
The Influence of Ethical Values on the Process of Management Decision-Making

Georgia Matzouni*

*West London University**

Abstract: The ethical standards of business decisions are dependent on diverse variables. This research identifies which of these variables affect managers' ethical decision-making and to what extent. This research addresses the question: What are the effects of ethical values on the process of management decision-making? Data was gathered by means of one-to-one in-depth interviews conducted with three managers from large and medium sized organisations in England. The findings showed two main categories of variable, individual and organisational, with the two most prominent variables being individual ethical philosophy and organisational culture. A conceptual framework was developed from the pattern that emerged from the findings, constituting a compass for corporate procedures for selecting managers and constructing organisations' ethical standards. The conceptual framework, which emphasises the primacy of individual ethical philosophy and organisational culture, generates further insights into the ethical decision-making process and throws light on the importance of personal ethics at all levels: managerial, team and organisational.

Keywords: *Ethical Values, Management Decision making, England*

Introduction

Managers, as the main agents in business organisations, are considered core transmitters of business ethics since they are the ones who formulate the decisions about operations (Jones and George, 2011; Kujala *et al.*, 2011). Their decisions reflect their individual ethics applied in the context of their working environment and they must also reflect the standards of all stakeholders involved, internally and externally, from their team members to the organisation as a whole, as well as society in general (Lawrence and Weber, 2011; Trevino, 1986; Weiss, 2003).

Managers have their ethical value systems as individuals but, as far as business decision-making is concerned, they are affected by corporate policies, codes of ethics and other moral regimes as well as organisational culture (Bartlett, 2003; Jones, 1991; Kelley and Elm, 2003; Pimentel *et al.*, 2010). Trevino *et al.* (2006) identified ethical decision-making as "behavioral ethics...being primarily concerned with explaining individual behavior that occurs in the context of larger social prescriptions" (cited by Elm and Radin, 2012, p. 314), emphasising the context and the role of the organisational environment. Therefore, individual and organisational effects are closely integrated and it is a complex task to clarify which of these ethical variables influence managers through the decision-making process, to what extent and which of them prevail (Elm and Radin, 2012; Jackson *et al.*, 2013).

Although substantial research into the influences on ethical decision-making has been conducted (Elm and Radin, 2011; Kujala *et al.*, 2011; Woiceshyn, 2011), there has been no definitive identification of the core variables involved. This study addresses the question: what are the variables which affect the ethical aspect of managers' decision making?

Ethical Decision-Making

Existing studies regarding ethical decision-making have highlighted the phenomenon from various perspectives, such as philosophical, psychological, social and organisational. This study builds on theory which has been derived from empirical data concerning what managers actually do. These theories may be divided into two categories, descriptive and cognitive, according to the type of decision-making process applied.

Descriptive theories

Rest's (1986) four-component model and Jones' (1991) issue-contingent model are the prevalent descriptive theories which have effectively decoded individual and organisational variables (Craft, 2013; Crossan *et al.*, 2013; De Cremer *et al.*, 2010; Whittier *et al.*, 2006). The four components that Rest (1986) suggested for ethical decision-making, integrate individual values with organisations' regimes (O'Fallon and Butterfield, 2005; Woiceshyn, 2011). He defined four steps in his issue-contingent process: moral awareness - recognizes the moral issue; moral judgment - able to reason morally; moral intent - prioritizes moral concerns and moral behaviour - act on the moral concerns

He attempted to explain the generation of an individual's ethical behaviour through these steps where, initially, a person should be able to identify the moral issue in order to make a judgement concerning all the other actors involved, comply with his/her judgment and act (Fang, 2006; Krishnakumar and Rymph, 2011). Each step reflects a different individual component: ethical sensitivity results in the awareness of an ethical issue; prescriptive reasoning guides the individual through the alternatives offered; ethical motivation attributes the respective moral importance to each alternative and, at the final step, a formed ethical character that conducts itself according to moral values (Gaudine and Thorne, 2001). He argued that each step is autonomous and meeting the demands of one step does not influence meeting the demands of another (cited by O' Fallon and Butterfield, 2005). The individual variables involved are: gender, individual ethical philosophy, religion and locus of control; the latter is a key actor in Trevino's model (1986) and is analysed further below. There are also other organisational criteria which may be identified and these are: codes of ethics, reward and punishment as well as ethical culture (Woiceshyn, 2011).

Rest's first step of moral awareness is one of the most widely acknowledged concepts among scholars in the field (Palazzo *et al.*, 2000) and, as suggested by Butterfield *et al.* (2000), it needs to be understood as a social sense-making process. Ethical sensitivity in identifying moral issues depends on the interplay between individual moral principles and contextual factors emerging from situational and organisational treaties (Craft, 2013; Palazzo *et al.*, 2000). In another view of moral judgment, normative theories are involved in terms of right and wrong in a non-consequentialist framework (Crane and Matten, 2010). However, it is often argued that consequentialist criteria are more widely used by managers, as the very nature of business and economy is characterised by utilitarianism concepts (Desmond and Crane, 2003; Premeaux and Mondy, 2003; Trevino and Nelson, 2011). Rest's second component of moral judgment is also related to Kohlberg's moral development model (1969). Kohlberg's model constitutes the general foundation of Rest's theory but the later significantly developed it by applying an empirical approach to moral reasoning regarding decision-making (Cottone and Claus, 2000).

