

# Exploring Antecedents Of Unethical Business Decisions

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## ABSTRACT

*Adhering to recent arguments that unethical decision making is driven by the underlying psychological processes, the purpose of this study is to investigate the role of individual psychographics (i.e., cognitive style, decision confidence, emotional intelligence, and attitude toward risk) in ethical decision making within a business context. Using a novel approach, the researchers capture ethical decision making using a computer-simulated market context and couple the results with survey data. The results of the regression analysis reveal that an individual's cognitive style, decision confidence, emotional intelligence, and attitude toward risk play a significant role in ethical decision making. Participants with an analytical cognitive style were less likely to engage in unethical means to accomplish business objectives compared to those with intuitive or adaptive cognitive styles. Similarly, greater confidence in decision making, higher emotional intelligence, and a greater preference for risk were also found to increase the chances that an individual avoids engaging in unethical decision making. Finally, the effect of cognitive style was found to be stronger than the other factors examined in this research. Theoretical and practical implications are discussed.*

**Keywords:** Ethical Behavior; Ethical Decision Making; Cognitive Style; Emotion; Risk; Decision Confidence

## INTRODUCTION

As the corporate and social world continue to recover from the effects of financial misconduct and the widespread fraud that ignited the world financial crisis nearly a decade ago, greater attention is being given to ethical business decision making. Across the globe, codes of conduct and corporate policies are being implemented to protect consumers from unethical business practices. Examples are the US pharmaceutical industry's code on interactions with healthcare professionals, and the British Psychological Society's code of ethics. Nevertheless, unethical decision making in business remains a harsh reality that must be addressed, as the outcomes of unethical decisions can severely affect the quality of life for the general consumer population as well as organizations that are staffed by managers with questionable business practices (Woiceshyn, 2011).

Research on ethical decision making continues to proliferate across disciplines. Within business, most of the research has focuses on antecedents of ethical decision making by considering how individuals will respond when faced with a moral or ethical issue or dilemma created by social, cultural, economic or organizational factors (Billiot, Daniel, Glandon & Glandon, 2012; Jones, 1991). Recognizing that there is no "one size fits all" approach to identifying drivers of ethical decision making, much work has been done to ascertain how individual level differences relate to ethical and unethical choices (e.g., Detert, Trevino & Sweitzer, 2008; Reiss & Mitra, 1998). Specifically, extant research has primarily focused on how consumers respond to ethical dilemmas through the lens of demographics such as gender and age (Ruegger & King, 1992), psychographics such as individual values (Marques & Azevedo-Pereira 2009), and emotional intelligence (Angelidis & Ibrahim, 2011; Deshpande, Joseph & Berry, 2012). Adhering to arguments that unethical decision making is driven by underlying psychological processes (Messick & Bazerman, 1996; Tenbrunsel & Messick, 2004; Detert, Trevino & Sweitzer, 2008), and the functioning of the human brain during decision making (Woiceshyn, 2011), this study explores the role of psychographic factors, namely cognitive style, decision confidence, emotional intelligence, and attitude toward risk, in ethical decision making. Specifically, we study the relationship between psychographics and ethical decision making in a real-world business scenario. To do so, we study the effect of the aforementioned variables on the degree to which individuals are willing to engage in unethical choices as a

mean to make their business more profitable in a simulation exercise. Our overarching research question is how ethical decision making in business relates to cognitive style, emotional intelligence, attitude toward risk, and one's level of decision confidence.

This paper advances theory and practice by addressing the increasing interest in business ethics. In addition, this study employs a novel methodological approach in examining ethical decision making in a business context by capturing individual's real-time decisions using a computer-simulated business environment. Extant research has primarily adopted survey and experimental approaches in exploring ethical decision making. This study enriches these approaches by coupling survey data from each decision maker with his/her actual decisions in a dynamic decision environment. The resulting findings contribute to our understanding of ethical decision making, which in turn provides managers greater insight into how certain individual characteristics (i.e., cognitive style, confidence in decision making, emotional intelligence, and attitude toward risk) can be cultivated to improve ethical decisions in business.

The remainder of the paper proceeds as follows: first we construct a conceptual framework to better understand the antecedents of ethical decision making by paying particular attention to the role of psychographics. Next, we empirically test our model and examine the relationships of interest using regression analysis. We then discuss the implications and outline possible interventions that can target specific antecedents to help reduce unethical decision making in business. Finally, we conclude with directions for future research.

