of ethical reasoning within organizations. I believe that using qualitative methods to the study of ethical reasoning is necessary in order to deeply explore and understand the theory based ethical guidelines that individuals apply when making and reasoning ethical decisions in different challenging situations. Quantitative methods will be employed in order to explore the connections between individual and environmental factors and ethical decision making and reasoning within organization.

**Ethical decision making within organizations**

Ethical decision making is described in theory and research as a process comprising several stages, each one affected by different individual, environmental, and situational variables (for review, see Bartlett, 2003; Loe, Ferrell, & Mansfield, 2000; Conrad, 1993). Rest (1986) describes the process of decision making as a four-component model in which a moral agent must first recognize the moral issue, make a moral judgment, place moral concerns ahead of other concerns, and act according to these moral concerns. Most research on the process of ethical decision making has been aimed at examining the influence of individual characteristics and environmental factors on this process. For example, Trevino (1986, 1992) proposed that ethical decision making is the result of the interaction between individual and situational components, with the individual's way of thinking about ethical dilemmas being
moderated by individually and situationally based moderators. Some authors developed models that attempt to explain and elaborate the cognitions involved in moral reasoning and evaluation (e.g., Hunt & Vitell, 1986; Leidtka, 1991; Harris & Sutton, 1995; McDevitt, Giapponi, & Tromley, 2007; Ferrell & Gresham, 1985; Ferrell, Gresham, & Fraedrich, 1989; Dubinsky & Loken, 1989). Hunt and Vitell's (1986) sense-making model outlines two general cognitive stages: a stage of perception, in which the decision maker perceives the ethical problems, the available alternatives, and the expected consequences of decisions; and a stage of deontological and utilitarian evaluations and judgment. According to this model, the first sense-making stage is affected by personal experience, organizational culture, and the wider cultural environment. The extensive research on the process of ethical decision making generally confirms the involvement of contextual and individual factors in this process (Liedtka, 1991; Hunt & Vitell, 1986, Trevino et al., 1986, 1992, 2005; Kelly & Elm, 2003). More important for the purpose of the proposed research is the finding that the ethical decision-making process begins with recognition of the moral elements of an issue (Rest, 1986; Jones, 1991; Ferrell & Gresham, 1985; Trevino, 1986). This stage is contingent upon several factors, such as the moral intensity of the issue (Jones, 1991), different individual ethical orientations (Forsyth 1980; Douglas et al., 2001; Forsyth, 1992; Vitell & Paolillo, 2004), and environmental influences (Weber & Gillespe, 1998; Kelly & Elm, 2003). Some studies treat this first stage as the perception of the ethical problem (Hunt & Vitell, 1986) or the framing of the situation (Liedetka, 1991). Each deliberative ethical decision model also contains a second, ethical evaluation or judgment stage which is affected by several factors, including the perceived importance of ethics (Singhapakdi, Vitell, Rallapall, & Kraft, 1996), the possible models or scripts for action available to choose from, and the perceived durability of different actions within the relevant context (Hunt & Vitell, 1986; McDevitt et al., 2007). Following this and in line with Rest's (1986) decision making model, I argue that ethical theories play an important part in the decision-making process from its beginning, with the recognition and framing of the ethical issue, through the evaluation and judgment stages, and until an intended decision is made and reasoned when needed. Moreover, following previous research, I hold that we can learn about the role of ethical theories in decision making through exploration of individuals' ethical reasoning.
Ethical issues and ethical decision making

Ethical or unethical behavior and judgment usually occur in situations that raise ethical considerations or issues. "An ethical issue is a problem, situation or opportunity requiring an individual or organization to choose among several actions that must be evaluated as right or wrong, ethical or unethical" (Ferrell & Fraedrich, 1991). Ethical issues are equivocal, meaning that they can be interpreted in more than one way, and are uncertain with regard to the future (Sonenshein, 2007). Ethical issues may be problematic because they are nontraditional: they have not been encountered in the past and do not easily fit into well-used categorization schemes (Clegg et al., 2006). Issues may also be problematic because of the feeling they evoke or because they contain a dilemma of some kind (Dutton & Dukerich, 1991).

Situations that are ambiguous and uncertain elicit a process of sense making and issue construction (Weick, 1995) through which people frame the situation and create rational accounts that enable them to take action (Weick & Roberts, 1993; Maitlis, 2005). An important factor that has been found to affect this process is the moral intensity of an issue or a dilemma (Jones, 1991). The moral intensity of a situation is determined by six factors: the magnitude of consequences of the act, the social consensus regarding the act, the probability of effect, the temporal immediacy of the results, the proximity to the object, and the concentration of the effect (Jones, 1991).

Research shows that the moral intensity of an issue has a fundamental impact on ethical decision making (Jones, 1991; Weber, 1996; Douglas et al., 2001; Fritzsche & Becker, 1983; Kish-Gepnent et al., 2010). Weber (1990), for example, found that different types of moral issues elicit different levels of moral reasoning. Respondents in Fritzsche and Becker's (1983) study reported that they would act more ethically in dilemmas involving serious consequences than in less risky situations. Kelly and Elm (2003) found that the moral intensity of an issue also influences the recognition of an issue as an ethical dilemma. Another factor that has been found to be involved in the recognition of the ethical content of an issue is moral philosophy. It has been suggested that to varying degrees and extents individuals appear to rely, knowingly or unknowingly, on different strains of moral philosophy for assessing the ethical content of a particular issue (Ferrell & Gresham, 1985; Hunt & Vitell, 1986; Riedenbach & Robin, 1990). The extent of this awareness is not known, but the language of some of the ethical philosophies is clearly represented in the evaluative
ethical process and in people’s ethical reasoning. Moreover, researches that explored individuals' verbal responses to different ethical dilemmas demonstrate that individuals assign different reasoning criteria to different issues (Fritzsche and Becker, 1983; Premeaux & Mony, 1993; Premeaux, 2004). Redenbacher and Robin (1988) for example, found that different scenarios content elicited different organization of response criteria from respondents and suggested that individuals organize and use the evaluative ethical criteria differently from situation to situation. Given the diversity of ethical issues within organizations, it is reasonable to speculate that certain issues are logically connected to some ethical principles and not to others. Issues that involve the distribution of benefits, for example, may elicit criteria related to justice or rights, whereas conflicts of interest situations may focus the individual’s attention to ethical criteria grounded in egoism, utilitarian considerations, or deontology. I propose that individuals exhibit significant differences in ethical reasoning across different ethical issues, because different contents evoke different evaluations and ethical reasoning criteria.