Using Rest's theory as a foundation, Jones (1991) evolved his model and introduced the notion of "moral intensity" (Loe *et al.*, 2000; Whittier *et al.* 2006). This concept addresses the individual's level of perception regarding ethical components involved in a decision or the conditions that arise through it (Schermerhorn, 2011). This phenomenon was described by Jones (1991) as "the extent of issue-related moral imperative in a situation", emphasising the situational factor as an independent variable in ethical decisions (cited by Loe, Ferrell and Mansfield, 2000, p. 186). Jones (1991) identified six characteristics of moral intensity: (1) magnitude of consequences - total effects on others; (2) social consensus - up to which extent an act is socially acceptable; (3) probability of effect - possible effects by an act actually taking place; temporal immediacy - time between action taken and onset of its consequences; (4) proximity - closeness to the people affected and (6) concentration of effect - inverse function of people affected by given magnitude.

Although this model is more issue-focused, individual and organisational actors are explicitly involved as they permeate all components of the moral intensity concept (Fang, 2006; Pimentel *et al.*, 2010; Whittier *et al.*, 2006). Jones (1991) agreed that ethical decisions do not only concern the decision maker as an individual but also the organisation that, as an environment of social learning, conducts an important role in the decision-making process (Loe *et al.*, 2000). Regarding individual variables, Jones refers to Trevino's (1986) locus of control connecting it with capacity for moral judgment; this will be analyzed in Trevino's model following (Knouse and Giacalone, 1992). Additionally, Rest's (1986) personal ethical philosophy is connected with moral intensity as it facilitates the individual to clarify the issue and reduce ambiguity, enhancing certainty about the decision made (Butterfield, Trevino and Weaver, 2000). Jones (1991) showed that organisational factors affect the establishment of moral intent (cited by Whittier *et al.*, 2006). He suggested that conformity, obedience and group bias are the main factors influencing decision-making in context (cited by Fang, 2006), illustrating through these variables the role of the corporate environment.

By developing his theory partly from normative theories, Jones (1991) addresses the consequentialist principles of utilitarianism which find that magnitude of consequences, probability of effect, proximity, and concentration of effect and cost-benefit analysis permeates all these stages in making an ethical decision (Beu *et al.*, 2003; Palazzo *et al.*, 2000). Additionally, Kantian principles of duties as well as notions of right and wrong in terms of rights and justice are substantial attributes in moral intensity (Kelley and Elm, 2003; Palazzo *et al.*, 2000). Jones's (1991) moral intensity encompasses Rest's (1986) awareness of moral issues and it is also reflected in the latter's component of moral judgment (Butterfield *et al.*, 2000). The core perception in this theory is that ethical decisions are made in a social context; hence individuals with a higher level of moral reasoning demonstrate increased moral intensity (Holian, 2002).

Cognitive theories

Of the cognitive theories that have an empirical basis (Weber and Wasieleski, 2001), Kohlberg's moral development theory (1969) and Trevino's interactionist model (1986) are the two most prominent. As the founder of cognitive moral development, Kohlberg developed his theory by combining individual and organisational ethical criteria (Jackson *et al.*, 2013; Woiceshyn, 2011). The model comprises six stages that involve internal and external factors which affect a person's decision-making (Ferrell *et al.*, 2002), see Figure 1.

Figure 1: Kohlberg's cognitive moral development model (Weiss, 2003)

KOHLEBERG'S MORAL DEVELOPMENT MODEL	
Pre-conventional level (Self-Orientation)	1st stage: punishment avoidance. 2nd stage: reward seeking.
Conventional level (Others Orientation)	3rd stage: good person who acts in order to be accepted by its closes ones. 4th stage: complying with law and order.
Post-conventional level (Universal Orientation)	5th stage: social contract; individual acts according to social consensus. 6th stage: universal ethical principles; individual reasons and uses justice, rights, duties and other humankind principles.

The lowest level is the pre-conventional where an egoistic perception prevails: at the first stage, individuals make moral decisions based on the criterion of being ethically correct so as not to be punished; at the second stage the decision-maker additionally reckons the factor of a possible reward in the moral reasoning process (Elm and Nichols, 1993; Weiss, 2003). The conventional level follows, where a person makes decisions in order to conform to the acceptability of the surrounding people; at the second stage individuals also consider compliance with legislation and rules (De George, 1990; Elm and Nichols, 1993). The highest level, the post-conventional, has a universal perspective (Gaudine and Thorne, 2001): its first stage revolves around the social contract and public acceptance, whereas the second stage highlights ethical notions of justice, rights and duties and other worldwide acknowledged moral qualities (Weber and Wasieleski, 2001).

These stages represent a gradual transition from internal to external moral reference; in the lower levels external factors vary the most, whereas a personal morality is achieved progressively through the following stages (Jackson *et al.*, 2013). Thus, individuals make decisions from different levels of reasoning and thereby approach ethical issues by different avenues (Schermerhorn, 2011). As Kohlberg suggested (cited by Trevino and Nelson, 2011), higher stages are more integrated with normative principles of justice and rights, therefore, the higher the reasoning stage, the more ethical the decision. It has been generally confirmed by studies that the majority of managers usually fluctuate around the conventional level between stages three and four (Elm and Nichols, 1993; Lawrence and Weber, 2011). However, many studies show that managers in large and medium sized organisations reason at a lower moral level than ones who work in small firms (Chen *et al.*, 1997; Weiss, 2003). This difference can be explained by the isolation experienced in large corporations where hierarchy, bureaucracy and levels of structure make individuals feel less involved in decisions and, consequently, their repercussions. On the other hand, managers in small firms, due to the closer interaction with all stakeholders, usually reach stage four since they feel more involved with situations and, thereby, more responsible for the results of their decisions (Weber and Wasieleski, 2001; Weiss, 2003).

