Investigating the Process of Ethical Decision-Making:
How Moral Agency and Moral Identity Influence Moral Imagination

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Declaration

The following declaration page, signed by the candidate:

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This is to certify that: the thesis comprises only my original work towards the PhD except where indicated in the Preface, due acknowledgement has been made in the text to all other material used, the thesis is fewer than 100 000 words in length, inclusive of tables, bibliographies and appendices.

Preface

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Abstract

In four experiments, I investigate how moral imagination is enhanced or inhibited by the personal attributes of the decision maker and the characteristics of the environment within which the ethical decision is made. Specifically, I examine how moral identity and four kinds of moral agency that are derived from external sources (role autonomy, ethical organizational culture) and internal sources (power, moral efficacy) affect the degree of moral imagination in response to an ethical dilemma. Moral imagination is a creative form of ethical decision-making that requires decision makers to generate multiple alternative and novel courses of action, to apply multiple moral reasoning strategies, and to consider the consequences for multiple stakeholders.

Results show that people in an unethical organizational culture are more likely to generate a greater number of novel courses of actions than people in an ethical organizational culture; high power people are more likely to use a greater number of moral reasoning strategies to determine the least likely course of action, and to consider the consequences for a greater number of stakeholders than low power people; and high moral efficacy people are more likely to generate a greater number of initial actions, and to consider the consequences for a greater number of stakeholders than low moral efficacy people. Moral identity (symbolization) moderates the relationship between role autonomy and the number of moral reasoning strategies used to determine the most likely course of action; moral identity (internalization) moderates the relationship between an organizational culture and the number of novel actions generated and the number of stakeholders considered; and moral identity (internalization) moderates the relationship between moral efficacy and the number of initial actions generated in response to an ethical dilemma. The moderating effect of moral identity internalization and symbolization on the relationship between moral agency (role autonomy,
organizational culture, moral efficacy) and some dimensions of moral imagination are stronger for low moral identity people than high moral identity people.

I gained three overall insights into the individual and situational factors that shape the process of ethical decision-making. The first insight is that some, but not all sources of moral agency directly affect, or interact with moral identity to affect, the degree of moral imagination in response to an ethical dilemma. A potential boundary condition for the effect of moral agency on moral imagination is the extent to which moral agency provides information about moral standards (i.e., contains moral content), and provides information about the agent’s behavior in relation to those moral standards (i.e., contains a feedback mechanism). The second insight is that the moderating effect of moral identity on the relationship between moral identity and moral imagination is stronger for people with low rather than high moral identity. In other words, the experience of moral agency (e.g., organizational culture and moral efficacy) is more effective at increasing the level of moral imagination for people who do not define themselves as moral (i.e., low moral identity) than people who already define themselves as moral (i.e., high moral identity). The third insight is that moral agency (e.g., organizational culture and moral efficacy) and moral identity have a greatest impact on the dimensions of moral imagination that require a person to generate multiple alternative and novel courses of action, and to consider the consequences for multiple stakeholders.
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CHAPTER 1

The global business environment in which organizations operate has undergone significant social, financial and environmental transformation. The effects of the Global Financial Crisis have led to increased regulation of innovative financial practices, and the effects of global warming have led to increased regulation of emission of greenhouse gases. In addition, rapid advances in digital technology have provided greater access to information that can be used to integrate markets and facilitate global business practice. Such transformations have imposed difficult moral challenges for decision-makers, including greater scrutiny over individuals’ actions, consideration of a greater number of stakeholders, more demands for transparency, the necessity for organizations to work across competing governmental and legal systems, and the need to operate across different cultures with diverse sets of values (Hannah, Avolio, & May, 2011). To address these challenges organizations need to understand the individual and situational factors that shape the ethical decision-making process.