**Ethical reasoning and cognitive moral development**

**What is ethical reasoning?**

Ethical reasoning and judgment refer to the ways in which individuals determine whether a course of action or a stance about an ethical issue is morally right by evaluating various courses of action and taking into account ethical principles (Pettifor et al., 2000; Rest, 1993). Ethical reasoning is considered to be necessary for moral decision making and behavior (Rest, 1984; Pettifor et al., 2000), and it represents the process involved in the second stage of Rest's (1986) ethical decision-making model, i.e., judging what is morally right (Trevino, 1992). Research on moral or ethical reasoning has been concerned with discovering people's moral judgment strategies by presenting them with hypothetical moral dilemmas and asking them to judge what is right or wrong, and to explain their judgments. Their explanations and justifications are then used to define their reasoning about moral issues (Trevino, 1992).

**Moral reasoning and cognitive moral development**

The most influential account of individuals' moral reasoning process is Kohlberg's theory of "Cognitive Moral Development" (1969). Building on Jean Piaget's (1932)
study of moral development in children, Kohlberg explored the reasons behind an individual's moral perception and decision-making behavior and categorized the various reasons given to justify an action into six stages of moral development. The stages are grouped into three levels of moral reasoning: pre-conventional level, conventional level, and the post-conventional level. The pre-conventional level carries a concrete individual perspective (Colby & Kohlberg, 1987). At this level (stages one and two), the individual attempts to follow rules for fear of punishment or personal harm, and moral decisions are reasoned based on specific outcomes for the individual (Trevino, 1992). At the conventional level, individuals internalize the rules and expectations of significant others and are concerned with laws, social approval, and the welfare of others. This level grouping indicates concern for interpersonal conformity and maintaining relationships (Colby & Kohlberg, 1987). Most managers use this level to resolve workplace dilemmas (Weber & Gillespie, 1998; Weber & Wasieleski, 2001). Specifically, at stage three, the individuals are interested in interpersonal trust and social approval, and at stage four the individuals' perspective broadens to consider the society of which they are a part. At this stage moral reasoning places the individuals in the context of the social system (Weber & Wasieleski, 2001; Trevino, 1992). Laws are to be upheld, and the social system respected and preserved. At the post-conventional or principle level, the individual makes decisions autonomously and adopts a broader perspective on society when making a decision about right or wrong. Reasoning at this level favors universal moral principles, above the laws and values of society. Individuals who reason at stage five still emphasize laws and rules but they consider the possibility of changing these for social purposes. At stage six, the individual is guided by self-chosen ethical principles of justice and the rights of human beings (Trevino, 1992). Few managers consistently reason at stage five, and stage six is rarely used by managers to reason about their decisions (Weber, 1990). The cognitive moral development model is based on the conception that the development in moral judgment along the three levels involves a more complex scheme representing higher-level moral judgment (Kohlberg, 1981; Rest, 1999), with the cognitive complexity underlying the reasoning at each stage increasing as the reasoning reaches a higher level. Kohlberg (1981) also claimed that according to moral criteria, higher-stage judgments are objectively "better" and therefore more desirable than lower-stage judgments (Trevino, 1992).
Moving away from relying exclusively on moral reasoning

Most of the research on ethical reasoning is based on Kohlberg's cognitive moral development theory and is focused on assessing the level of moral reasoning among different populations of managers (e.g., Weber, 1990; Weber, 1996; Weber & Wasieleski, 2001) or business students (e.g., Flemimg, Chow, & Su, 2010; Jones, 2009). Additionally, a large number of researchers have devoted their efforts to the development of new instruments and the improvement of existing methods for measuring cognitive moral reasoning (for example, Rest, 1979; Gibbs & Widaman, 1982; Weber, 1990; Weber & Wasieleski, 2001; Loviscky et al., 2007). Research on cognitive moral reasoning and decision making has contributed to our knowledge about the ethical reasoning process, but some interesting findings call for further investigation of the ethical reasoning process, from different perspectives. First, there is a general consensus that moral reasoning patterns vary from issue to issue (Jones, 1991; Weber, 1990; Weber, 1996) and that moral reasoning is influenced significantly by how the decision maker frames the situation (Weber & Wasieleski, 2001). It has been proposed that the context of the dilemma is one of the factors that affect the framing of the situation and the moral reasoning process (Marshall & Pewe, 1997; Weber & Wasieleski, 2001). Second, the consistent finding that most adults reason their decisions at the conventional level reveals little about the content of the different ethical criteria people use to reason their decisions and behavior. Some studies have tried to address this issue and connect Kohlberg's three levels of moral reasoning with different ethical theories. Victor and Cullen (1988) argued that the first pre-conventional level represents egoism theory, the conventional level represents a theory of rules, and the final level represents ethical reasoning based on individual principles. Rest (1979) and Reidenbach and Robin (1990) stated that the last three stages of the cognitive moral development model are tied to different concepts of justice. Derry (1987) argued that Kohlberg's theory emphasizes rights and justice theory at the expense of other moral principles. The ethics of care has been proposed as one example for this type of neglect (Fraedrich et al., 1994). Nevertheless, there is still confusion about the nature of the moral criteria people apply when making an ethical decision. This confusion could be clarified by a thorough exploration of the ethical content of the reasons people use to justify their decisions. Several researchers have even expressed the need to expand the research on ethical reasoning and to
employ other personal and cultural factors that have been shown to strongly influence ethical reasoning (Fraedrich, Thorne, & Ferrell, 1994; Trevino, 1992).