According to Kohlberg, even if managers are capable of more advanced moral reasoning, they can be limited by social and personal boundaries. Several researchers have shown that education and age, well as individual and cultural variables, are considered strongly

influential factors for Kohlberg's moral development (Elm and Nichols, 1993; Trevino 1986). Relevant skills and ethical attributes develop through educational and social experiences gained over time (Blasi, 1980; Elm and Nichols, 1993). Moreover, as managers grow older, their interest in making a contribution towards a better society as well as their personal legacy is raised whereas younger managers focus more narrowly on short-term goals (Forte, 2004; Weber and Wasieleski, 2001); therefore, age is positively connected with ethical decision-making (Jackson *et al.*, 2013; Loe *et al.*, 2000; Pimentel *et al.*, 2010). Organisational culture, which involves norms, values and practices that shape ethical behavioural patterns, also plays an important role in the potential development of moral reasoning (Elm and Nichols, 1993). Acquiring the organisational culture through its structure, codes and regimes contributes to the level of moral development of individuals in the organisational environment (James, 2000).

Kohlberg's model emerged after he conducted structured interviews in which individuals were making moral judgments, weighing issues of harm, rights, justice and fairness (Zhong, 2011; Strong and Meyer, 1992). Thus, he conceptualized the necessity of normative theories as a means of evaluating individuals' moral reasoning ability. Even though this model has been widely challenged due to the fact that the original research was conducted with a focus group of teenage boys, numerous researchers have applied his theory in a more business-oriented framework (Elm and Nichols, 1993; Trevino and Nelson, 2011; Weiss 2003), consolidating the importance of cognitive moral development in the working environment. Kohlberg's model gave the impetus for ethical decision-making to be perceived and conceptualised by various scholars as a process involving discrete cognitive activities (Forte, 2004; Zhong, 2011). One of the most acknowledged of these studies is Trevino and her interactionist model (1986).

Trevino (1986) used Kohlberg's model as a foundation for her interactionist model, although it is questionable that it was exploited to the maximum extent (Fritzsche, 1991). Moreover, Trevino's theory has been criticised for lacking empirical testing (Ford and Richardson, 1994; Jones, 1991), but this objection has not been an obstacle to its wide use for conceptualising business-related ethical decision-making. She suggested that managers tend to use a lower level of moral reasoning in business-related decisions than in their personal and social life (Jackson *et al.*, 2013). Her interactionist model supported the contention that a person faced with an ethical dilemma reacts according to his or her cognitive moral development stage. Though Trevino declared Kohlberg's model as the fountain of her research, Kohlberg described the notion of moral development as addressing mainly individual perceptions of right and wrong in personal, social and universal frameworks (Elm and Nichols, 1993; Gaudine and Thorne, 2001). On the other hand, her person-situation interactionist model, incorporates organisational actors as well by emphasizing the integration of individual and situational variables. In addition, elaborating on Kohlberg's individual variables which incorporate values from normative theories, she connects managers' behaviour in moral development with other personal characteristics as ego strength, field dependence and locus of control (Strong and Meyer, 1992).

Ego strength is related to the conviction of self-regulatory competencies (McDevitt *et al.*, 2006). Managers with high ego strength are more consistent with their personal values and consequently their judgment and actions usually coincide; on the contrary, when ego strength is low, managers are more likely to get carried away and not conduct themselves as morally as they intend to (Trevino, 1986).

An individual's need to reference others is the indicator of field dependence thus managers who have low field dependence are more autonomous in taking decisions without being affected by external factors. On the other hand, managers with high field dependence seek to

delegate responsibility concerning ethical decisions to others (McDevitt *et al.*, 2006; Trevino, 1986).

As for locus of control, the causes to which individuals attribute their personal successes and failures (Forte, 2004; Strong and Meyer, 1992), a person can be either an external, by believing that events in life cannot be controlled, or an internal, when he/she takes responsibility for what happens in his/her life (Chau and Siu, 2000; Trevino, 1986). Trevino (1986) supported the contention that internals exhibit greater consistency in their moral development since they feel that they are solely liable for the outcomes of their own decisions (cited by Fang, 2006).

Additionally, this interactionist model acknowledges the importance of situational influences on shaping decisions; therefore, this model involves criteria arising from organisational culture, work characteristics and job context (Bartlett, 2003; Holian, 2002). The organisational variables involved are: the organisation's normative structure, referent others, obedience to authority and responsibility for consequences; role-taking and resolution of moral conflict in terms of work characteristics; reinforcement contingencies and other pressures from the job context (Fritzsche, 1991; Trevino, 1986). According to Trevino, managers use a different level of moral reasoning in business-related decisions rather than in other domains in life (Jackson *et al.*, 2013). She also postulated that managers at the conventional level in Kohlberg's model (1969) are more easily influenced by situational actors rather than at the post-conventional level, where individuals have almost reached Kohlberg's ultimate moral development and decisions are made according to their internal reference (Trevino, 1986). Trevino postulated that application of normative theories is not sufficient for interpreting individuals' moral reasoning in making decisions (Palazzo *et al.*, 2012).

In conclusion, more than one type of theory can make a contribution to the interpretation of the ethical decision-making procedure. In descriptive theories, despite the variation of the cognitive steps they focus on, two phases are explicitly involved and the core of both is the recognition of ethical issues and the moral judgments that are related (Butterfield *et al.*, 2000; Zhong, 2011). The ethical rationale suggested by cognitive theories enables a better understanding of differences in the modes of thinking of individuals by identifying possible influences on the decision-making process (Weber and Wasieleski, 2001). These influences can derive from demographic, psychological and personal emotional characteristics as well as situational and organisational actors (Morales-Sánchez and Cabello-Medina, 2013). As Crane and Matten (2010) suggested, since the decision-making process may be a matter of a few seconds, it is not so important at which stage each influence occurs, but it is important to enquire if it occurs at all and what can be done about it. Finally, these descriptive and cognitive theories, that integrate and form the complete procedure of decision-making, are permeated by concepts of basic normative theories such as utilitarianism, rights and justice which significantly affect the process (Whittier *et al.*, 2006).

