

# “Conceptualizing the determinants of ethical decision making in business organizations”

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# CONCEPTUALIZING THE DETERMINANTS OF ETHICAL DECISION MAKING IN BUSINESS ORGANIZATIONS

## Abstract

Understanding the role of the determinants of the ethical decision making in business organizations has become increasingly appealing to the field of business ethics. Various ethical decision making models put more emphasis on a narrow set of determinants. In concert with other contextual factors, these determinants appear to drive the ethical decision making in business organizations. However, in the literature there seems to be room for a more holistic set of determinants, which can explain effectively and holistically the diverse ethical rationales underlying the decision making more effectively. In this paper, the authors set out several ethical models and extract the predominant determinants. After portraying the main literature, the authors conclude that the most recent models are based on the first generation of ethical models, which tend to be more theoretical than empirical. They note the lack of empirical research in this area, which can be explained by both the nature and the intricateness of business ethics. They find that empirical analysis, when it exists, tends to focus on specific variables. The authors highlight at the end of the paper the need for integrative ethical models, which tackle not only the "how" but also the "why" of ethical decision making.

## Keywords

business ethics, ethical decision making, business organizations, individual determinants, organizational determinants, ethical models

## JEL Classification

M10, L20, L21

## INTRODUCTION

In today's highly competitive business environment, ethical decisions seem to have an ever-growing importance. Sustainable growth of organizations depends not only on financial performance, but also on their commitment to protect their environment. This paper draws attention to the major approaches in the literature that have focused on the ethical decision making. The purpose is to understand how the different perspectives behind the main recent models of ethical decision making have considered the significant determinants of this construct.

Relying on different approaches, these models range from an agent-based orientation, where the agent is at the heart of the decision making process, to a virtue-based orientation or to a cultural one, where societal dynamics and/or organizational values have the greater impact on the decision making. Upon comparing these major approaches, we underline the specific determinants of ethical decision making, which eventually can be found also in the earliest predominant models suggested in this field. Based on these determinants, this study then emphasizes the dual categorization already prevalent in the literature. This study, first, reviews the major models of the emerging concept of ethical decision making. It then interprets their differences and similarities in tackling the main influences of decision making processes in light of the main determinants identified earlier.

# 1. REVIEW OF LITERATURE

## 1.1. Definition of ethical decision making

It is acknowledged that “the history of ethics in business is a long one, going back to the beginning of business” (De George, 1987, p. 201). However, business ethics as an “interdisciplinary academic field” (De George, 1987, p. 201) seems to have only recently emerged (Schwartz, 2007, p. 43). According to De George (1987, p. 203), it is only “[b]y 1985 [that] business ethics had become an academic field, albeit still in the process of definition”. One area of great interest in the literature of business ethics has been the ethical decision making, i.e. “the process by which a manager makes an ethical decision” (Ford & Richardson, 2013, p. 19). In fact, an increased research attention has been recently given to developing business models.

Various attempts to define the term of ethics can be found in the literature. For instance, ethics is referred to as whatever is right for humans (Donaldson & Werhane, 1993), or it can be perceived as “the system of moral values by which the rights and wrongs of behavior [...] are judged” (Rosenthal & Rosnow, 1991). On a parallel vein, it is asserted that a “set of moral principles or values should govern the actions” in the work place and decisions should be made “in accordance with accepted principles of right and wrong” (Ferrell & Gresham, 1985, p. 87).

A set of variables of ethical/unethical behavior was suggested by different authors who have developed theoretical models of the decision making process in the work place. The most recent models include the model for ethics struggle of Kaptein (2017), Svensson and Wood’s (2008) model of business ethics, Wood’s (2002) partnership model of corporate ethics, Geva’s (2000) phase model for moral decision making, and Robertson and Fadil’s (1999) culture-based model of ethical decision making. These prominent models, even though not exhaustive, highlight the major approaches in the ethics literature. In fact, they rely on the main set of determinants already identified in the earlier models suggested in this field, which include, among others, the general theory of mar-

keting ethics of Hunt and Vitell (1986, 1993, 2006), Rest et al.’s four-component model (1986), the Person-Situation interactionist model of Treviño (1986), the contingency framework of Ferrell and Gresham (1985) and the moral intensity model of Jones (1991).