**Ethical theories as criteria for ethical reasoning**

Another approach to the study of ethical reasoning focuses on the role of ethical philosophies in ethical reasoning. According to this approach, the ethical explanations and reasons people use in order to explain their decisions and behavior express ethical criteria grounded in some ethical theory (Victor & Cullen, 1988). The theory-based criteria contain information about the recommended action and about the reasons for that recommendation. These criteria comprise the logic for action, "the underlying assumptions, deeply held, often unexamined, which form a framework within which reasoning takes place" (Horn, 1983). Normative ethical theories differ in their logic for action and sometimes recommend different actions, but not always. Collins and Wray-Bliss (2005) demonstrated how three individuals discursively constructed and legitimized their support of sex discrimination within the same context, using three entirely different institutional logics and vocabularies, such as care, friendship, and responsibility. Lahdesmaki (2005) also found that managers use different ethical arguments to justify the same business decision. Because the same behavior can be attributed to different and even contradicting reasoning, as demonstrated by Collins and Wray-Bliss (2005) and others (for example, Victor & Cullen, 1988; Lahdesmaki, 2005), observing behavior itself is not sufficient to understand the logic underlying that behavior; it is equally important to learn about the ethical criteria people use to reason their actions and about the moral foundations of these criteria. Several qualitative studies have explored the connection between ethical theories and ethical judgment and reasoning. Their results are mixed and confusing, apparently because each study included different ethical theories as the basis of ethical reasoning.

Fritzsche and Becker (1984), who studied the link between ethical theory and managers' behavior, found that most individuals use utilitarian reasoning for their ethical behavior. Premeaux and Mondy (1993) and Premeaux (2004) found similar results in their follow-up studies. Lahdesmaki (2005) found that the ethical reasoning of entrepreneurs in the nature-based industry was not based exclusively on utilitarian ethics: virtue ethics and deontological reasoning were also in evidence. Granitz and Loewy (2007), who investigated the ethical theories students apply to justify
plagiarism, found that the dominant theory used by the students was deontology (almost 42%), the second largest category was situational, expressed in the denial of responsibility (20%), and the third was Machiavellianism or egoism (18%).

Another line of research that employs ethical theory as a basis for ethical reasoning is the exploration of the difference between formalistic and utilitarian reasoning, and their influence on ethical behavior. Utilitarian reasoning refers to the tendency to assess ethical situations based on their consequences for people. Formalistic reasoning represents the tendency to assess ethical situations based on their conformity to rules or some other formal patterns of behavior (Brady & Wheeler, 1996; Alder et al., 2008). Studies that focus on classifying individual ethical decision frameworks reveal that formalism and utilitarianism represent distinct approaches to ethical problem solving, and that different situations can elicit a different ethical decision framework, formalistic or utilitarian, to varying degrees (Alder et al., 2008).

These different and inconclusive findings, together with the various theories and constructs that have been used in the reported studies, make comparison between them difficult. Nevertheless, they provide a promising starting point for further research that should rely on past studies and overcome their shortcoming.

Most of the studies that have explored the connection between ethical theories and reasoning considered only two or three ethical theories at most as possible criteria for ethical reasoning. The field of ethics, however, contains additional moral philosophies and classification systems that have unique core elements and criteria (Reidenbach & Robin, 1988; Victor & Cullen, 1988; Shultz & Bender-Ilan, 2004). Those studies that considered more than three ethical theories (for example, Granitz & Loewy, 2007) were mainly descriptive and did not assess the relationship between reasoning, judgment, and other components of the ethical judgment process. The objective of the proposed research is to explore the possible connection between six ethical theories and ethical reasoning within organizations.