Research Design

This paper focuses on how participants experience their working environment and stresses the importance of context and individual insights and therefore is located in the interpretivist paradigm (O'Dwyer and Bernauer, 2014). Primary data were generated through one-to-one in-depth interviews in order to identify the presence and the volume of each variable in the ethical decision-making process. The type of interview used is semi-structured as it involves a list of questions that aim to reveal the magnitude of personal and organisational values involved in managers' reasoning when making decisions; the interviewees have relative freedom to formulate their responses in their own way (Blumberg *et al.*, 2014; Merriam,

2009; Quinlan, 2011), flexibility to emphasize aspects they wish or disclose other personal insights and reflections (Barbour, 2014; Dawson, 2013) or, if needed, further in-depth analysis of their way of thinking was performed during the interview.

It has been widely accepted that most managers demonstrate approximately the same level of cognitive moral development, between stage three and four of Kohlberg's theory (Lawrence and Weber, 2011). However, managers from medium and large sized organisations tend to reason at a lower level than others (Chen *et al.*, 1997; Weiss, 2003), and, it has been argued, have responsibility for the recent collapse of the moral values of the financial system (Elm and Radin, 2012; Jackson *et al.*, 2013). Therefore, the focus of this research is directed at them. Consequently, a generic purposive sampling was applied; firstly, criteria concerning the data were set, followed by identification of appropriate cases and finally specifying the participants (Bryman, 2012; Punch, 2014).

A shortlist was drawn up of managers from different levels in medium and large sized organisations based in London and managing teams from twelve to forty five people. All three of them are males, from 29 to 39 years old; the first and third participants are educated to masters' degree level and the second participant to bachelor's degree level. Their nationalities were diverse as one is Lebanese, the second British and the third one Cypriot.

The interviews, which were recorded, took place outside company premises, in a neutral setting, in order for the participants to feel relaxed and disconnected from the environment which was the researcher's interest. Due to the sensitivity of the theme discussed, one-to-one in-depth interviews were conducted as an ideal method for investigation of deeper thoughts and beliefs without being restrained by the presence of others. These interviews were recorded in order to enhance the reliability and validity of the research.

For the interviews an interview guide was used. The first three questions are introductory, aiming to discover how managers perceive and develop their role as ethical agents within organisations. The following questions aim to reveal which of the individual and organisational factors acknowledged in the literature are the most influential for participants. The last three questions are concluding; their scope is to explore the connection between individual and organisational ethics according to the participants' perception and additionally, offer them the opportunity to mention factors that are important in their personal moral reasoning process in making decisions that have not aroused through interviewing.

In this study, a content analysis was applied which measured the frequency of the occurrence of themes (Myers, 2013; Olsen, 2012). The interpretation and classification of the results generated sub-categories by defining sets of variables from both individual and organisational aspects that critically influence ethical decision-making of managers (Pimentel *et al.*, 2010).

Analysis and Discussion

Table 2 summarises the questions and findings which were used to facilitate the coding frame.

All the respondents demonstrated an understanding of the manager's ethical role in the organisational environment, highlighting different aspects of this performance: responsibility for the team's well-being, client-oriented concerns and procedural accountability. All the participants express a common belief with regards to how usual is for managers to fail in this role nowadays, for example, they say that managers "just want to get the job done" (Respondent 3) and "are thinking about the short-term benefits too much so they are more likely to be short-sighted and put ethics aside" (Respondent 2). However, they acknowledge that managers are ethical role models for employees, illustrating different facets as balancing benefit and moral conduct, following individual ethics as well as organisational expectations,

and achieving objectives by conducting themselves properly. All the participants believe that, by fulfilling these requirements, managers share a common culture and goals, maintain respect and loyalty, and aim to be their team's inspiration. At this point, the role of mentors and superiors was highlighted by Respondent 2 stating: "If I had a different style of manager, I would definitely be a different manager myself", stressing the importance of employees' individual ethics and how this contributes to organisational culture.

Table 2: Interview findings

SUMMARY OF QUESTIONS	RESPONDENT 1 (male. 39)	RESPONDENT 2 (male. 29)	RESPONDENT 3 (male. 33)
1. Role in the organisation in terms of Business Ethics.	Responsible for the team.	Involved in every decision.	Follow processes.
2. Success and failure as an ethical agent.	Set standards, keep right balance. Otherwise loss of	Thinking long-term and not short-term.	Often ignore ethics to get the job done.
3. Role model for team.	Yes, be team's inspiration.	Definitely.	Yes, exercise ethical control.
4. Responsibility for team's ethical performance.	Yes, hierarchy aims at control.	Yes, cannot allow wrong things to happen.	Partly.
5. Referring to external sources.	No, deciding personally.	Never use codes, only advice from others.	Yes, use codes.
6. Urge by superiors.	Challenge but often comply.	Challenge but often comply.	Challenge and seek advice. Comply if people are aware.
7. Stakeholders being treated correctly and fairly.	Yes, do not want to set a bad example.	Definitely.	Definitely.
8. Number of people affected.	Not considered.	Considered.	Not considered.
9. Proximity to stakeholders.	Preserve team's interest.	Team comes first.	Not considered.
10. Temporal immediacy of consequences.	Not considered.	Massive influence.	Not considered.
11. Review of organisation's regimes.	Sometimes.	Never.	Definitely.
12. Usefulness of organisation's regimes.	Just setting minimum standards.	No.	Definitely.
13. Comfort when complying with regimes.	Yes.	Yes.	Yes.
14. Reward or punishment probability.	Considered.	Definitely.	Not considered.
15. Decision made public scenario.	Not considered.	Definitely.	Not considered.
16. Compliance of personal ethics with organisational.	Yes.	Yes.	Yes.
17. Experience of individual or organisational	No relevant experience.	Experience of following a superior's unethical	No relevant experience.
18. Other factors or pressures.	Prioritize. Try to do anything that you will not regret.	Reward, advice and timing.	Family and friends. Power of people urging to unethical