## **BACKGROUND AND THEORY**

Ethical decision making is typically viewed within the framework of being both morally and legally acceptable to a larger community (Jones, 1991). In this broad, and at times, ambiguous framework, business ethics has been considered by some as being analogous to "nailing jello to a wall" (Lewis, 1985, p 377). Despite this, most utilized definitions reflect the premise that business ethics are regulations and normal prescriptions of managerial decisions and actions (Steiner, Steiner & Steiner, 1980) for the application of "one's understanding of what is morally right and truthful at time of ethical dilemma" (Lewis, 1985, p.383) where honesty, fairness, and integrity are central to decision making (Fleming, 1985). This study builds on previous research by exploring how an individual's unique socio-psychological makeup influences ethical decisions, as outlined below.

### **Ethical Decision Making and Psychological Processes**

The criteria that individuals utilize to make ethical decisions varies from the "relative objectivity of obeying the law to the comparative subjectivity of the dictates of the decision-makers' values or conscience" (Fleming, 1985, p 137). From a subjective standpoint, what one constitutes as ethical or unethical behavior can objectively be evaluated by the individual's psychographic makeup. Since ethical issues are comprised of both rational and emotional components, including both cognitive and affective skills, both components must be included when analyzing ethical issues (Holian, 2006). Therefore, in this study we will examine the relationships between ethical decision making and psychographics, including the way an individual processes information (i.e., cognitive style), an individual's assurance in decision making (i.e., decision confidence), an individual's awareness of his/her own and other's emotions (i.e., emotional intelligence), and an individual's attitude toward risk (i.e., risk preference). The effects of these factors will be discussed below.

### **Cognitive Style and Ethical Decision Making**

In the decision-making literature, conflicting theories exist as to how individuals approach ethical dilemmas. The traditional approach assumes that individuals adopt a subjective moral compass to direct their response to ethical issues and employ deliberate extensive moral reasoning to weigh the evidence before coming to a decision (Sonenshein, 2007). In contrast to this rationalist approach, emerging research focuses on the intuitive nature of decision making. According to the sense making-intuition model (SIM), individuals use intuitive judgements rather than deliberate extensive moral reasoning when responding to ethical issues (Sonenshein, 2007).

Cognitive style, which reflects an individual's approach to organizing, integrating, evaluating and processing information for decision making (Allinson & Hayes, 1996; McIntyre & Capen, 1993; Riding & Sadler-Smith, 1997), captures both the analytic and intuitive aspects of decision making processes. One of the most extensively utilized operationalizations of cognitive style is the Cognitive Style Index (CSI), developed by Allinson and Hayes (1996). Cognitive style recognizes that some individuals are more prone to make decisions methodically whereas others may prefer to base their decisions on feelings and intuition, rather than contemplating their actions. Furthermore, many individuals may be somewhere on the spectrum between these two extremes. CSI therefore quantifies individuals' cognitive styles along a bipolar continuum; from highly intuitive at one pole, to highly analytical at the other pole, with a combination (i.e., adaptive style) of the two cognitive styles in-between. To group individuals into more refined cognitive style categories, five groupings of cognitive style based on the CSI score exist. On the cognitive style spectrum, between adaptive and intuitive cognitive styles is the quasi-intuitive cognitive style. Similarly, between adaptive and analytical cognitive styles is the quasi-analytical cognitive style (Allison & Hayes, 1996). Thus, decision information is structurally managed by how individuals manipulate the information (Streufert & Streufert, 1978), whereby individuals who are more analytical tend to apply a systematic approach and those who are more intuitive tend to apply a holistic approach to decision making (Sagiv, Amit, Ein-Gar, & Arieli, 2014).