**Review of six ethical theories**

I intend to focus on six normative ethical theories, representing relatively different moral principles that individuals can apply to reason their decisions and actions within organizations: ethical egoism, utilitarianism, deontology, the ethics of care, rights theory, and the theory of justice. My original intention was to include as many ethical
theories as possible, since prior research has demonstrated that individuals use a wide range of different ethical criteria in order to reason their decisions and behaviors (Granitz & Loewy, 2007; Reidenbach & Robin, 1988; Schumann, 2001; Shultz and Brender – Ilan, 2004). Nevertheless, there are some ethical theories that I have decided to exclude from the proposed research. Generally, the reasons for the exclusions of these theories are overlap with another, more salient theory, and the absence of definite observable criteria for action. Specifically, the selection of the following six ethical theories is based on a few reasons. First, as noted earlier in this proposal, only a few researches have explored the link between ethical theories and ethical reasoning. The focus on the distinction between deontological reasoning and utilitarian reasoning and the tendency to exclude other possible ethical frames and theories has been based on the assumption, that these two theories dominate ethical reasoning within organizations. Nevertheless, it has been shown by some researches that utilitarian thinking does not dominates reasoning in some situations. Granitz and Loewly (2005) for example, demonstrated in their research on students' plagiarism that students use ethical theories like deontology, egoism, and situational ethics to justify their behavior and did not rely on utilitarian reasoning in this situation. Schumann (2001) and Shultz and Brender – Ilan (2004) discussed the relevance of different ethical theories to the practice of human relations within organizations. Reidenbach & Robin (1990) also concluded that individuals do not use either a purely deontological or utilitarian reasoning and that individual organize and use evaluative criteria differently from situation to situation. There are three ethical theories that have been addressed in prior research but I have decided to exclude from the proposed research. First, cultural relativism (employed by Granitz and Loewly, 2007 and Reidenbach & Robin, 1990) according to which ethical standards are different across cultures and an act that is ethical in one culture may be considered unethical in another culture (Robertson & Fedill, 1999; Vitell et al 1993, Granitz and Loewly, 2007). Since my research will be held at the same culture, it is reasonable to assume that major cultural differences will not be found. Situational or contingent ethics was also employed by students in Granitz and Loewly (2007) research and represent reasoning which is based on circumstances beyond one's control and the specific surrounding of the ethical dilemma. I excluded this theory since exploring the influence of ethical context is one of the research purposes. In addition, the vignettes method directs the respondent to take the role of the decision maker (i.e. take control)
and make a reasoned decision and not to justify an action previously performed by the respondent. I excluded Virtue ethics from the list of possible ethical theories although used in Lahdesmaki's (2005) qualitative research and in other theoretic works (for example, Schuman, 2001; Jones et al, 2007) because virtue ethics is a general theory that does not specify direct ethical criteria for actions and because it overlaps with the ethics of care (Budd, 2004), which, in my view, is more appropriate to the study of business decision. In addition, recent theoretic advancements in the field of human resources management (Schumann, 2001) and organizational behavior (Jones et al, 2007) stress the importance of moral criteria that are based on the ethics of care. Generally, I propose that Individuals use at least one of the following six ethical theories to reason their ethical decisions within organizations: ethical egoism, utilitarianism, deontology, ethics of care, rights theory, and the theory of justice.

**Ethical Egoism**

Teleological or consequentiality theories measure morality based on the consequences of actions. Ethical egoism focuses exclusively on maximizing the good for the moral agent (Reidenbach & Robin, 1990). There are a few variations of the theory, but two forms of egoism are the most dominant: psychological egoism and ethical egoism. Psychological egoism is a descriptive theory of human behavior that holds that people are naturally programmed to behave only in their own self-interest. Ethical egoism is the normative theory whereby people ought to act exclusively in their self-interest (Reidenbach & Robin, 1990; Jones et al., 2007). Thus, the moral principle of ethical egoism suggests that an act is ethical when it promotes the individual's long-term interest (Shultz & Brender-Ilan, 2004; Jones et al., 2007). Note that it is possible for people to help others, follow the rules of society, and even grant gifts if they believe that those actions are in their own best interest.

**Utilitarianism**

Utilitarianism represents the dominant and most influential normative teleological or consequential ethical philosophy, and its different forms incorporate various concepts of utility. Jeremy Bentham (1789) and John Stuart Mill (1863) embraced a "hedonistic" conception of "pleasure" or "happiness." Pluralistic utilitarians have developed an approach that added a list of other intrinsically good things to pleasure, such as knowledge, freedom, friendship, etc. Preference utilitarianism proposes a
firmer basis for theories of utility, based on peoples’ desires, choices, and behavior rather than on pleasure (Snoeyenbos & Humber, 2002). Utilitarianism focuses on ends and not on the means required to achieving those ends, and it takes into account all present and future benefits and harms that accrue or might accrue to anyone who is affected by the action, including items that may be difficult to evaluate accurately (Schumann, 2001).

According to the utilitarian moral principle, an act is morally acceptable if it produces the greatest net benefit to society as a whole, where the net social benefit equals social benefits minus social costs (Bentham, 1789; Mill, 1957; Brandt, 1979; Rachels, 1999; Velasquez, 1998; Schumann, 2001; Cavanagh, 1981). Utilitarianism regards the welfare of any single individual as no more or less important than the welfare of any other individual, but it does not assume that all individuals should be treated in the same way. For example, it would endorse unequal treatment that maximizes the general welfare (Airaksinen, 1987; Lyons, 1994). Research generally distinguishes between two forms of utilitarianism: act utilitarianism, which includes maximizing benefits relative to costs for a specific decision at hand, and rule utilitarianism, which involves following rules designed to achieve the greatest net positive consequences over time (Fritzsche & Becker, 1984; Premeaux & Mondy, 1993; Premeaux, 2004). Utilitarian decision makers are required to estimate the effect of each alternative on all parties concerned, and to select the one that optimizes the satisfaction of the greatest number (Cavanagh, 1981; Velasquez, 1998).

**Deontology**

Deontology is associated mostly with Immanuel Kant who argued that the highest good was the good will, and morally right actions are those carried out with a sense of duty (Kant, 1998 (1781; 1785)). Thus, it is the intention behind an action rather than its consequences that make that action good (Bowie, 2002). Kantian moral philosophy is based on the categorical imperative: "Act only on that maxim by which you can at the same time will that it should become a universal law." Kant's second formulation of the categorical imperative dictates that human beings should be treated not simply as a means to one's own ends but also as ends in themselves (Bowie, 1999; Sullivan, 1989). It follows that people in business relationships should not be used, coerced, or deceived, and that business organizations and practices should be arranged so that they contribute to the development of human rational and moral capacities (Bowie,
The third Kantian rule requires that one should act as if he were a member of an ideal “kingdom of ends,” in which he is both king and sovereign at the same time. In the organizational arena, this means that the rules that govern an organization must be such that can be endorsed by every member in the organization. Moreover, a person who adopts a Kantian point of view sees the organization as a moral community within which each member of the organization stands in a moral relationship with all others (Bowie, 1999). A manager who accepts Kantian morality would ask whether the principle on which any given decision is based passes the test of the categorical imperative. Is the principle based on good will? Does it treat people as ends in themselves? And can it be willed universally without contradictions? Unless the principle of your action can be universalized, it is immoral to make an exception for yourself (Bowie, 2002).