The first main question, which aimed at identifying the perception of participants regarding their ethical role as managers within the team, revealed that all participants felt responsible for the proper conduct of the whole team. Only Respondent 3 suggested that he felt only partly responsible, as he shares authority with the line manager. The role of hierarchy has been outlined, imposing the duty of managers not to stay inactive when there is misconduct within the team. This inaction can be considered a "bad policy", as expressed by Respondent 2. It is clearly demonstrated that all participants exhibit an internal profile in terms of Trevino's (1986) locus of control. They all take responsibility not only for themselves, but for events and actions taking place within their team; moreover, they are willing to take action as needed to prevent or stop improper behaviour. As expressed by Respondent 1 "it is manager's responsibility to make sure that the team conducts itself in an ethical way".

Finally, Respondent 3 stressed the importance of making sure that your colleagues are "*similar to you in terms of ethics and objectives*", highlighting the contribution of Rest's (1986) individual ethical philosophy in the team as well as in the corporate culture.

Two out of three participants stated that they do not review organisational code of ethics or relevant regimes when they have to make an ethically relevant decision and just rely on their personal morality and judgment. As commented by Respondent 1, organisational codes "*involve a minimal requirement in terms of ethics*". Respondent 2 stated that he has never referred to codes of ethics but always asks for other people's advice. All participants stated that they refer to external social sources as family and friends; they also ask for other managers' opinions. Both interviewees who do not refer to corporate codes interpret business ethics as part of generic ethics that evolves through experience and time; therefore, the use of formal codes is considered unnecessary whereas the role of normative ethical notions' is enhanced. On the other hand, Respondent 3 stated that he uses his personal moral judgment but he also refers to organisational regimes to ensure that he holds the right position and he expressed the fear of transgressing without being aware of it. Consequently, the importance of Rest's individual ethical philosophy (1986) is highlighted as all respondents mainly involved their personal moral reasoning in the decision-making process. A high level of Trevino's (1986) ego-strength was also demonstrated by all participants who exhibit strong reliance on their self-regulating skills as well as consistency with their personal convictions. Consequently, the importance of the family as a mentor in the moral development and performance of the individual was stressed in all responses.

When asked whether they would make a decision that they personally considered unethical if a superior urged them to, all participants replied that they would definitely challenge it, but, in most cases, they would probably have to follow orders. Ways of challenging vary from stating "*I am not comfortable with this*" to seeking advice from internal and external sources; the latter suggests the actor of might refer to others as discussed by Trevino (1986). However, all respondents proceed to decisions they consider unethical if a superior expects them to. They are also more willing to proceed when other members of the team or company are aware and give approval, demonstrating a high level of Trevino's (1986) field dependence. This also is closely connected with group bias as suggest by Kohlberg (1969) and Jones (1991) since an increased concern is demonstrated regarding others' consensus. All interviewees shared a common premise that managers often have to make decisions or take actions that do not comply with their personal ethics but, businesswise, they are obliged to follow instructions and guidelines; this finding highlights the role of obedience to authority as suggested by Jones (1991). It is also connected to Kohlberg's (1969) pre-conventional level, and especially the first stage, where the individual is guided by reward and punishment. In this case all participants outlined through their answers that avoiding punishment, such as possible dismissal, was the main reason for following guidelines they considered unethical.

Respondent 1 considered as a variable the nature of the decision, involving the situational criterion as defined in Jones's (1991) issue-contingent model.

All participants agreed that other stakeholders who were involved in their decisions were tremendously concerned about treating others fairly and correctly, although they all expressed their worries about dealing with conflicts of interests and keeping a balance. Respondent 1 particularly mentioned that if a manager makes an unfair decision, automatically everyone believes that this will be repeated and might affect them in the future. Hence, it is illustrated that normative notions of duties, rights and justice are highly integrated in decisions made by managers. However, these factors derive from their personal morality rather than organisational regimes is contradiction of what has been argued by some researchers (Bartlett, 2003; Bowie, 2000; Trevino, 1986) and the role of Rest's (1986) individual ethical philosophy is highlighted once more. In terms of utilitarianism and the number of people affected, two out of the three participants agreed that the number of people affected by a decision is not a factor they consider; an unethical decision is not enhanced if less people suffer its consequences. Therefore, non-consequentialist theories of duties, rights and justice are more enhanced than in utilitarianism. Respondent 2 voiced concern about the number of people affected; he illustrated the variable concerning Jones's (1991) magnitude of consequences characterising it as "*dropping a pebble; the ripple can affect many people*".