Drawing on the above research, it can be argued that individuals approach ethical decisions from either a rationalist or intuitive approach. As such, an individual's own cognitive style can dictate his/her approach to problem solving, including decision problems of an ethical nature (McIntyre & Capen 1993). Furthermore, such forces may influence the nature of decisions made in the specific context of business decisions (Fleming, 1985). The emerging research question, with respect to the role of cognitive style on business ethics, is outlined below:

**RQ1:** What is the effect of cognitive style on an individual's propensity to engage in unethical business decisions?

#### **Decision Confidence and Ethical Decision Making**

Decisions that carry a fair amount of ambiguity demand a certain degree of confidence from the decision maker. Self-confidence in decision making is defined as the assurance in one's ability to meet the objectives that generate positive outcomes for oneself and others (Bearden, Hardesty, & Rose, 2001). Business executives need to have confidence in their ability to make difficult decisions, especially decisions where there are no formal guidelines as to what is ethically "right" or "wrong". When individuals are confident in their decisions, their decision confidence empowers them with the ability to take control of circumstances rather than being dragged along with them (Kanter, 2006).

Early research on decision making shows that individuals who have low self-esteem are more affected by environmental circumstances and more inclined to be inconsistent in decision making than those who are high in self-esteem (Mossman & Ziller, 1968). In the same vein, overconfidence has been shown to impact the quality of decision making (Alba & Hutchinson 2000). Based on these findings the following research question is posed:

**RQ2:** What is the effect of decision confidence on an individual's propensity to engage in unethical business decisions?

#### **Emotional Intelligence and Ethical Decision Making**

Emotional intelligence (EI) is the ability to accurately perceive, understand, and manage one's own emotions as well as the emotions of others (Mayer, 2004). It is a critical factor in individual performance which has a profound effect on decision making, even beyond the effects of IQ (Goelman, 1998). As a critical factor in decision making, EI has been found to be a significant predictor of one's own ethical behavior as well as the perception of others' (e.g., peers') ethical behavior (Mesmer-Magnus, Viswesvaran, Joseph & Deshpande, 2008).

The ability to effectively understand and regulate one's own emotions for focused actions (Law, Wong & Song, 2004), as well as the ability to promote emotional knowledge, perception, and regulation (Mayer & Salovey, 1997) has been associated with high levels of EI. In turn higher EI has been associated with greater performance across various disciplines, where most work has found it to be a significant factor in individual behaviors. For example, within the

healthcare setting, employees who are better at reading others' emotions have been found to be more successful at work and social settings (Freshman & Rubino, 2002). Similarly, the level of EI of nurses has been found to have a significant impact on their behavior (Deshpande & Joseph, 2009). Within academia, EI has also been shown to be positively related to academic performance (Parker et al. 2004, Petrides, Frederickson & Furnham, 2004).

EI is an important aspect of ethical decision making, as it offers a foundation to approach complex issues. Though still a nascent area of research, increased focus has been placed on uncovering drivers of ethical behavior, particularly focusing on the role of individual's emotional skills and ethical decision making. For example, Angelidis and Ibrahim (2011) studied ethical judgement among managers and found that individuals who had personal qualities that helped them identify and assess their own and others' emotions (i.e., higher levels of EI) were found to be more likely to make favorable decisions for all involved. Similarly, Carmeli (2003) found that a higher degree of EI among senior managers is positively related to work performance. In a consumption setting, Chowdhury (2017; p. 527) also asserts that that an individual's "ability to experience, perceive, and regulate emotions should influence consumers' ethical decision making". Nevertheless, little research has empirically investigated the role that emotional intelligence plays in ethical decision making in business decision contexts. To address this, the following research question is posed:

**RQ3:** What is the effect of emotional intelligence on an individual's propensity to engage in unethical business decisions?

#### **Attitude toward Risk and Ethical Decision Making**

Individuals differ in the way they make decisions that involve risk or uncertainty. Individuals' attitudes toward risk reflects their evaluations of uncertainties regarding potential outcomes of decisions, and can therefore affect how they interact with their decision environment (Rohmann, 2002). An individual's risk attitude describes the shape of his/her utility function, which is derived from a series of risky choices for the outcomes in question (Weber, 2010). An individuals' attitude toward risk can generally be portrayed as falling along a bipolar continuum from risk averse at one polar end to risk seeking at the other polar end.

Singh (1986) suggests that there is a direct relationship between one's attitude toward risk and decision making behavior. Although an individual's attitude toward risk is generally considered to be a personality trait, it has also been shown to be both domain-specific and task-specific. For example, MacCrimmon and Wehrung (1986, 1990) found that managers' attitude toward risk varies as to whether the decision involves personal versus corporate funds, or when assessing financial versus recreational risks. To gain further insight into the role of risk attitude in ethical decision making within business decision context, the following research question is posed:

**RQ4:** What is the effect of attitude toward risk on an individual's propensity to engage in unethical business decisions?