The hypothesized determinants of the individual’s decision making can be divided into individual and organizational determinants. The first category, the individual perspective, includes determinants linked to the individual who is making the ethical decisions. The second category includes those related to the situation and to the general environment in which such decisions are made. We will refer to the latter category as the organizational perspective.

The following section starts by the models, which conceive the organization and its agents as the main battlefield of business ethics. The authors then examine the models, which take into account the role of external determinants such as the customers, the competitors, or the different cultural variables. This approach enables the reader to move from a central perspective to a much broader one.

## 1.2. Major approaches to business ethics

The literature of business ethics has elaborated certain models to cope with decision making processes in the business environment. Some approaches are agent-based focusing on the behavior of the agent as a decision maker. Other approaches suggest a virtue-based model. Yet other approaches are anchored on organizational values, or constructed upon societal dynamics or cultural differences.

### 1.2.1. *The battle for business ethics: a struggle theory*

This model is a virtue-based model. Kaptein (2017) requires a very specific virtue to ensure a successful struggle: combativeness. The author puts the concept of struggle at the heart of business ethics. He perceives every business organization as an ethical battlefield, where the interests of different stakeholders engender conflicting expectations.

The model for ethics struggle, firstly, proposes to examine the magnitude of struggles, which is determined via two factors. The first factor consists of the pressures and temptations exerted within the organization. The second factor resides in the ethics gap, which is the existing distance between the current situation and the ethical desired situation. According to Kaptein (2017), the bigger the ethics gap and the greater the pressures and temptations, the greater the struggle will be. He seems to suggest that the struggle itself is not necessarily something organizations or individuals should avoid. On the contrary, it is important to maintain an ethical environment.

Kaptein (2017) lays down the dimensions of an ethics struggle. A struggle might be defined by its object, which can consist either of fighting unethical behaviors, struggling to promote ethical behaviors, or struggling with ethical dilemmas. In addition, the location of struggle might vary. Such struggle might take place between individuals or within one individual. It can be located within an organization or involving various external stakeholders. Moreover, the duration and the intensity of a struggle can differ tremendously. Finally, the strategy deployed to deal with a struggle can also be very different from one situation to another.

The combativeness required for a successful ethical struggle characterizes both the individuals and the organization. At a personal level, individuals engaging in an ethical struggle should be equipped with the virtue of combativeness. The author gives seven elements to measure personal combativeness: 1) wisdom, 2) moral conviction, 3) self-control, 4) willpower, 5) moral courage, 6) confidence, and 7) skill. The first element is wisdom, which is related to the self-awareness people have about the existence of ethical rules. The second element resides in a strong moral conviction much needed to ensure an effective ethical combativeness. Self-control is the third characteristic of personal combativeness. In fact, the extent to which people are committed to their moral beliefs plays an important role when they face pressure and temptations. To refrain from engaging into unethical actions, people within the organization should be equipped with a very high self-control. Fourthly, the author adds willpower to the spectrum of virtues needed for combativeness. According to

Kaptein (2017), willpower “is the motivational strength to remain and become ethical” (p. 349). Amidst struggle, individuals may endure the fear of bearing the eventual cost of ethical behaviors. This is why moral courage is the fifth characteristic of personal combativeness. Courage does not imply the lack of fear but the ability to overcome fear. Furthermore, a successful and fruitful struggle needs confidence in one’s self-efficacy and ability to overcome ethical dilemmas. To engage in an efficient combativeness, confident people need skills to cope with the diverse ethical pressures of the business environment.