A recent review of the empirical research on descriptive ethical decision-making demonstrates that researchers are committed to understanding individual, task and organizational factors that influence ethical decision-making (Craft, 2013). Craft’s (2013) review extended previous literature reviews by O’Fallon and Butterfield (2005), Loe, Ferrell and Mansfield (2000), and Ford and Richardson (1994), and synthesized a further 84 articles, adding to the previous total of 470 articles. In addition, a recent meta-analysis investigating the antecedents of unethical choice at work, presenting cumulative data from 136 independent samples drawn from a 30-year period, demonstrated the ongoing commitment to research in the domain of behavioral ethics (Kish-Gephart, Harrison, & Treviño, 2010).
Organizational decision-makers demonstrate a growing awareness of the opportunities associated with ethical decision-making and the risks associated with unethical decision-making. Organizations that incorporate ethical perspectives in their decision-making have an opportunity to create a competitive advantage and maintain long-term stakeholder engagement. These opportunities have arisen because a variety of stakeholders are now demanding that organizations operate in an ethical manner. A range of initiatives indicate a positive shift in attitudes towards business ethics. The establishment of the Dow Jones Sustainability Index and the United Nation’s Sustainability Stock Exchange reflects the belief among analysts and investors that ethical decision-making is good for business and can support stable global long-term economic growth. Widespread implementation of initiatives within organizations that promote and reward ethical decision-making (e.g., codes of ethical conduct and the incorporation of ethical standards in performance reviews) also indicates that directors and managers see ethical decision-making as an important prerequisite for organizational health and vitality, spurring innovation and mobilizing employees.

Unethical decision-making exposes organizational stakeholders to high levels of risk, negatively impacting an individual’s health and safety, and the organization’s reputation, its balance-sheets and its ability to attract high-quality managers and directors. As the impact of digital media increases, transgressions of ethics by organizations are instantly visible through social and mainstream media, and are more transparent to the community. To mitigate this risk, organizations are placing ethical policies at the very core of corporate governance. Organizations advise shareholders on how well they uphold corporate governance standards, while external regulatory bodies ensure standards are upheld by administering penalties when ethical breeches occur.
Despite the opportunities and risks associated with ethical and unethical decision-making, corporate scandals still occur, with far-reaching negative consequences for individuals and society. Can we attribute unethical decision-making in organizations, or the failure to solve complex ethical problems to the effects of individuals “bad apples,” the organizational environment “bad barrels,” or the interaction of individual dispositions and context? Cumulative data suggests that a high degree of complexity underlies unethical choice, that there are multiple sources of influence on unethical decision-making, and that individual and organizational variables interact to influence decision outcomes (Kish-Gephart et al., 2010). Accordingly, my goal is to gain insight into the individual and situational factors that help individuals and organizations discover novel and innovative solutions to complex ethical problems. In particular, the ability to generate multiple courses of action, apply multiple moral reasoning strategies, and consider the consequences for multiple stakeholders, in response to an ethical dilemma. To achieve this goal, I focus on the role of moral imagination in the ethical decision-making process.

Interest in moral imagination as a special case of ethical decision-making has attracted an increasing amount of attention in behavioral ethics research. The research has provided insight into the antecedents and outcomes of moral imagination in organizational settings (Caldwell & Moberg, 2007; Moberg & Seabright, 2000; Werhane, 1998, 1999, 2002; Yang, 2014). Despite these advances, more empirical research is required to investigate how moral imagination is measured and to understand the individual and situational factors that interact to influence it. The research conducted in this thesis aims to build on the previous measures of moral imagination and to conduct empirical research on the process of ethical decision-making as it relates to moral imagination as well as the individual and organizational factors that affect this process. The remainder of this chapter introduces the research model. It describes each component and explains the dynamics and expected relationships.
As illustrated in Figure 1.1, the research model has three main components. Moral agency is the antecedent, moral identity the moderator, and moral imagination the outcome variable. In broad terms, the expected relationship between the three components of the model is as follows: a high level of moral agency increases moral imagination, while a low level of moral agency decreases moral imagination. I also expect that moral identity moderates the relationship between moral agency and moral imagination. Specifically, I expect this relationship to be stronger for individuals with low moral identity than for individuals with high moral identity.

Moral imagination is a specialized form of ethical decision-making that influences a person’s moral motivation and performance. Specifically, moral imagination improves the ethical decision-making and problem solving process by emphasizing the need to generate more rather than fewer courses of action, apply more rather than fewer moral reasoning strategies, and consider more rather than fewer stakeholder perspectives when solving ethical dilemmas. Such qualities help the decision-maker overcome bounded rationality (i.e., limitation in information processing capabilities, time, and knowledge) and bounded
ethicality (i.e., the tendency to view oneself as a moral person and to behave in ways that are inconsistent with actual ethical preferences).