The ethics of care
The ethics of care emerged out of the feminist literature. Gilligan (1982), Dillon (1992), and others have objected to the impersonal, male-dominated view of ethics that ignores the importance of the special relationship between individuals. The ethics of care is related to virtue theory, but emphasizes virtues that are important to personal relations, such as compassion, sympathy, empathy, and loyalty (Budd, 2004). The ethics of care argues that a person's moral obligation is not to follow impartial principles but rather to care for the good of the particular individuals with whom the person has concrete special relationships. Each of us must attend to our own needs as well as to those of the people in our web of relationships, which includes the people with whom we have close relationships as well as those in the larger communities in which we live (Schumann, 2001). According to the perspective of the ethics of care, an ethical dilemma is not an abstract problem with only one ethically correct solution that can be agreed on by impartial observers and by applying universally accepted principles. Rather, solutions should emerge from relationships of mutual care and from the context in which the problems are embedded (Jones et al., 2007). When applying the ethics of care to business, some situations may be more challenging than others. There may be situations, in which our desire to express care for individuals with whom we have a special relationship conflicts with the care we wish to express for others. For example, a manager making a hiring decision may wish to favor a friend over strangers for the job, but this desire conflicts with the desire to hire the
best qualified candidate, which follows from his care for his relationships with other employees, customers, and stockholders of the organization. Managers can resolve the conflict by disqualifying themselves from making a hiring decision that involves a friend (Velasquez, 1998). The ethics of care has received little attention as a normative ethical theory in business ethics research (for examples, see Schumann, 2001; Jones et al., 2007), but there is growing interest in it in business because of the increased interest in the relational aspect of business life.

**Rights theory**

According to the theory of moral rights, human beings have certain fundamental rights that should be respected in all decisions: the right to free consent, privacy, freedom of conscience, free speech, and due process (Cavanagh et al., 1981). A right is a capacity, a possession, or condition of existence that entitles either an individual or a group to enjoy some object or state of being. For example, the right to free speech is a condition of existence that entitles one to express one's thoughts as one chooses (Duska, 2002). Rights theories distinguish between negative and positive rights. In the case of negative rights, the duty is to allow the party to act freely within the domain covered by the right. In the case of positive rights, the obligation is to provide the party with a benefit of some type. The moral force of a right depends on its strength in relation to other moral considerations applicable to the context in question (Jones et al., 2007). According to rights theory, as long as the distribution of wealth in society is achieved through fair acquisition and exchange, the distribution is a just one regardless of any degree of inequalities that may ensue (Budd, 2004). The morally correct action is the one that a person has the moral right to do, that does not infringe on the moral rights of others, and that furthers the moral rights of others (Rachels, 1999; Velasques, 1998; Cavanagh et al., 1981; Schumann, 2001).

People who rely on rights theory to reason their actions emphasize the entitlement of individuals (Cavanagh et al., 1981). Restrictions on behavior should prevent harm to others, but unless your actions harm others, you should be free to do as you please. A manager making a decision based on this theory should avoid violating the rights of others who may be affected by the decision (Cavanagh et al., 1981).
Theory of justice
According to Rawls (1971), under a veil of ignorance, rational, self-interested, and equal individuals will agree that each person is to have an equal right to the most extensive total system of equal basic liberties. Moreover, social and economic inequalities are to be arranged so that they are both to the greatest benefit of the least advantaged, and attached to offices and positions open to all under conditions of fair equality of opportunity (Budd, 2004). In Rawls's opinion, the first virtue of social institutions is justice for the individual and not aggregate welfare. He is concerned more with how the pie is divided than with how large it is. Inequalities are just only if they result in benefits for everyone, with particular emphasis on the least advantaged (Jones, 2007).

The theory of justice requires decision makers to be guided by equity, fairness, and impartiality (Cavanagh et al., 1981). It relies on three types of moral prescriptions: (a) that individuals who are similar in a relevant respect should be treated similarly and individuals who are different in a relevant respect should be treated differently in proportion to the difference between them; (b) that rules should be administrated fairly and clearly; and (c) that individuals should not be held responsible for matters over which they have no control, and should be compensated for the cost of their injuries by those responsible for these injuries (Cavanaugh et al., 1981). Decision making and reasoning based on the theory of justice focus on the distributional effect of actions (Cavanagh et al., 1981).

The link between ethical theories and ethical issues
It has been proposed that ethical judgment occurs in situations that involve a dilemma between at least two conflicting systems of believes and the individual has to make a decision to follow one of these believes (Ferrell & Fraedrich, 1991; Dutton & Duterich, 1991). Each system of believes can serve as criteria for ethical judgment and ethical reasoning. In other words, each decision the individual make regarding an ethical issue could be based on and reasoned by some kind of logic based on an ethical theory or a moral principle. Some decisions could be reasoned by more than one theory or principle and even by a combination of a few theories and principles (Alder et al, 2008; Wray-Bliss, 2005; Redenbacher and Robin, 1988).
Research findings from studies that have used the vignette method demonstrate that different ethical content invoke different ethical reasoning. For example, dilemmas
that involve the issue of "coercion and control" invoke rule and act utilitarian ethical reasoning (Fritzsche & Becker, 1984; Premeaux, 2004). Act utilitarian reasoning is based on the total consequences and rule utilitarian reasoning is based on an evaluation of the rule under which the act falls (Barry, 1979). Dilemmas that involve "conflict of interests" elicit reasoning based on the theory of rights in addition to act and rule utilitarian theories (Fritzsche & Becker, 1984; Premeaux, 2004). It is worth mentioning that there are only a few examples of researches that have addressed the possible link between the specific content of an ethical dilemma and the ethical reasoning employed by individuals facing this dilemma. Most researches focus on the moral intensity of an ethical dilemma as the determinant of ethical intentions and behavior. Following the two propositions that I outlined previously and the review of the six ethical theories that will be addressed in this study, I suggest that the specific content of an ethical issue elicit ethical criteria and reasoning that are based on at least one of the six ethical theories: ethical egoism, deontology, utilitarianism, the ethics of care, rights theories or the theory of justice.