Alongside the individual level, the author perceives combativeness as a virtue that can be embodied at an organizational level. In fact, business organizations have been perceived as moral entities subject of ethical virtues (Kaptein, 2011). There are a total of seven characteristics describing the nature of organizational combativeness; 1) clarity, 2) role modeling, 3) achievability, 4) commitment, 5) transparency, 6) discussability, and 7) sanctionability. Since ambiguity and vagueness are a fertile field for unethical behavior, Kaptein (2017) erects clarity as the first characteristic of organizational combativeness. If the organization is not explicit about what an ethical behavior is and what is not permissible, managers and subordinates will not be stimulated to engage in an ethical struggle. The second element for organizational combativeness refers to the leadership of the managers acting as role models of combativeness. Ethical struggles require the deployment of resources. This is why achievability is the third characteristic of organizational combativeness. Achievability entails sufficient resources put at the disposal of managers enabling them to struggle effectively and consequently to behave ethically. The author adds the element of commitment to the organization as a fourth component of organizational combativeness. Undoubtedly, the more committed individuals are to an organization, the more likely they are inclined to struggle. The fifth characteristic of organizational combativeness resides in transparency. According to Kaptein (2017), “transparency or visibility refers to the degree to which (un)ethical behavior, and its consequences are observable to those who can act upon it” (p. 350). The sixth factor of combativeness is discussability, which is the extent to which the organization is open

to identify and discuss ethical struggles or dilemmas. Combativeness is not efficient if it is not consolidated by clear rewards and reprehension. Thus, sanctionability is the final characteristic of organizational combativeness. The likelihood of punishing unethical behavior or rewarding ethical actions is very important to stimulate effective ethical struggling.

The personal and organizational aforementioned factors will help ensure an effective ethical struggle. Such struggle is much needed to bridge the eventual ethics gap within the organization. At the end, the concept of struggle in essence stipulates an alternative, namely victory or defeat.

If the virtue of combativeness is at the center of the struggle theory elaborated in this model, others put the value of commitment as a pivotal concept for a model of corporate ethics.

### **1.2.2. A partnership model of corporate ethics**

This model perceives business organizations as centrifugal forces that build and spread ethical culture into the business environment. Wood (2002) puts the concept of commitment at the heart of a business model called partnership model of corporate ethics. Establishing an ethical culture within the organization starts with the mutual “commitment to and from the staff and shareholders” to ethical standards (p. 64). Such commitment should be shared by all hierarchical layers of the organization. In fact, a one-sided unilateral commitment will hinder the implementation of an ethical culture. A mutual commitment is crucial. Wood (2002) evokes the commitment of business organizations to an “ethical covenant” whereby the management and the employees will abide by an ethical culture at all times (p. 65).

The second stage consists of implementing practical measures helping the employees of the organization to understand and internalize the ethical expectations assisting them in the compliance process. Thus, the second type of commitment is a commitment to ethical organizational artefacts. Such ethical safeguards should be implemented at different stages. When selecting employees, the company should be filtering candidates according to their ethical beliefs that should be in line with

the pervasive organizational ethical culture. The staff induction phase is another occasion where the management can inculcate the organizational ethical expectations to the newly recruited employees. The establishment of codes of ethics is an important organizational artefact that reflects the ethical culture of the organization. These codes should address eventual internal ethical challenges within the organization, as well as external ethical considerations related to external agents such as suppliers, competitors, and clientele. Wood (2002) suggests further that in order to implement corporate values promoted in codes of ethics, the appointment of a corporate ethics committee is a fundamental practical manifestation of the commitment to an ethical corporate culture. In addition, conducting ethics audits is important to monitor the ethical compliance of staff and management.

The commitment to ethical organizational artefacts ensures the implementation of the ethical ethos into the corporate business cycle of the organization. The final stage of commitment involves external stakeholders. According to Wood (2002), the commitment to ethics in the marketplace will enable the company to have an ethical impact on the business community. Being committed to an ethical culture naturally entails maintaining ethical relationships with customers and suppliers. The author argues for a bilateral cooperation between the organization and the government that would construct a shared ethical culture at a societal level. Such collaboration is also needed with competitors, which are traditionally perceived as fierce opponents. Formal and informal partnerships are encouraged between business organizations (Wood, 2002). Finally, a genuine commitment to ethics in the marketplace will imply consideration of all external stakeholders in the decision making process of the organization. At the end, the author advocates the need for a genuine paradigm shift from an adversarial approach to a partnership one. Business is a partnership with all the stakeholders of the society (Wood, 2002).