Moral imagination facilitates “sounder” moral judgment because it does not prescribe the use of a particular normative approach to decision-making. Moral imagination requires decision-makers to exhibit flexibility in their use of criteria when judging the moral status of an act, helping to account for the multifarious and often conflicting factors at play in moral situations. Such qualities are representative of a pluralist conception of morality. Pluralism accepts different moral convictions and backgrounds, and argues that no one moral reasoning strategy (i.e., no single ethical theory) can provide the true or best view of an ethical dilemma. At the same time, it argues that a consensus on basic principles and rules, in a certain social context can, and should, be reached. A pluralist approach is therefore also a pragmatic approach to ethical decision-making in business contexts, because ethical decision-making is predominantly consensual and generally involves multiple stakeholders. Rather than using limited reasoning strategies governed by partial perspectives (e.g., rule-based concerns) a decision-maker can clarify different moral presuppositions and values of the various organizational stakeholders (Crane & Matten, 2010; Kaler, 1999).

Moral imagination is distinct from other forms of ethical decision-making because of its relationship to creativity. Creativity is defined by Sternberg (1999) as the ability to generate ideas that are original and unexpected, as well as useful or important. Moral imagination involves the ability to generate practical ideas and to discover novel and innovative solutions to complex ethical problems that involve multiple stakeholders, but also the ability to deliberate on what is right in a specific context (Werhane, 1998, 1999).
Despite the recognition that moral imagination is a creative form of moral reasoning (Gioia & Thomas, 1996), little research has investigated the factors that influence moral imagination. Here, I use four experiments to investigate whether a decision-maker’s imaginative capacity to generate multiple courses of action, apply multiple reasoning strategies and consider the consequences for multiple stakeholders, is not just a function of their creativity, but is enhanced or inhibited by the individual’s sense of moral agency (derived from internal and external sources), and the personal attributes of the decision-maker (moral identity).

Agency is the organizing principle of my research model. It is the capacity for self-directness, enabling people to have a hand at determining the course their lives take (Bandura, 1986). It can be derived from a variety of sources, and operates through a range of self-regulatory mechanisms to influence behavior. Agency can be applied to many life domains, including the moral domain. Moral agency provides self-direction when managing ethical dilemmas, giving people the power to exercise control over the nature and quality of their moral judgment and behavior, evaluated against personal moral standards and situational circumstances.

Agency is central to the moral domain because agentic action (i.e., intentional behavior) is necessary for a person to be judged morally responsible. It is also important because agency fosters a sense of ownership and responsibility when accountable for decision outcomes, thus triggering self-regulatory mechanisms that inhibit unethical behavior. Finally, agency fosters creativity and innovation when solving problems that are ambiguous, or outcomes such as ethical dilemmas that often require novel solutions to reach consensus between multiple stakeholders with conflicting moral values or convictions (Bandura, 1999).
As shown in Figure 1.1, the research model will investigate how four forms of moral agency derived from two broad categories; internal sources of moral agency (role autonomy, organizational culture), and external sources of moral agency (power, moral efficacy) and an individual’s attribute (moral identity), affect the degree of moral imagination. Role autonomy is a delegated form of authority and personal discretion when carrying out a role. Organizational culture is the formal and informal social systems (e.g., norms) that control behavior among an organized group of people. The psychological experience of power is the asymmetric feeling of control over important or valued resources. Moral self-efficacy is the belief in one’s capacity to work through an ethical dilemma.

Although moral agency provides individuals with the capacity for self-direction and volitional action, it is governed by the self-regulatory processes including self-evaluations (e.g., “Am I a good person?”) and a sense of self-consistency (e.g., “What action is most in line with my beliefs about myself?”). Thus, the extent to which agency has beneficial effects on ethical decision-making depends on the interaction between agency and the characteristics of the individual, in particular, those aspects of the individual that relate to the self-system, such as a person’s moral identity (Bandura, 2002).