One of the issues that have been studied in previous researches is the issue of "deception" (For example, Fritzsche & Becker, 1984; Premeaux, 2004; Weber, 1990; Redenbacher and Robin, 1990). An ethical dilemma that involves the issue of deception confronts the individual with the need to decide whether to deceive or not given certain circumstances. This dilemma is challenging because deceiving could lead to certain personal or organizational gains and it could even prevent harm sometimes. On the other hand, deceiving could lead to undesired consequences as well. Deception can directly harm the deceived party, it could have future harmful consequences to a group of people and it could even damage the agent and his or her organization if the deception is discovered. In addition, the dilemma of deception confronts the individual with the issue of personal integrity. Existing findings on the ethical reasoning individuals employ in order to reason a decision to deceive or not to deceive are mixed and confusing. Granitz & Loewy (2007) found that students mostly used deontological principles to reason plagiarism. Within the business domain, Fritzsche & Becker (1984) and Premeaux (2004) found that individuals utilize ethical reasoning which is based on rights theory, act and rule utilitarian in a dilemma that involve the issue of hiding important information. Redenbacher and Robin (1990) found that ethical decisions in situations that involve a deception of some kind are evaluated essentially in terms of their inherent fairness, justice, goodness and
rightness. In fact, previous research shows that individuals use almost every possible ethical theory to reason their decisions in the case of a possible deception. I argue that the diversity of the ethical theories used for ethical reasoning could be attributed to the different "deception" scenarios that have been used in different studies. Specifically, different content and the unique specification of each scenario yield different reasoning. For example, some scenarios confront a manager with the dilemma of a direct deception while others only present the case of collaborating with an organizational deception. Some scenarios contain information about a possible serious consequence to the organization and its members, while others focus on the consequences to another group of people or society at large. I claim that the dominant content of the ethical issue actually affect the ethical reasoning and the decision being made in regard to that issue. For example, when the decision to deceive could have a serious immediate effect on the company and its employees, this decision could be reasoned using arguments that are based on the ethics of care. In addition, the decision to deceive could be reasoned differently from the decision not to deceive in regard to the same dilemma. Taking together my argument and previous studies' findings I outline seven different hypotheses about the connection between the theories based ethical reasoning individuals apply and the specific ethical content of a dilemma that involves a deception.

Generally, deception raises the ethical issue of moral duty and personal integrity. Redenbacher and Robin (1990) and Granitz & Loewy (2007) found that individuals rely on ethical reasoning which is based on deontology principles when they decide to avoid deception or cheating. I hold that when the situation contains no other serious salient reasons to avoid deception and when the deception is not severe a decision not to deceive will be reasoned based on deontology principles. Following that, I hypothesize that:

\textit{a1. In the case of deception, if the situation raises no serious concerns in regard to the welfare of employees, future harmful consequences to the agent, to the organization or to others, individuals will employ deontology principles in order to reason their decision not to deceive.}
A decision not to deceive can also rely on reasoning which is based on rights theory or the theory of justice. Fritzsche & Becker (1984) and Premeaux (2004) showed that respondents used the theory of rights to explain their reluctance to deceive. Redenbacher and Robin (1990) highlight the role of fairness and justice in decisions that involve deception against customers. I claim that individuals use these two theories to reason their decision not to deceive depending on the specific content of the issue. For example, if a situation specifically violates a contract or other people rights, than individuals will use arguments from the theory of right to explain their decision not to deceive. Similarly, if the deception is against a weak party or has a potential to create a salient unjust distribution of goods, than individuals will explain their decision not to deceive based on principles of justice. Therefore, I hypothesize that:

**a2. In the case of deception, if the deception upholds potential to violate a contract or other people rights, individuals will use rights theory to reason their decision not to deceive.**

**a3. In the case of deception, if the deception is to be held against a weak party or will create an unjust distribution of goods, individuals will use the theory of justice to reason their decision not to deceive.**

Sometimes the dilemma of deception arises when the organization is experiencing hard times and facing the threat of failure and possible layoffs. These situations could have a strong effect on the relationship with employees. Lahdesmati (2005) found that mangers present their duty to take care of their employees as one of their ethical duties. Shultz and Brender – Ilan (2004) and Schumann (2001) also stress the importance of fostering special relationships with employees when managing human resource issues within organizations. I claim that Individuals may use reasoning which is based on the ethics of care in the case of a possible deception, if the deception could have a positive effect on the relationship with employees or could prevent harmful consequences and hypothesize that:
a4. In the case of deception, if the deception can settle serious concerns in regard to the welfare of employees, individuals will use the ethics of care to reason their decision to deceive.

Utilitarian ethical reasoning emphasizes the consequences of a decision. When a deception has the potential to harm the company's image or its reputation (if the deception is discovered or if the decision could seriously harm people who are affected by it) so that the total negative results of the deception outweigh its positive results (if any), than a decision not to deceive will rely on utilitarian ethical reasoning. On the other hand, utilitarian reasoning could be employed to reason a decision to deceive if the positive results of the deception significantly outweigh its negative consequences. In regard to dilemmas that emphasize the consequences of the deception I hypothesize that:

a5. In the case of deception, if the chances are high that the deception will damage the organization's future successes, individuals will use utilitarian theory to reason their decision not to deceive.

a6. In the case of deception, if the chances are high that the deception will have a significant net positive effect, individuals will use utilitarian theory to reason their decision to deceive.