The commitment to an ethical corporate culture might be perceived and implemented differently by different stakeholders. This is why some authors take into consideration the different perceptions of societal expectations when elaborating a model of business ethics.

### 1.2.3. A model of business ethics

The model of business ethics, according to Svensson and Wood (2008), is perceived as a transformative and dynamic process in which society expects, businesses perceive and incorporate ethical expectations, and community evaluates reshaping societal expectations.

Via its actors, the society expects organizational values, norms, and beliefs. Business organizations perceive these values and incorporate such norms and beliefs into their different relationships with shareholders, staff, customers or competitors. The interpretation and the implementation of societal expectations entail outcomes, which will be assessed by the society. To close the loop, society evaluation will affect societal expectations by establishing for example higher barriers for ethical behaviors (Svensson & Wood, 2008).

The first factor reflecting the expectations of a society is the existing legislations and regulations that govern business transactions. Laws within society determine to a large extent the acceptable business behavior. In addition, Svensson and Wood (2008) mention lobby groups as a catalyzer of the expectations of the society. What is currently known under the denomination of paradise papers scandal is a perfect illustration of coordinated lobbying endeavors. An international consortium of investigative journalists reveals fiscal evasion of multinational corporations and a fraudulent array of offshore schemes. By doing so, lobby groups shape public opinion and play a significant role in modeling the ethical expectations of the national and international communities. Furthermore, Svensson and Wood (2008) perceive business organizations as “agents of environmental and societal change” (p. 308). Organizations are not only generators of economic added value, but they are also expected to shape the social environment they evolve in. In addition, the authors assert that expectations are fashioned by many other factors such as the increased level of education and the power of media.

The second stage of this business model resides in incorporating society’s expectations into their horizontal and vertical relationships. According to Svensson and Wood (2008), leadership and

staff relationships should reflect a corporate ethical culture. For example, employees should not be led to engage in unethical behaviors to achieve organizational goals or requirements. Ethical standards should also guide the company when dealing with its shareholding. For instance, all shareholders should be equally treated regardless of their contribution to the capital. The ethical culture of the organizations should also subsume supplier relationships, customer relationships, and competitor relationships making business organizations active agents in advancing and promoting ethical culture in the business environment. The way businesses perceive societal ethical expectations and incorporate them into their diverse business relationships will engender tangible outcomes such as financial profits or corporate social responsibility.

The third stage of the model of business ethics consists of evaluating the action of corporations. The members of society will be assessing the performance and the ethical behavior of businesses. The authors list a number of criteria that the society uses to evaluate businesses. Society evaluates first the performance of the company by looking at its economic outcomes. Did the company make enough profit? By itself, such question is important in a model of business ethics, because it implies that the pursuit of profit is perceived as good, important, and essential for future growth. Profit seeking in itself is not unethical. However, how profits are generated reflects ethical concerns and thus raises questions regarding the behaviors of corporations. Therefore, the second criterion society looks at is the law-abiding behavior of businesses. Are companies violating established laws and regulations to make profit? Lawful behaviors are not sufficient, because the scope of what is legal does not always coincide with ethical standards and behaviors. Consequently, the third factor society examines is the corporate citizenship of business organizations. Society evaluates social and ethical awareness and engagement of businesses. Are organizations contributing in making the society a better place? How are corporations contributing to the wellbeing of the society? In addition to corporate citizenship, the authors set forth a very significant criterion for today’s businesses: fiscal evasion. Fiscal optimization schemes can lead corporations to elude paying taxes to the

community they are benefiting from. The question to this regard is to examine whether businesses are paying a fair and equitable contribution helping to maintain the society they are functioning in. The fifth element put forth by the authors is related to environmental considerations. Are companies environmentally friendly? Are they pursuing profit at the detriment of environmental concerns? Another societal consideration is related to staff retention. Are corporations practicing social dumping, “downsizing and outsourcing?” (Svensson & Wood, 2008, p. 317). Another factor society could look at resides in the quality of products offered by businesses. Are companies marketing and selling harmful products detrimental to consumers’ health? In this regard, the VW diesel gate scandal can be a relevant illustration in our modern day and age.