Moral identity is a self-definition, or self-conception (Erikson, 1964) centred on the moral aspects of the self (Bergman, 2002). Research demonstrates that moral identity positively influences ethical judgment, intention and action (Aquino & Reed, 2002). A moral identity is characterized as one in which moral traits are a deep and relatively stable part of a person’s self-concept or self-schema (i.e., internalization of moral identity), and in which these traits are manifested in action (i.e., symbolization of moral identity) (Aquino & Reed, 2002). Drawn from a social cognitive understanding of the self (Bandura, 1997; Kihlstrom & Klein, 1994) and related to social identity theories (Tajfel, 1959; Tajfel, 1979), moral identity
is theorized as a knowledge structure with cognitive content that provides readily available schemas for processing information and formulating, and guiding and evaluating courses of action. Therefore, when moral identity is central or self-defining to a person, knowledge about morality is highly accessible and elaborate, and the, moral identity is more likely to influence behavior in any situation than when such identity is not self-defining (Aquino & Reed, 2002; Blasi, 1983; Youniss & Yates, 1999).

Following this line of argument, in response to an ethical dilemma, I expect that individuals with high moral agency will display higher levels of moral imagination; that is, will (a) generate more initial courses of action, (b) generate more novel courses of action, (c) use a greater number of moral reasoning strategies to determine the most likely action, (d) use a greater number of moral reasoning strategies to determine the least likely action, and (e) consider the consequences for a greater number of stakeholders, than individuals with low moral agency.

In addition, I expect that moral identity will moderate the relationship between moral agency and moral imagination, Specifically, the relationship between moral agency and (a) the number of initial courses of action, (b) the number of novel actions, (c) the number of moral reasoning strategies used to determine the most likely action, (d) the number of reasoning strategies used to determine the least likely action, and (e) the number of stakeholders considered, will be stronger for individuals with low as opposed to high levels of moral identity.

The next chapter will begin an in-depth analysis of the theoretical model. First, it will discuss how general decision-making models have advanced over time from reviewing models of rationality to bounded rationality and the inclusion of more complex configurations
of individual and situational variables as well as dual-processing models, it will conclude this section by considering strategies to improve general decision-making processes. Second, it will discuss ethical decision-making models including cognitive moral development, bounded ethicality, Rest’s four component model of ethical decision-making, and a synthesis that includes individual, task and situational variables, it will again consider strategies to improve ethical decision-making processes. Third, it will discuss problem solving models based on the argument that solving ethical dilemmas not only require ethical decision-making but also problem solving. Finally, it will discuss moral imagination a creative form of problem-solving and ethical decision-making as the dependent variable of the research model.
CHAPTER 2

The aim of this chapter is to place the research conducted in this thesis on moral imagination (the dependent variable in the research model) in the context of extant research in general decision-making, ethical decision-making and creative problem solving.

General decision-making and ethical decision-making involve the same primary components including the capacity to interpret information, select a course of action, and execute a solution to a problem. Based on the similarity of the underlying structure of decision-making, the models of general decision-making discussed in this chapter are those that are relevant to and offer strategies to improve ethical decision-making. For example, rational models of general decision-making relate to the cognitive development model of moral judgment, models of bounded rationality relate to models of bounded ethicality, and the social functionalist model and the person situation model integrate situational factors in the model of general and ethical decision-making, respectively.

However, there are differences between the general and ethical domain in terms of content, complexity and emotionality of the decision-making process. Ethical decision-making is focused on a set of encounters that bear on people’s core and often stable values and convictions. Ethical decision-making involves evaluative judgment factors that are more varied and complex, and elicit stronger and more intense affective self-reactions than the general domain (Bandura, 1991). Therefore, models of ethical decision-making that account for these factors and offer strategies to improve ethical decision-making are also discussed; for example, the four component model of ethical decision-making, the issue-contingent model of ethical decision-making, and the social-functionalist model of ethical decision-making that integrates the role of emotion (Type 1 cognition) and reason (Type 2 cognition) in the formation of moral judgement.
Ethical decision-making in organizations also requires problem solving, because alternative courses of action that offer solutions to the ethical dilemma are usually under specified. The models of creative problem solving that are discussed in this chapter are relevant to and offer strategies to improve problem solving in the ethical domain. For example, the mental model and geneplore model of problem solving relate to and inform moral imagination. The discussion will build a theoretical and practical argument for the positive role of moral imagination in ethical decision-making.