Finally, some ethical dilemmas dealing with deception present a conflict between obedience to a superior against a concern for personal integrity. Ward's dilemma used by Fritzsch & Becker (1984) and Premeaux (2004) and Evelyn's and Roger's dilemmas used in Weber's (1990) research all present a scenario of this kind. The Ward's vignette asks the individual to decide whether to be loyal to his company or to reveal the truth. In Evelyn's case the individual faces a conflict between a desire to show obedience to a superior and honesty as guiders for one's action. In Roger's case, a duty to his profession is being challenged by the need to obey his corporate superior and the threat of professional punishment if he does not. In cases like these three scenarios, being honest could jeopardize ones career and it is reasonable to expect that ethical egoism reasoning will be employed if the individual decides to follow his / her superior's instructions. Therefore I hypothesize that:
a7. In the case of deception, if the deception raises the issue of obeying the boss or being loyal to the organization, individuals will use egoism theory to reason their decision to participate in a deception.

**Personal ethical orientation and ethical reasoning**

Differences in behavior among individuals who are confronted with ethical dilemmas can be attributed to differences in the way people perceive ethical issues (Dillard & Ferris, 1989; Marshall & Dewe, 1997), their interpretations of ethical issues (Ross, 1987; Ross & Nisbett, 1991; Singer, 1996; Sonenshein, 2007), or differences in their set of perceived alternatives (Hunt & Vitell, 1986). Several constructs have been proposed and tested over the years as personal determinants of ethical decision making and behavior. The most influential are personal values (Ferrell & Gresham, 1985; Fritzsche, 2004; Fritzsche & Oz, 2007; Schwartz, 2005; Chun, 2005), cognitive moral development, which was discussed in the previous sections, and ethical orientation (Forsyth, 1980; Douglas et al., 2001; Forsyth, 1992; Vitell & Paolillo, 2004). Ethical orientation has received special attention as a component that affects ethical judgment and the perceived importance of ethics (Forsyth 1980; Douglas et al., 2001; Forsyth, 1992; Vitell & Paolillo, 2004). Individuals’ ethical orientation is described by their position on two basic factors: the extent to which they reject universal moral rules in favor of a more "relativist" approach to moral decisions (relativists believe that there are many ways to look at moral issues and are skeptical of specific ethical principles), and the extent to which individuals assume that good consequences always can be obtained (an "idealistic" approach that ignores the fact that consequences are often a mix of good and bad). In general, the stance individuals take with regard to these two factors affects the ethical judgments they reach.

Forsyth's taxonomy has proven useful in explaining differences in moral judgment and sensitivity to ethical issues (Douglas et al., 2001; Forsyth, 1992; Vitell & Paolillo, 2004). Douglas et al. (2001) found that ethical orientation is related to ethical judgment in high moral intensity situations. Vitell and Paolillo (2004) found that idealistic individuals are more likely to believe in the importance of ethics for the success of their firm, and that people who score high on relativism are less likely to hold such a belief. Ethical orientation can also affect the perception of the ethical
content of an issue and the various theoretical criteria an individual can use to resolve an ethical dilemma. By its effect on the perceived importance of ethics, ethical orientation can affect the logical criteria for one's behavior in conflicting situations. Specifically, it can lead to the preference of one ethical theory over others. Differences that were found in ethical judgment may be attributable to the use of different ethical criteria grounded in different ethical theories. It is possible, for example, that idealistic people prefer definite ethical criteria that are based on Kant's categorical imperative, the justice theory or rights theory or even ethical egoism. In contrast, relativists are unlikely to prefer deontology rules and other absolute ethical theories and they prefer ethical criteria that take into account broader definitions and circumstances like utilitarian or the ethics of care. Although ethical orientation has been found to affect the perception of ethical content and the ethical decision process, its relationship with ethical reasoning has not been studied. Following past research on ethical orientation, I argue that significant differences in individuals' ethical reasoning are found when considering the individual's ethical orientation. Following my proposition and the arguments presented previously, I specifically hypothesize that:

**b1. Highly idealistic individuals will reason their decisions based on deontology reasoning, the theory of justice, ethical egoism and rights theory.**

**b2. Highly relativist individuals will reason their decisions based on utilitarian reasoning and the ethics of care.**

**The effects of context on ethical reasoning**

**Organizational ethical environment**

Context as a factor affecting people’s judgment and actions is well documented. March and Simon (1958) stressed the impact of information from the environment on the judgment and actions of people in organizations. Berger and Luckmann (1967) emphasized the centrality of "common sense knowledge" to interaction and managing doubtful situations. In the business ethics arena, much of the research on organizational ethical culture and ethical climate demonstrates the significant influence of context on the perception and framing of ethical issues (Weber &
Gillespe, 1998; Kelly & Elm, 2003) as well as on decision making (Douglas, Davidson, & Schwartz, 2001; Adams, Tashchian, & Shore, 2001; Vitell & Paolillo, 2004; Kelley & Elm, 2003). The ethical context is represented in the literature by two dominant constructs: ethical culture and ethical climate. Organizational "ethical culture" represents a multidimensional interplay among various "formal" and "informal" systems of behavior control capable of promoting either ethical or unethical behavior (Trevino, Butterfield, Donald, & McCobe, 1998). The formal systems include such factors as policies, leadership, authority structure, reward systems, and training programs. Informal systems include peer behavior and ethical norms. The ethical decision-making literature considers ethical culture to be a significant component in the decision-making process (Trevino, 1986; Hunt & Vitell, 1986). Specifically, ethical culture provides directions for day-to-day behavior (Cohen, 1993) and helps establish what is considered to be legitimate or unacceptable in an organization (Trevino & Ball, 1992). The code of ethics is an important cultural sense-making and learning mechanism in an organization. The code of ethics legitimizes the appropriate behavior, teaches those who are not certain what behavior is appropriate in the organization, and warns those who do not operate according to the code about sanctions for unethical behavior (Trevino & Nelson, 2005; Valentain & Fleishman, 2008; Schwartz, 2004). Codes influence ethical decision making and contribute to the general level of awareness of ethical issues (Loe et al., 2000; Adams et al., 2001). Codes of ethics also have a symbolic meaning because they encourage individuals within organizations to follow a particular ethical course of action in conflicting situations (Adams et al., 2001). The code of ethics can also supply linguistic means for reasoning ethical decisions.