#### **METHODS**

This study seeks to explore the effects of four individual psychological factors - cognitive style, decision confidence, emotional intelligence, and attitude toward risk on an individuals' ethical decision making behavior. Exploring this research question in a systematic way requires an actual business decision setting in which individuals engage in making decisions. Since capturing this type of data and examining the effects of the aforementioned four factors in the real world is challenging, if not unfeasible, a two-step research design was designed. In the first step, participants completed a detailed questionnaire comprising pre-established multi-item scales that measured each participant's individual characteristics including cognitive style, decision confidence, emotional intelligence, and attitude toward risk. In the second step, the researchers used a computer-simulated market to examine participants' decision making behavior. Each participant assumed the role of a manager of an independently-owned and operated hotel in a town where three other competitor hotels operated. Participants were advised that the objective of the simulation was to outperform other participants on the cumulative profit over the course of eight quarters. After each quarter, participants were provided with quarterly reports regarding the performance of their company, market research, competitive activity, and industry information. Participants made their decisions on an individual basis and entered their decisions regarding price, advertising, and staffing of their hotel, in the simulation program. Each ethical decision was framed

as a ‘tactical decision’ that may improve the hotel's profits. Participants needed to decide whether they would engage or refrain from the activity. Throughout the course of the eight simulation periods, eight different questions were presented to participants and each question was presented only once. These decisions are listed in the Appendix. The extent to which an individual proceeds with these decisions reflects the individual's propensity to engage in unethical business decision making.

The data collected from the questionnaire and the decisions made during the simulation exercise were then coupled and matched with each other, hence creating a rich dataset. This approach overcomes the issue of common-method bias in research as the independent and dependent variables in the model are collected through different means. This dataset included both the participants' scores on each of the attributes of interest in this study (cognitive style, decision confidence, emotional intelligence, and attitude toward risk) as well as the participants' decisions in the simulated business environment, which is the degree to which they engaged in unethical behavior. The use of a computer-simulated environment to resemble a real-world environment for exploring managerial decisions has been used in related research areas. For example, Estelami and Nejad (2017) employed this methodology to examine the effects of a manager's psychographic attributes on his/her reactions to competitive price reductions by competitors. Montgomery, Moore & Urbany (2005) studied managerial reactions in a competitive market using a similar approach. DeBruyne, Frambach & Moenaert (2010) employed a simulation approach in exploring the effects of resource availability and the market environment on managerial reactions to new product introductions by competitors.

The growing research on exploring decisions in computer-simulated environments coupled with survey data creates new opportunities to examine important research questions, such as the ones that are posed in this study. Collecting such detailed information is very challenging and typically unattainable using mainstream research methodologies that are often used by previous research (DeBruyne et al. 2010; North & Macal, 2007). Ethical decisions are a sensitive topic, hence, individuals are often reluctant to acknowledge whether they would engage in unethical behavior. The methodology used in this study captures individual decision making as these decisions are made, rather than asking individuals about their previous experiences or what they would hypothetically do in the future. All participants completed the simulation exercise under the same competitive environment, to ensure that they were evaluated in a consistent way with regards to the effects of individual attributes on ethical decision making.

### **Measurement Scales**

Decision confidence, emotional intelligence, and attitude toward risk were measured using multi-item scales, all of which were adopted from previous studies. Decision confidence was measured using a 4-item scale used in existing decision research (Chernev, 2009; Patalano & LeClair, 2011). Emotional intelligence was measured using 4 items adopted from Schutte et al. (1998). Attitude toward risk was measured using a 4-item scale that was used in (Barbosa, Gerhardt & Kickul, 2007; Chernev, 2009). A factor analysis of these items using an orthogonal transformation resulted in three distinct factors. Each scale item loaded on the corresponding measurement scale. The scales produced high coefficient alpha values reflecting high degrees of reliability, as listed in Table 1.