The aforementioned model of business ethics depicts the societal transformations that affect decision making at the organizational level. However, the ethical decision making can be analyzed on a more personal level too. This is why some authors propose a model where the agent as an individual is at the center of the decision making process.

#### **1.2.4. Moral decision making in business: a phase model**

Geva (2000) sets forth a phase model for moral decision making based on three phases. The ex-ante definition of a moral problem given by the author is of great importance. Not every dilemma constitutes an ethical issue that requires the implementation of an ethical model. The author conjugates two variables to define a genuine moral problem, namely motivation and uncertainty. By establishing an uncertainty versus motivation grid, the author presents situations where an ethical model is not applicable. For example, when a person has no doubts about what the right thing is to do, but he/she is finding it challenging to fulfill his/her clear moral obligations, the problem is a compliance problem. In an organization where accepting bribery in the form of gifts is common, a new employee will be facing a compliance problem. Furthermore, when motivation to abide by moral standards is low, but there are doubts on what exactly ought to be done, the real problem resides in moral laxity. Conversely, according to

Geva (2000), a genuine moral problem is characterized by a high motivation to do what is right coupled with serious doubts about what ought to be done.

The three phases of this model are preceded by an introductory phase in which the author emphasizes the importance of framing the ethical issue. Before tackling the ethical dilemma itself, the author suggests to assemble relevant facts about the problem identifying eventual alternative courses of action weighing their corresponding costs and benefits reflecting on their feasibility and outcomes.

The first phase of this model entitled “principle-based evaluation” (Geva, 2000, p. 785) is an assessment based on act-centered theories of business ethics as opposed to agent-centered theories. In this normative phase, the author suggests to apply universal principles to practical ethical dilemmas. Utilitarianism, deontology, and justice are ethical theories that place the nature of the act at the heart of the ethical evaluation. The first test, “practical inference” (Geva, 2000, p. 786), is a deductive approach consisting of verifying whether the purported act can be justified according to a utilitarianism approach, deontological approach, and the standards of justice. However, in most cases, the application of these ethical principles will lead to antithetical recommendations. To overcome such contradiction resulting from the ethical dilemma, the author proposes a balancing operation. The balancing consists of weighing the different ethical norms, which may lead to contradictory outcomes. The ethical dilemma can be resolved if a priority can be established among the different ethical norms.

In addition to the aforementioned normative phase, which defines the what of the moral behavior, the author suggests a second phase defining the how of “forming internal moral relations between organizations and members” (Geva, 2000, p. 788). General ethical principles seeking to evaluate the rightness of a casuistic behavior cannot always resolve an ethical dilemma. To remedy this problem, the author suggests this second phase, which is entitled the virtue-based solution. Contrasting with an act-centered ap-

proach, this second phase focuses on the agent of the moral behavior. The moral agent is the focal point of this virtue ethics phase. The author erects virtue as a means to apprehend ethical dilemmas that cannot otherwise be solved using the principle-based phase. A virtuous individual will be able to implement innovative and creative strategies in order to overcome unresolved ethical dilemmas. The concepts of moral imagination and creativity will come to the assistance of the decision maker to surpass the contradicting paralysis of the normative phase. For instance, if a decision maker needs to choose between two competing proposals for funding, both having equal merits, then a creative ethical strategy would consist of sending the proposals back to their authors soliciting a second submission. The author acknowledges at the end of phase two that a virtue-based approach cannot address all ethical dilemmas. Therefore, Geva (2000) asserts the need for a third phase.

If an ethical decision did not surface from phases one and two, the author sets forth this third phase, entitled contract-based decision, for the ultimate solution to emerge. When particular ethical behaviors cannot be deduced from the direct application of universal ethical principles, the author uses the notion of social contract to legitimize a particular social behavior in a given space and time. The example given by the author is a conflict of interest created when employees accept gifts in their course of work. To assess the ethical character of accepting or refusing gifts in any given company, phases one and two are insufficient. The moral agent should apply the criterion identified in phase three, namely the "concept of social contract" (Geva, 2000, p. 794). In fact, a given community consents and agrees on what constitutes an acceptable moral behavior. Such shared standards of behavior, through social contract, entail a morally binding duty. In this third and last phase, the moral judgment is translated into an ethical choice reflecting the common shared ethical standards of the community.