**Organizational ethical climate and ethical reasoning**

Organizational "ethical climate" (Victor & Cullen, 1987, 1988, 1993) represents the shared perceptions of what behavior is ethically correct and of how ethical issues should be handled. The organizational ethical climate is defined by two elements that determine the quality of ethical reasoning within the organization: ethical theory, based on Kohlberg's (1969) three levels of moral judgment (egoistic, deontological, and utilitarian), and the locus of analysis, which can be cosmopolitan, local, or individual. The ethical climate expresses a particular normative ethical expectation (Victor & Cullen, 1993) that reflects the criteria individuals use in ethical decision making. Victor and Cullen (1988) found that most organizations have a dominant type
of ethical climate, and that different ethical climates exist at various organizations and even within the same organization. Their empirical investigation confirms five of nine possible ethical climates. They named these caring (a combination of the three levels of benevolence and the cosmopolitan level of egoism), law and code (principle – cosmopolitan), rules (principle – local), instrumental (the individual and local levels of egoism), and independence (principle – individual). Some of the ethical climates they confirmed reflect criteria that are similar to those of some ethical philosophies. The caring climate criteria resembles the criteria of the ethics of care, the law and code climate overlaps with deontology theory, and the instrumental climate reflects ethical egoism. Victor and Cullen (1987, 1988) suggested that the type of ethical climate existing in an organization or a group influences what ethical conflicts are considered, the process by which these conflicts are resolved, and the characteristics of their resolution. Research on the connection between ethical climate dimensions and ethical or unethical behavior has yielded only modest results (Wimbush & Shepard, 1994; Wimbush et al., 1997; Fritzsche, 2000). Kish-Gephart et al. (2010) found in their Meta analysis a positive (weak) connection between egoistic climates and unethical behavior and a negative connection between benevolence and principle climates and unethical behavior. The three types of organizational ethical climate provide behavioral guidance for individuals within the organization. These behavioral guidelines are based on different ethical criteria (Victor and Cullen, 1988) that are reflected in the names of the three types of ethical climate. Egoistic climates encourage decision making based on self interests (Victor and Cullen, 1988). Ethical reasoning within an egoistic climate emphasizes the principle of ethical egoism and possibly utilitarian reasoning when the interests of the group represent the interest of the individual. Benevolence climates foster a larger point of view and emphasizes that what is best for employees, customers and the larger community is important in the organization (Victor and Cullen, 1988). Ethical reasoning in benevolence climates is guided by the care for others and the importance of the relationships with various stakeholders. In principled organizational climates decisions are perceived to be based on formal guidelines for behavior (Victor and Cullen, 1988) and ethical reasoning is expected to be based on a rigid compliance with the organizational rules and the law. Rights theories, the theory of justice and deontology principles outline rigid guidelines for behavior. I propose that significant differences in individuals' ethical
reasoning will be found when considering the organizational ethical climate. In regard to the three types of ethical climates I hypothesize that:

**c1. Egoistic climates will be related to ethical reasoning based on ethical egoism and utilitarian theory.**

**c2. Benevolence climates will be related to the ethical reasoning based on the ethics of care and justice theory.**

**c3. Principled climates will be related to ethical reasoning based on deontology principles, the theory of justice and rights theory.**

**Industry context and ethical reasoning**

It has been suggested that cultural environment and industry environment also affect the process of decision making (Hunt & Vitell, 1986; Weber & Wasieleski, 2001; McDevitt et al., 2007) through their influence on the perception of the ethical problem, the perception of alternatives to solve the problem, and the possible consequences of each alternative (Hunt & Vitell, 1986). Specifically, it has been suggested that certain industries may attract certain people, or that the values, practices, and socialization within the culture of an industry can influence individuals' reasoning as they consider and filter information when making a decision (Robertson & Fadil, 1999). Moral reasoning research has generally not explored the interaction between managerial moral reasoning and the influence that industry membership may have on the moral reasoning process. In a pioneering effort, Weber and Wasieleski (2001) found some significant differences in managers' moral reasoning related to industry membership. They found that managers belonging to the service industry group reached a significantly higher stage of the cognitive moral reasoning model than those in the manufacturing industry group. These finding are based on an assessment of managers' level of cognitive moral reasoning, which is different from assessing their ethical reasoning based on ethical theories. I argue that the industry context is related to ethical reasoning. Since no prior research on the connection between ethical reasoning and industry context exists, I can not generate specific hypotheses in regard to the connection between different industries and the six ethical theories applied for ethical reasoning. Instead I hypothesize that:
d. Significant differences in individuals’ ethical reasoning will be found when considering the industry context.

Summary of the research design
The proposed research will be conduct in two phases: an initial pilot among management students from Tel Aviv University and a study within 3-4 organizations from different industries. Data for the analysis will be collected using questionnaires and interviews. Ethical reasoning and judgments will be assessed using the vignettes method. The influences of personal ethical orientation and ethical environment on ethical reasoning will also be assessed along with the influence of a few other individual and contextual factors using specific scales and questions. In order to fully understand the ethical environment and the ethical climate within the studied organizations and to check the relevance of the vignettes used in the study to the actual ethical dilemmas managers encounter at work, a few interviews will be conducted with managers and top managers within the studied organizations.

References