**Table 1.** Multi-item Measurement Scales and Factor Loadings

Multi-item Scales and Individual Scale Items*	Decision Confidence	Emotional Intelligence	Risk Preference
	(Cronbach's $\alpha = .76$ )	(Cronbach's $\alpha = .72$ )	(Cronbach's $\alpha = .72$ )
<b>Decision Confidence Questions:</b>			
I am confident in business decisions that are delegated to me	.784		
The quality of my decisions as a manager are likely to be above the average for my peers	.620		
I am satisfied with how I make business decisions	.734		
When making important decisions I can get stressed out with the amount of information I have to process.	.585		
When making important decisions, I feel that I spend too much time considering all options.	.647		
Picking the best option in business scenarios would be a difficult task for me**	.722		
<b>Emotional Intelligence:</b>			
I am aware of my emotions as I experience them		.488	
By looking at their facial expressions, I am good at recognizing the emotions people are experiencing		.848	
I am aware of the nonverbal messages other people send		.810	
I know what other people are feeling just by looking at them		.742	
<b>Risk Preference:</b>			
Having a stable income over a long period of time is more important to me than making a lot of money in a short period of time but not being sure if it can be sustained over the long term.	.782		
I tend to take greater risks than most of my friends and family members.	.684		
Long-term financial stability is very important to me.	.617		
I am generally a risk-averse person.	.776		

\* All questions are asked on a 1 to 7 scales with 1 being “strongly disagree” and 7 being “strongly agree”.

\*\* Reverse-scaled item

\*\*\* Factor loadings produced with factor analysis using a Varimax rotation. Factor loadings below .2 are not displayed, indicating that there is no cross-loading across different factors.

Cognitive style was measured using the Cognitive Style Index (CSI) of Allinson and Hayes (1996). The scale consists of 38 discrete choice questions and employs a scoring algorithm to classify individuals on a continuum of cognitive style (Allinson & Hayes 1996; 2012). Individuals are then categorized along this continuum as having an intuitive, quasi-intuitive, adaptive, quasi-analytical, or analytical cognitive style, based on their CSI score. The cognitive style index has exhibited a high degree of discriminant validity in previous studies (Hayes, Allinson, Hudson, & Keasey, 2003) and has been employed in various research areas, including management decision making (Boyatzis, Stubbs, & Taylor, 2002; Estelami & Nejad, 2017; Hayes & Allinson, 1996), information processing (Banning, 2003), human learning (Armstrong, 2000), and business education (Backhaus & Liff, 2007).

## Data

The participants for this study consisted of 154 business students. All participants were in their senior-year at a private undergraduate college in a major urban area in the northeastern United States. The gender composition of the sample

was 33.1% female and 66.9% male, the average self-reported GPA was 3.48 (out of 4.0), and the average age was 21.2 years old. The majority of the participants had completed two or more industry internships at the time of the study (94.2% had completed one internship and 82.5% had completed two or more internships). This is a uniquely qualified sample, as the participants are formally trained to manage businesses and engage in business decision making. Furthermore, use of this sample is consistent with prior studies on business decision making (Van Bruggen, Smidts, & Wierenga, 1996, 1998; Debruyne et al. 2010; Estelami & Nejad, 2017; Glazer, Steckel & Winer 1992; Montgomery et al., 2005), whereby trained participants' actions are measured in pre-specified business decision contexts.

In the first step, participants completed an online questionnaire that consisted of the measurement instruments for the aforementioned individual attributes as well as questions regarding their demographics. In a separate session, the participants completed the simulation as part of their class assignment for which they received credit. This increased the participants' involvement with the simulation. To ensure that participants had an adequate knowledge about the business that they were being asked to manage, they completed a brief quiz prior to the simulation session. They were advised that the main objective of the study is to maximize the cumulative profits when competing across 8 quarters in a competitive environment. The simulation program captured detailed data regarding participants' business decisions, such as price, advertising, and staffing, as well as decisions to engage in unethical behaviors outlined in the Appendix. Between 30 and 35 participants attended each simulation session in a computer lab. The data collected from the business simulation was coupled with the data collected through the questionnaire, to match each participant's decision history with his/her measures of cognitive style, emotional intelligence, attitude toward risk, and decision confidence. The cumulative number of unethical decisions (i.e., total number of times that the individual engaged in an unethical decision) was calculated and used as the dependent variable for this study. This measure would range from a low of 0 (in which case no unethical decisions were made) to a high of 8 (in which case the participant engaged in unethical decisions during all 8 simulated decision periods). The mean, median, and standard deviation for the dependent variable were 3.47, 4.00, and 2.00, respectively.