This specific model does not take into account the cultural dimension in the process of decision making. However, cultural differences can also affect the ethical decisions within the organization.

#### **1.2.5. Ethical decision making in multinational organizations: a culture-based model**

Robertson and Fadil (1999) propose a culture-based model of ethical decision making. What is original in their model is the interrogation made by the authors: "are there specific cultures that create different ethical climates which encourage or discourage what is generally considered ethical behavior?" (p. 386). The authors attempt to explain how cultural differences impact the ethical decision making processes of individuals.

The first phase of this model is based on a cultural dichotomy opposing individualism to collectivism. The first proposition of the authors resides in asserting that cultural individualism and collectivism impact ethical decision making of managers. Referring to the work of Hofstede (1980, 1984), individuals in individualist cultures are primarily egocentric people pursuing their own interests. On the other hand, individuals in collectivistic societies belong to collectivities. Such communities or ingroups will protect their members in return of their loyalty. According to Robertson and Fadil (1999), such cultural dichotomy will influence the values and the conceptions of ethical and unethical behaviors.

The second phase of their model is adopted from Lawrence Kohlberg theory (1969), which is related to moral development. Kohlberg moral development theory asserts that individuals mature morally via three levels of moral development. Individuals at the preconventional level seek to satisfy immediate self-interests. They abide by the rules to avoid personal detrimental consequences. Individuals at a conventional level learn to abide by societal expectations and laws as defined by the community. In the postconventional level, individuals acquire the highest level of moral maturity. People in this level abide by internalizing and adopting the moral foundations of the community they are living in.

Using the categories of the first phase, Robertson and Fadil (1999) state that managers belonging to collectivistic cultures are situated at higher levels in Kohlberg's stages of moral development than the managers of individualistic background. Such a cultural determinant is also affected by the ex-

tent to which individuals are exposed to education and ethical training. Consequently, another proposition suggested by the authors consists of claiming that constant exposure to education and training will positively impact managers' moral development. An additional constituent of the culture-based model is adopted from Jones' (1991) issue-contingent model. The authors agree to incorporate to their model the foundation of Jones' ethics model, namely the factor of moral intensity. The ethical judgment and the behavior of the decision maker are impacted by the moral intensity of the ethical dilemma.

In the final phase of this model, the authors base their propositions on the moderating effects established by Treviño (1986) in her Person-Situation Interactionist Model. In fact, individual moderators such as ego strength and locus of control, affect the individual ethical decision making. In addition, Treviño suggests that situational variables such as work environment, corporate culture and job characteristics impact the decision making process within the organizations. The main contribution of Robertson and Fadil (1999) to the existing categories resides in the national cultural dimension and its impact on the moderating variables. According to them, individual and situational variables, which moderate and impact ethical behavior, are influenced and shaped by the national culture of decision makers.

Finally, the authors conclude their culture-based model with a consequentialist moral reasoning. Teleological theories affirm that the consequences of a behavior are more important than the conception of what is morally right and wrong. In this regard, the authors highlight two fundamental consequentialist approaches establishing a direct link between ethical decision making and national culture. After briefly describing ethical egoism and utilitarianism, Robertson and Fadil (1999) establish an ethical behavioral correlation noting an influence of individualism and collectivism on the process of decision making. The authors stipulate that managers belonging to individualist cultures are more likely to adopt an ethical egoist approach when dealing with ethical dilemmas. On the contrary, managers belonging to collectivistic environment are more likely to adopt a utilitarian approach when resolving an ethical dilemma.

### 1.3. Individual determinants in ethical decision making

Individual determinants range from personal attribute factors (e.g. nationality, sex, age, etc.) to human development and socialization factors (e.g. personality, attitudes, values, education, religion, employment, etc.). "These factors, then, represent the sum total of the life experiences and circumstances of birth that a particular individual brings to the decision making process" (Ford & Richardson, 2013, p. 20). The most prevalent individual determinants are those represented in Treviño's (1986) model among others and constitute of 1) locus of control, 2) ego strength, and 3) field dependence.