In terms of closeness of people affected, two out of the three participants agree that it partly makes a difference in making an unethical decision if the people affected are from their own team; consequently, the role of Jones's (1991) proximity is stressed. Additionally, group bias, as determined by the same researcher, appears to have a strong influence on participants since an increased concern for the team's interests results in a good perception of the manager among members. However, Respondent 3 reported that closeness to stakeholders does not affect his decisions and he is always aiming at making the most ethical decision. Investigating the importance of Jones's temporal immediacy (1991) in decision-making, two participants responded that this is not a factor they consider when making an ethically relevant decision, in fact, they both claimed that repercussions coming later in time are worse. Possible punishment as suggested by Rest (1986) and Jones's (1991) group bias were highlighted as the main reasons for not considering temporal immediacy, since the interviewees expressed their concerns regarding repercussions that affect them personally as well as others' opinions of them. However, Respondent 2 suggested that this is a massive factor in making decisions supporting exactly the opposite view since "*even if you know it is the wrong thing to do, if the impact is going to feel a few months or week down, definitely you are more likely to do it*".

Regarding the role of organisational codes and regimes in decision-making, an interesting differentiation in responses occurred: a variation in the level of reviewing the respective codes from "*not once*" to "*certainly*". Respondent 3 stated that he always reviews codes as he is concerned about acting unethically without being aware of it. He also mentioned that he tries to get people involved and gather consensus prior to making the decision; this was also the main method of making ethically relevant decisions applied by Respondent 2, who, on the contrary, never reviews codes. Whereas the usage of organisational regimes is being questioned, the role of Trevino's field dependence (1986) rises again. However, Respondent 2 highlighted that his company has a really good value system demonstrated through the way that people conduct themselves; therefore the importance of the organisational culture, as being defined by Trevino (1986), was being acknowledged. Respondent 1, who suggested that he sometimes reviews codes of ethics, commented that "*people are working together from all over the world so backgrounds do change; your beliefs and ethics can be totally different; you need to take into consideration yours surroundings, the context you are in and*

refer to the code of ethics". Whereas he stated that he relies mainly on his personal ethical philosophy enhancing Rest's component (1986). Rest suggests that in a diverse working environment, normative ethical notions may differ; this statement indicates managers' ability to reach Kohlberg's post-conventional level (1969), since they are able to reason through to a universal perspective. The two participants who have made use of codes of ethics confirmed that this proved to be helpful and also made them feel more comfortable with the decision made, stressing the importance of Jones's (1991) conformity.

Considering the role of reward and punishment, two out of the three participants suggested that both are involved when making a decision, complying with Rest's theory (1986). Especially Respondent 2 who highlighted the importance of reward as one of the two more influential factors in making a decision and he suggested that the other factor is about the ethical context of a decision. However, Respondent 3 stated: "For me it does not matter getting a reward, I only care about making the right decision", outlining the role of duties theory in decision-making. As he said, following the ethical path makes him feel better with himself but also cares about other people's opinion, introducing the factor of social consensus suggested by Jones (1991). This was further stressed through his response to the scenario of his decision being made public and whether this would affect his decision. For him, as well as for Respondent 1, this is not a factor they considered as long as the decision reflects a common moral sense, indicating once more a level of social consensus as identified by Jones (1991). However, Respondent 2 stated that the disclosure of a decision is an influential factor as "*it is very easy to make decisions if at the end of the day you are not going to be held accountable*", attributing a role to the universality principle of duties theory in the ethical decision-making process. This is connected with the third maxim of the Kantian duty theory, confirming that, consciously or not, all participants are concerned with their decisions complying with common moral sense and social consensus.

Concluding questions aimed at examining the relationship between individual and organisational stances and discovering other possible factors involved in decision-making, all participants consider that their organisation's ethical stance is mostly aligned with their personal one and therefore none of the participants had an experience where these two conflicted. Respondent 1 supported that organisation's regimes set the minimum standards of ethical conduct and that individuals have definitely to think beyond that. On the other hand, Respondent 2 stressed once again the importance of managers as mentors, as well as the importance of organisational culture as defined by Kohlberg (1969) and Trevino (1986). He also mentioned the contradiction often occurring between organisational benefits and ethical stances and, as he suggested, in many cases the employers are the ones who urge managers to make decisions based on an increase in profit and neglecting ethics. Similarly, Respondent 3 stated that the authority of superiors who may advocate unethical decisions is an additional pressure in decision-making. There was a common view among all the participants that the complexity of a managerial role leads managers to neglect ethics in order to perform better, emphasizing the importance of job characteristics and context as suggested by Trevino (1986). Regarding other factors or pressures, there was a common recognition of the role of personal environment, underlying the importance of family once more. Respondent 2 added the role of timing as he suggested that after lunch or on a Friday afternoon, when everyone feels lazier, it is easier to make ethically poor decisions, suggesting one new factor.

Dominant the individual variables proved to be individual ethical philosophy, as was identified by Rest (1986). Its role has been apparent, and occasionally prevailing, in the moral reasoning of all the participants. It was further enhanced by the fact that all respondents considered the family to be a moral mentor; therefore, it is the main reference source regarding ethical decisions. The family reflects an individual's moral system since it

constitutes the main source of generic ethics for the individual from birth; as Respondent 1 stated, ethics is something you "inherit from family and life". Closely integrated to individual ethical philosophy is Trevino's (1986) ego strength as it indicates the importance of personal moral development: managers with a high level of ego strength tend to stay consistent with their personal moral values when making ethical decisions. Hence, having developed a substantial moral philosophy from childhood significantly enhances an individual's consistency in ethical conduct. All participants in this research demonstrated a high level of Trevino's (1986) ego strength as they stated that they rely mainly on their personal convictions when making decisions. However, this is only when individuals intend to follow the ethical path; on the contrary, when they are involved in unethical decisions that they are forced to make, a high level of Trevino's (1986) field dependence is observed. In these cases they refer to internal and external sources and seek for others' advice and consensus. Whereas this would be in contradiction to the high level of ego strength, the different context of the decision justifies the presence of the respective variables.