## ANALYSIS AND RESULTS

In order to address the four research questions posed, regression analysis was used. In this regression analysis, the dependent variable was the propensity of the participant to engage in unethical decisions, as had been outlined above. The independent variables consisted of the four measures of focus, namely cognitive style, decision confidence, emotional intelligence, and attitude toward risk. The regression analysis was found to be statistically significant ( $F_{5, 148} = 4.99, p < .001$ ) and the results are shown in Table 2. As can be seen from the regression analysis results, the variables that are the focus of the research in this study show statistically significant effects on study participants' propensity to engage in unethical business decisions.

**Table 2.** Regression Analysis Results for Propensity to Engage in Unethical Business Decisions

	Coefficient	Standardized Coefficient	t-value	p-value
Adaptive Cognitive Style (dummy variable)	-.559	-.112	-1.208	.229
Intercept	9.737		5.841	.0001
Decision Confidence	-.393**	-.174	-2.100	.037
Emotional Intelligence	-.382**	-.157	-2.032	.044
Attitude Toward Risk	-.324*	-.179	-1.913	.058
Analytical Cognitive Style (dummy variable)	-1.133**	-.284	-2.572	.011

\*  $p < 0.1$ ; \*\*  $p < 0.05$ ; \*\*\*  $p < 0.01$ ;  $R^2 = .141$ ;  $F_{(5,148)} = 4.99$  ( $p < .001$ )

To examine the role of cognitive style, participants were categorized into three groups with regards to their cognitive style index. Two dummy variables were used to identify the groups. If an individual possessed an analytical or quasi-analytical cognitive style, the dummy variable *Analytical Cognitive Style* took on a value of 1, otherwise it was set to 0. Similarly, if an individual possessed an adaptive cognitive style, the dummy variable *Adaptive Cognitive Style* took on a value of 1, otherwise it was set to 0. Through this dummy-variable coding, the intercept term in the regression analysis captures the average value of the dependent variable for the remaining cognitive style categories, namely

intuitive and quasi-intuitive, forming the baseline for the analysis (Lehmann, Gupta, & Steckel, 1988). This allows for a clearer evaluation and presentation of the effect of cognitive style on individuals' ethical decision making. The coefficient for the Analytical Cognitive Style dummy variable is negative and statistically significant ( $p = 0.011$ ). The negative sign of this coefficient indicates that individuals who have analytical or quasi-analytical decision styles are less likely to engage in unethical decision making. Their greater inclination to approach business decisions from an analytical perspective may increase their ability to manage complex business situations and reduce their need to use ethically questionable practices in managing a business. This issue will be further explored in the Discussion section of the paper.

A negative relationship exists between decision confidence and the cumulative number of unethical decisions ( $p=0.037$ ). This indicates that individuals with higher levels of decision confidence are less likely to make unethical decisions. This result may be due to the fact that individuals with high levels of decision confidence believe in their own decision ability such that, to achieve good business outcomes, they do not believe they would need to resort to unethical decisions.

The regression analysis results also indicate that emotional intelligence is negatively related to unethical decision making ( $p=.044$ ). Participants with higher levels of emotional intelligence make fewer unethical decisions. This may be due to the fact that individuals with greater levels of emotional intelligence are more stable in their thinking and less likely to be drawn into contemplating decision possibilities that may cross ethical boundaries. In addition, attitude toward risk was shown to have a negative relationship with participants' propensity to engage in unethical decisions ( $p=0.058$ ), where individuals who are prone to take more risks are less likely to make unethical business decisions. This finding is likely due to the ability to identify the risk itself, which creates a moral obligation to act. Thus, those who are more prone to taking risks, may be more likely to recognize that the decision is unethical in nature.