#### 1.3.1. Locus of control

Rotter's (1966) construct of locus of control suggests that individuals see the world events as either the results of their behaviors or the results of external forces such as luck, fate, etc. In fact, Rotter describes two orientations for locus of control. While internally-oriented individuals perceive their lives' events as the result of their own effort, external forces would dictate events of externally-oriented individuals' lives.

The business ethics literature establishes a link between locus of control and ethical judgments and behaviors. For example, Jones (1991) suggests that based on the internal-external orientations, the locus of control affects differently the individuals' "beliefs and judgments about ethical behavior" (p. 382). Therefore, an individual's locus of control would affect how this individual identifies a moral issue. Treviño (1986) includes the locus of control as a scale that would measure to what extent an individual relies on his/her own beliefs to determine right from wrong. She reports that individuals with an internal locus of control have higher levels of cognitive development and are more apt to do what they think is ethical. Hegarty and Sims (1978, 1979) establish a significant relation between external locus of control and unethical behaviors (i.e. paying kickbacks). Similar findings are asserted by Terpstra et al. (1991) who found that there is a direct influence of the locus of control on the ethical behavior and decision making.

### 1.3.2. Ego strength

Another personality characteristic that would affect the ethical judgment and behavior is the ego strength. Ego strength refers to possessing strong convictions, being courageous and persistent. In this regard, ego strength helps to overcome impeding challenges (Nucci & Narvaez, 2008). Treviño (1986) introduced ego strength in her model as a determinant of ethical decision making. She asserts that individuals with high ego strength “are expected to resist impulses and follow their convictions more than individuals with low ego strength” (p. 609). On a similar note, Rest et al. (1986) suggested that the intensity of the ego strength affects differently the individuals’ beliefs and judgments about ethical behavior. An individual with a high ego strength is likely to have stronger ethical beliefs and convictions than a low ego strength individual. Likewise, many studies have examined the effect of ego strength on individual ethics and reported a positive relationship between ego strength and the strength of the individual’s own beliefs when making an ethical decision. For example, Leonard and Cronan (2001) have reported that ego strength affects individuals’ beliefs, judgments, and intent positively. More recently, Kaptein (2017) in his model for ethics struggle refers to the strong moral conviction, the self-control, and the moral courage as main characteristics for ethical combativeness.

### 1.3.3. Field dependence

Field dependence is defined as individuals’ reliance on external referents to guide them through ambiguous situations, as opposed to reliance on internal sources of information, such as peoples’ own logic, standards or values. Thus, field dependent individuals make their ethical decision according to others’ standards, whereas field independent individuals make their decisions according to their own standards regardless of the context in which these decisions are being made. The construct was first proposed in 1962 in the field of cognitive psychology (Witkin et al., 1974). It was asserted that the interpersonal behavior of individuals differs according to field-dependent or field-independent cognitive style. Field independent individuals are autonomous when dealing with ambiguous situations. They are sensitive and they show interests toward others (Witkin & Goodenough, 1977).

Treviño (1986) introduced this construct to the field of organizational ethics. She asserts that the field dependence determinant is relevant for moral decision making because of the ambiguity of situations that usually requires an ethical judgment. Treviño concludes that “[i]n ambiguous situations, the actions of field dependent individuals will be more consistent with the information provided by the external social referent than will the actions of field independent individuals” (p. 610). Various theoretical models mention field dependence as an important variable. However, no cited empirical studies attempted to measure the impact of such factor on decision making.

## 1.4. Organizational determinants in ethical decision making

It is commonly acknowledged in the literature that, in addition to individual’s personal attributes, variables external to the individual would affect the ethical decision making. For example, the general theory of marketing ethics of Hunt and Vitell (1986, 1993, 2006), presupposes four different categories of variables which affect the process of decision making. Combined with the personal characteristics of the decision maker, these categories are; (1) cultural environment, (2) professional environment, (3) industry environment, and (4) organizational environment. Similarly, Treviño (1986) tends to capture in her model “the important interfaces among individual and situational variables” (pp. 601-602).