Another extremely influential individual variable is Trevino's (1986) locus of control as it appears that managers tend to be internals, feeling accountable not only for their personal decisions but also for decisions and actions taken by members of their team (Jones and George, 2011). This is further supported by the effect of social consensus as identified by Jones (1991) in an organisational context since there is a highly developed interplay between managers and their teams: managers feel they need to control and guide the team and, at the same time, strive for the team's approval, loyalty and respect, building upon the profile of a role model for the team. They are also highly interested in applying normative ethical principles in order to create a feeling of a sound, caring and fair climate. Jones's (1991) proximity is also involved since managers intend to make the right decisions, always having in mind how these will reflect upon their team. However, the rest of Jones's (1991) model components as magnitude of consequences, probability of effect, temporal immediacy and concentration of effect, appear not to exercise significant influence on participants' decision-making process. Regarding temporal immediacy particularly, managers appear to be aware that repercussions coming later in time are often more severe in regard to potential punishment or group bias.

Other salient individual variables involve normative notions of duties, rights and justice. Although their role has been challenged (Bartlett, 2003; Bowie, 2000; Trevino, 1986), as it has been argued that these concepts are reflected mainly in organisational regimes and not in individual ethics (Weber, 1996), it is clearly illustrated through the findings that managers are quite concerned about applying these principles in organisational contexts, guided though by their personal stances rather than corporate regimes. The significance of the role of family as a transmitter of principles regarding fairness, justice, rights and duties, returns once more to the importance of Rest's individual ethical philosophy (1986). Nevertheless, managers, who nowadays often conduct themselves on a universal business basis, are aware of possible differentiations in these notions; although these principles are considered to have a worldwide consensus, personal characteristics and cultural variety need to be taken into account. This reasoning suggests that managers are able to develop up to the sixth stage of Kohlberg's cognitive moral development (1969) since they demonstrate that they consider their decisions through a universal orientation. Thus, managers are often restricted by external boundaries resulting in performing between stages three and four of Kohlberg's model (Elm and Nichols, 1993; Lawrence and Weber, 2011). However, it is illustrated in the data that they, as individuals, are capable of achieving a higher level of moral development therefore, it is organisational restrictions that limit their ethical performance.

Of the individual factors that have emerged through this research in order to structure the framework regarding ethical decision-making, individual moral philosophy can undoubtedly be stated to be the most prominent. This involves numerous subcategories as it consists of principles deriving from various stimuli; the most acknowledged notions involve core normative principles of duties, rights and justice that appear to prevail in personal moral reasoning. Trevino's locus of control (1986) is also an important factor that is closely integrated with individual moral philosophy as, taking responsibility for your own actions as well as the team's, proved to be a very significant factor in the decision-making procedure. When these qualities are well-developed, they provide the individual with a high level of Trevino's (1986) ego strength, which is the means managers use for making moral judgment in ethical decisions. However, when the individual is involved in a not so ethical decision, the level of ego strength decreases whereas the level of Trevino's (1986) field dependence rises as social consensus and advice from other sources are the main concerns of managers. In both cases, family is the main regulator as it remains a core source of reference for managers even in regard to business-related decisions. Concluding, Jones's (1991) proximity and social consensus appear to have significant influence on managers' decisions since they are concerned not only with their teams' opinion, but also with a general common consensus as an indicator of the acceptance of their decisions by others.

It has been demonstrated by Kohlberg (1969), Rest (1986) and Trevino (1986) that the role of organisational culture is the most dominant in affecting decision-making. On the other hand, the role of codes of conduct and other regimes can be questioned based on the findings of this research. Although conformity, as determined by Jones (1991), is a concern for all of the participants, they have not evolved an advisory relationship with organisation's formal and written regimes as they believe that these involve basic standards of ethics, already known and probably too simplified to prove useful in ambiguous situations and complex decisions. Nevertheless, obedience to authority, as it has been identified by Trevino (1986) and Jones (1991), appears to be quite influential on managers' decision-making; although normative corporate regimes can be set aside, it is obvious that managers do no question the authority of superiors and, even if they challenge guidelines given to them which might not align with their personal ethical stance, eventually they acquiesce due to fear of punishment in the form of dismissal or other negative repercussions.

Organisational culture, as identified by all prominent scholars (Kohlberg, 1969; Rest, 1986; Trevino, 1986), appears to be the most influential factor on a corporate level. Managers are not influenced explicitly by organisational regimes and codes but, although they tend to mainly rely on their personal judgment, the latter has implicitly been affected by the climate and values of the company. Other managers and mentors are transmitters of this culture since business ethics is based on generic ethics and is built upon working experience, consequently managers absorb reasoning and practices that they have seen applied by others. As it is vital for managers to comply with organisational convictions and feel that their stance is being accepted, and since codes of ethics and official regimes are not a point of reference to them, it is considered crucial to communicate an ethical organisational culture in all other possible ways. This highly stresses the importance of an organisation's everyday practices and stances as well as its employees' individual moral profile since both integrate into forming an ethical working environment. Jones's (1991) group bias is also an important factor in decision-making; therefore, ensuring that all employees share a substantial level of moral development results in a morally enhanced corporate culture that contributes to ethical decisions made by managers in order for them to comply with the corporate environment.