A comparison of the standardized coefficients generated by the regression analysis results in additional interesting observations, with respect to the relative impact of the various variables on participants' propensity to make unethical business decisions. Based on the standardized coefficients, among the four predictors, it appears that cognitive style has the greatest impact on participants' ethical decision making. Among the predictors in the regression analysis, the effect of the dummy variable Analytical Cognitive Style is the greatest, as the absolute value of the standardized coefficient for this predictor (0.284) is significantly greater compared to the absolute value of the standardized coefficient for the other variables (0.157 for emotional intelligence; 0.174 for decision confidence, 0.179 for attitude toward risk). In other words, while one may assume that traits such as decision confidence, emotional intelligence, or attitude toward risk are the major factors that may influence unethical decision making, the effects of cognitive style seem to dominate.

## **Discussion and Implications**

This study has explored the role of an individual's psychological traits on ethical business decision making. With respect to the research questions posed, it is evident that variations in propensity to engage in unethical decisions exist, as a function of cognitive style (research question 1). Furthermore, decision confidence influences unethical decision propensity (research question 2) and has a negative effect, whereby individuals with greater levels of decision confidence are less likely to engage in unethical decisions. In addition, the relationship between emotional intelligence and unethical business decision making is found to be negative (research question 3). Finally, an individual's attitude toward risk has a negative relationship with his/her propensity to engage in unethical business decisions (research question 4).

The results of this study also demonstrate that of the four variables of interest, cognitive style had the greatest impact on individual's propensity to engage in unethical business decisions. Across research domains, cognitive style has received a great deal of attention. Nevertheless, little research has studied its effect on ethical decision making within a business context. The finding that individuals who possess analytically oriented cognitive styles are less likely to make unethical business decisions may be attributed to greater tendency to conduct quantitative analysis and adopt analytical approaches to increase firm profits. In contrast, non-analytical decision makers may be less likely to approach managerial decisions analytically and scrutinize the deep impact that unethical decisions may have on the



business overall. To help individuals with cognitive styles that make them more inclined to make unethical decisions, corporate education programs and workforce training may need to incorporate a focused proactive approach to ethics training, specifically for this target population, and provide clear communication of related company codes of ethics and policies.

Though the efficacy of ethical codes has been disputed (Kaptein & Schwartz, 2008), internal communication of established codes of ethics may be especially valuable for individuals who generally rely on instinct (i.e., possess intuitive or quasi-intuitive cognitive styles) rather than analysis in decision making. Communication of the code of ethics to this target population can offer a distinct set of prescriptions developed by the firm to provide the employees with an ethical compass. As such, organizations need to be transparent as to what does and what does not constitute unethical behavior. For example, an ethical scorecard (as proposed by Spiller, 2000) which focuses on keeping an account of an organization's practices, can be readily employed by management. Organizations can implement such a scorecard as a diagnostic tool to identify areas of concern while also fortifying areas of strength.

Furthermore, to utilize the findings of this study, and similar studies on ethical decision making in business contexts, a proactive rather than reactive approach by organizations may be called for. As such, management training programs, as well as incentive systems and recruiting practices, may need to focus on hiring, developing, and cultivating individuals with high ethical decision-making propensities. The results of this study demonstrate that certain psychological factors can contribute to such propensities, and as such their effects on organizational practices and management training programs should be carefully considered, as individual psychographics (i.e., cognitive style, confidence in decision making, emotional intelligence, and attitude toward risk) significantly influence ethical decision making within a business context.

The results of this study show that those who have high levels of emotional intelligence make fewer unethical business decisions. This finding suggests that individuals with greater emotional intelligence may be more understanding of the adverse effects of such unethical decisions and realize the long-term impact of making such decisions and hence, are less likely to engage in these decisions. As the ability to experience, interpret, and control emotions has been shown to be important for ethical decision making among consumers (Gaudine & Thorne 2001), corporate training programs may need to focus on enabling employees to appraise and recognize emotions in themselves as well as others. For example, personal training and coaching sessions can be implemented to improve employees' emotional intelligence levels. Further, we concur with Kosnick, Tingle, & Blanton (2013) and support the use of experiential learning projects where individuals benefit through hands on learning to develop their moral character and in turn improve their ethical conduct.

The findings of this study also show that individuals who are more confident in their decision making engage in fewer unethical decisions compared to others. This observation may be due to the fact that these individuals are more confident in their ability to make decisions and thereby their ability to successfully manage a business. Thus, they may see less need to deploy unethical means for achieving business success. This is an important finding, since in organizations where managers function under ambiguity and uncertainty, the resulting negative effects in decision confidence may encourage unethical decision making. Proper planning, communications, and equitable performance reviews may help managers achieve greater levels of decision confidence and reduce the potentially negative effect that low decision confidence may have on ethical behavior.