It is worth noting however, that the findings of the available empirical studies which have sought to test some of these factors are rarely conclusive, if not in some cases contradictory.

### 1.4.1. Referent group influence

Treviño (1986) states that referent others significantly influence the ethical decision making in organization. Therefore, ethical behavior of the members of organizations can be shaped through the “organization’s choice of heroes and heroines” or through working on modifying “the attitudes and behaviors of the employee’s referent other(s)” (p. 612).

Moreover, Ferrel and Gresham (1985) consider significant others, whether external or internal

to the organization, as “a contingency variable in individual decision making” (p. 90). In doing so, the authors define significant others by suggesting an explanation based on the differential association theory (Sutherland and Cressey, 2006) and the role-set theory (Merton, 1957). In fact, Ferrel and Gresham (1985) state that “[i]ndividuals do not learn values, attitudes, and norms from society or organizations but from others who are members of disparate social groups, each bearing distinct norms, values, and attitudes” (p.90). While this theory assumes that behavior is influenced by one’s peers rather than one’s superiors, the authors add that identifying the referent others is central to the application of this theory. In other terms, it is essential for the authors to consider the role and authority of the significant others in the decision making process. They support their statement by analyzing the empirical studies showing impact of superiors on the ethics of their subordinates. This analysis highlights other factual elements that contribute to such impact. The role-set theory would thus be relevant depending on specific situations, i.e. the organizational distance between the referent others and the focal person. In addition, the amount of legitimate authority that exists between referent others and the focal person is to be taken into consideration.

#### 1.4.2. *Obedience to authority*

The ethical decision maker could let go of his or her own values and standards and go along with instructions set by a higher authority. For example, Treviño (1986) asserts that the culture’s definition of authority relationships shapes the ethical behavior. Relying on the Miligram-type obedience studies, she further states that “in organizations where legitimate authority is an accepted tenet of the work setting, most individuals are expected to carry out the orders of those with legitimate authority, even if those orders are contrary to the person’s determination of what is right” (p. 612). Enhancing

moral actions would therefore require promoting accountability at all levels of the organization. In our sense, the personal characteristics of the decision maker play a significant role in determining somebody’s actions. We think obedience to authority is more likely to happen when the decision maker is not enough internally oriented and confident in his or her own values and strength.

## 2. GENERALIZATION OF THE MAIN STATEMENTS AND DISCUSSION

It is evident from the pertaining literature that predominant works of well-known authors like Rotter, Treviño, and Jones lay the foundation of most current models. This provides convenience in elaborating and comparing models, i.e. the models highlighted in this paper rely on the same set of determinants initially suggested by the pioneers of this area, namely the individual and organizational determinants in ethical decision making.

Secondly, there is a substantial emphasis in the current literature on more theoretical models. The insufficient number of empirical studies can be justified by the nature of ethics, but it also clearly points to a potential area of future research.

Furthermore, existing empirical studies seem to cover certain set of variables profoundly, whereas this extensive focus leaves out room for more holistic and integrative approaches.

Lastly, ethical decision making has thoroughly been studied from a procedural perspective, the “how”. Whereas, the “why” can bring more substantive contribution and insight to our understanding of this construct.

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## CONCLUSION

Despite the development and proliferation of ethical concepts and theories in the field of management, we notice an increasing number of unethical behaviors in business practices. What calls for more attention is the fact that the wrongdoings of organizations not only affect businesses but also the people, the environment and the society as a whole. The impactful and drastic measures needed to address ethical

crises invite scholars, practitioners and the society alike to research and question the underpinnings of the ethical decision making. This conceptual paper attempts to convey two major deliverables. Firstly, it contemplates upon the major models of ethical decision making in business organizations in order to set out a fair understanding of the literature. Secondly, it outlines the most significant determinants of ethical decision making emphasized in the earlier seminal works. Based on the previously discussed suggestions for future research, a need clearly comes up for an integrative model of ethical decision making that takes into account “why” unethical decisions are made. This, in effect, may benefit the literature greatly and open the pathway for easier empirical studies to be conducted. We hope to open a deeper pathway into understanding ethical decision making and to stimulate further studies that may tap upon integrating these approaches.

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