As found by Kohlberg (1969) and Rest (1986), the findings confirm that the fear of a possible punishment is a key driver in managers' decision-making. This has a twofold meaning:

managers are afraid of the repercussions of an unethical decision they might make themselves but also when they are forced by superiors to make an unethical decision, they still face the same fear. If they do not comply, they will probably suffer consequences, possibly a dismissal. This fear, in both cases, appears to have a greater influence on the decision-making process than possible rewards. Additionally, in unethical decisions driven by superiors, managers demonstrate an increased need to reference others, a factor recognised by Trevino's (1986); however, the scope is not only to seek advice but also to communicate the content of the decision in order to share responsibility. It is obvious that managers have realized the complexity of interests involved in business and compromised when they take decisions that mainly serve business needs putting aside other criteria, including ethics. This compromise reflects the notion of job context and characteristics as suggested by Trevino (1986) and proves to be vital for managers' conduct in business decisions.

Thus, corporate culture can be considered the crucial influence on decisions made by managers and has an implicit but absolute effect on how managers conduct themselves. Another important factor is group bias, suggested by Kohlberg (1969) and Jones (1991), as managers are concerned about their ethical profile and how this reflects on their team. Other subcategories emerging from the data are obedience to authority and punishment which both have an ambiguous meaning and are closely associated with each other. Obedience to authority has a substantial influence on managers but what is considered to be proper conduct depends on the ethical or unethical orientation of the organisation. Similarly, the perspective on punishment as an important variable in ethical decision-making has a twofold meaning depending on the organisation's position regarding business ethics. Particularly in unethical conduct, managers rely on referring to others is another important factor according to Trevino (1986). Although Jones's (1991) conformity to codes and regimes emerged as an influential factor, the underlying ambiguity in an organisation's orientation regarding ethical and unethical conduct may provide a reason for employees' not to refer to official rules as these do not reflect work reality.

In conclusion, it may be said that individual and organisational ethical factors involved in managers' decision-making have emerged through the findings, analyzed and conceptualized via analysis and the following discussion. Two main subcategories have been identified, one for each category: personal ethical philosophy in individual factors and organisational culture in organisational factors. Other influential individual variables are: principles regarding duties, rights and justice theories, locus of control, ego strength, field dependence, proximity and social consensus. The organisational factors, conformity, obedience to authority, punishment, referent others and group bias are the respective variables that emerged from this research as the most important ones. Consequently, these factors constitute the components of a systematic framework regarding management ethical decision-making.

As a result of this research a systematic framework involving core factors affecting managers' ethical decision-making has been developed. This is a helpful tool for organisations to use in order to achieve a higher level of moral conduct within their environment. Their main focus is on the development of a corporate culture that will exhibit and promote the organisation's values, beliefs and convictions in everyday practice. It has been demonstrated that codes of conduct and formal regimes do not penetrate an individual's decision-making process sufficiently; therefore, daily operations within the organisation should be permeated by a strong ethical culture in order to achieve a high moral level of conduct. However, this cannot be achieved if people in the organisation are not ethically compatible with its ethical stances. Individual ethical philosophy appears as a core factor of ethical decision-making; since it has been demonstrated that, in the majority of cases, it prevails in the moral reasoning of decisions, organisations have to prioritize this quality in

their recruitment philosophy and all people within the organisation should attain a certain level of moral development, consistent with the organisation's principles, in order to be able to encompass corporate culture, work within its context and disseminate it. Extra precaution should be adopted regarding managers' selection since they have an enhanced and prominent role as ethical agents regarding the organisation's internal and external profile. Consequently, it is in the organisation's best interests to create an ethically-oriented business by enhancing proper conduct through selection of ethically validated managers and formulation of a morally rich corporate environment.

Conclusion

The focal point of this study was managers as core agents of corporate ethical practice as well as decision makers for organisations' conduct (Jones and George, 2011; Kujala *et al.*, 2011) and how ethical values influence their moral reasoning. The focus was on individual and organisational factors and how these are involved in the configuration of managers' decisions. Having identified these factors, a systematic framework was constructed that would facilitate the configuration of corporate stances and regimes and the evaluation of the appropriateness of individuals for managerial positions.

The two salient factors which emerged regarding the moral reasoning in managers' decisions were individual moral philosophy and corporate culture. This research confirmed Trevino's (1986) interactionist model since the factors regarding managers' decision-making which are core variables of this model, locus of control, ego strength, field dependence, obedience to authority, referent others and organisational culture, were all found to be strongly integrated in participants' moral reasoning. A strong influence of normative principles in decision-making appeared to emanate from individual ethical philosophy rather than regimes and codes, as it has been argued by various scholars (Bartlett, 2003; Bowie, 2000; Trevino 1986). This also revealed the capability of managers to reason at a higher level of Kohlberg's (1969) moral development model, verifying his contention that organisational regimes are the ones which impose limits on the evolution of moral reasoning.

Organisations, aiming to create and preserve a high level of ethics, have to raise awareness of employees' personal ethical qualities, not only in selection and positioning in managerial posts but in general, since managers are the receivers and transmitters of an organisation's culture which is expressed through values, convictions and beliefs more in everyday practice than in formal regimes and codes.

This study has several significant limitations. Firstly, it is not possible to take into consideration all the individual factors because these, in turn, involve numerous other variables, such as personal demographic characteristics, making any attempt to be comprehensive impossible complex. Secondly, the focus of this paper was on medium and large organisations only where managers tend to reason and act at a poorer moral level according to Kohlberg's theory (1969). Thirdly, the data were only gathered in one country, England. These limitations suggest that future research might attempt to examine the role of other variables, include small organisations and include more countries, perhaps for comparison with each other.

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