Finally, the results show that individuals who are more prone to take risks engage in fewer unethical decisions than those who are more risk averse. This finding highlights the need to better educate individuals on what is "right" or what is "wrong". Here we see that those who are more risk averse may not recognize the moral dilemma associated with these decisions and unlike their counterparts (i.e., risk takers) they fail to recognize that the decisions are unethical in nature.

## **LIMITATIONS**

The definition of what is, and what is not considered ethical in business, continues to evolve and varies by industry and culture. For example, in the pharmaceutical industry, taking a client out to dinner is widely recognized as an

ethical violation, whereas in the legal practice, client-practitioner dinners are the norm. Here, insights into individual decision making could be further extended, offering insights into whether companies should implement policies that explicitly state what is “right” or “wrong” on a wide array of ethical issues, to avoid individual misinterpretation of what is and what is not ethical. Similarly, what is considered to be ethical business in one country, may be highly frowned upon in another. As research shows that organizational culture is one of the key influences in driving ethical or unethical behavior (Trevino & Nelson, 2004), future studies may need to consider the role of psychographics within other contexts, including other business setting, cross-culturally, and globally.

Clearly, unethical behavior is not restricted to one group, as any group may be more or less inclined to make unethical decisions. Although demographics have long been studied as correlates of ethical decision making, mixed results have been found in the literature. For example, regarding the effects of age and gender on ethical decision making, some studies show that age and gender fail to have a significant effect on ethical decision making (e.g., Callan, 1992) whereas other studies have shown significant effects. Therefore, future research can consider the role of demographics in ethical business decision making.

Lastly, future research can pay more attention to how ethical decision making is related to the decision maker’s unique circumstances. For example, to what degree will individuals justify and rationalize their unethical behavior if they believe that they themselves have been the target of unfair actions? Schweitzer and Gibson’s (2008) study on the effect of perceived fairness (i.e., violation of community standards of fairness) on ethical behavior found that individuals who were offered an explanation that violates community standards of fairness (e.g., merchant admitting to price gouging) are more likely to engage in unethical behavior than individuals who were offered an explanation that does not violate community standards of fairness (e.g., merchant made general price increase). As such, the effects of such experiences and self-perceptions on the propensity of managers to make unethical business decisions requires further research.

## CONCLUSION

Often times in business, making the “right” decision is not a clear-cut matter. There is usually a great deal of ambiguity and complexity involved, as to what is ethically “right” or “wrong”. Recognizing that ethical decisions are highly complex, and the right choice varies by both domain and circumstances, it is hoped that this research has provided a better understanding as to how to identify psychographic traits that play a role in an individuals’ propensity to behave ethically in a business setting. Managers, corporate trainers, and business educators, can consider these traits to identify areas of need, and offer tools that are uniquely tailored to individuals’ ethical training needs, to ultimately afford the firm a competitive edge, without compromising ethical principles or violating organizational policies and norms.

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## APPENDIX

### Decisions Used in the Business Simulation

1. You are considering giving the really shabby rooms to those customers that you deem will not be loyal/repeat guests in the future
2. You are considering cutting costs by instructing the cleaning staff to not wash towels that they think are clean enough
3. Your communications manager has discussed with you the possibility of using positive social media reviews of you to launch a social media campaign, mostly relying on 'anonymous' reviewers to boost your online ratings
4. You are considering the sale of web site usage information of your guests to a third-party marketing company
5. You are considering using legal loopholes to avoid having to hire a lifeguard (required by law in your state) for the swimming pool
6. You are considering an ad campaign that promises rooms with a great view (but most likely will not be able to provide such rooms when the guests eventually stay at your hotel
7. There have been several cases of bed bugs reported by your guests in the past three months. You have to decide whether you will reveal this to your state hotel industry regulator and to new guests coming to stay at your hotel.
8. The management at Hotel C have approached the management at Hotel B as well as you, to coordinate your marketing efforts with hopes of reducing the market share of Hotel D

During each simulation period, participants were given the option of engaging in an activity that would increase the hotel's profits. Each question would appear once in one of the quarters. The decisions are listed above in the order they appeared in the simulation.