**General Decision-Making**

Development in the study of general decision-making in recent years concerns the progression from rational to bounded rational frameworks of decision-making. Rational models of decision-making are built on the normative proposition that decision-makers choose a particular course of action based on a set of assumptions that prescribe how a decision should be made. Rationality assumes the decision-maker will use logic and all available information to choose the alternative with the highest general value. In other words, rationality assumes that the decision-maker will engage in a process that is logically expected to lead to the optimal result based on the information available and the decision-maker’s values and risk preference.

In contrast, models that assume bounded rationality of the decision-maker are consistent with descriptive theories of decision-making. Bounded rational models of decision-making focus on how decisions are *actually* made as opposed to what decisions *should* be made. Bounded rationality assumes that the decision-maker’s information-processing capacity, knowledge and time is limited and that such limitations prevent the decision-maker from completing each step of the decision-making process in a thoroughly rational way.
Rational Models of General Decision-Making

Rational models emphasize the role of reasoning in decision-making. The reasoning process involves calculating which inferences or conclusions follow on from a given set of information, using probability, statistics or logic. Rational models typically prescribe a series of steps aimed at optimizing the decision-making process. Based on the information available about alternatives and future events, it is assumed that the decision-maker will follow each step with perfect rationality, and choose the course of action that is optimal for achieving the goal or solving the problem. For example, a rational decision-maker will perfectly define the problem; identify all criteria for making a choice between alternatives; accurately weight all criteria according to their preferences; know and create all relevant and imaginative alternatives; accurately assess each alternative based on each criterion; and accurately calculate, consider linked decisions, and choose the alternative with the highest perceived value (Bazerman, 2005; Hammond, Keeney, & Raiffa, 1999).

In organizational contexts rational decision-making models emphasize the role of reasoning and the series of steps necessary to optimize the decision-making process in order to achieve some desired organizational outcome. First, the decision-maker will identify a problem that needs to be solved in the specific or general environment. Second, the decision-maker will design and develop a series of alternative courses of action to solve the problems they have identified, study the ways in which to take advantage of the organization’s specific competences, and respond to potential opportunities and threats. Third, the decision-maker will compare the likely consequences of each alternative, and decide which course of action offers the best solution to the problem identified in each stage of reasoning (Simon, 1979).

In the ethical domain, Kohlberg’s (1969) model of cognitive moral development makes rational assumptions about the decision-maker and emphasizes the role of reasoning
and reflection in the ethical decision-making process. Kohlberg (1969) argued that decision-makers at the highest level of moral development have the capacity to handle complex ethical dilemmas with increasing sophistication.

**Bounded Rational Models of General Decision-Making**

In order to better understand and predict how decisions are *actually* made, Simon proposed that decision-makers possess bounded rationality (Simon, 1955, 1979). Simon argued that decision-makers are rational; they strive for accuracy in their judgment and search for the optimal outcome of their decision, but are limited in their information processing capacity, the amount of knowledge to optimise the decision-making processes, and the amount of time to make a decision and a limited necessary to optimise the decision-making processes. Thus, bounded rationality expressed the idea that perfect rationality in decision-making was practically impossible, not logically impossible, and expressed a trade-off between the information processing capability of the decision-maker and the complex calculations that were required to solve problems.

Simon and colleagues were the first to demonstrate that under conditions of uncertainty the rational model of subjective expected utility could not predict behavior because the decision-maker failed to act in a fully rational manner because of incomplete comparative information about alternatives (Simon, 1955, 1956). The subjective expected utility model of general decision-making (Von Neumann & Morgenstern, 1947) assumed that an optimal decision can be made by maximizing the value (utility) of a decision outcome and the probability of those outcomes occurring. Utility is defined as the degree of pleasure or net benefit a particular outcome will produce. According to the model, the expected utility of an outcome could be calculated by multiplying the probability that a particular outcome will occur by the utility of the outcome. When multiple factors need to be considered in the
CHAPTER 2

decision-making process, the decision-maker is required to weight each factor, obtain a total utility (i.e., net benefit) for each option by summing its weighted dimensional values, and then selecting the option with the highest weighted total.

The subjective expected utility model assumed that decision-makers were capable of executing complex calculations and were able to use all the information available in order to choose the alternative with the highest expected value (e.g., profitability, return for shareholders, customer and employee satisfaction). However, Simon’s research suggested that decision-makers demonstrated incomplete knowledge of all alternative courses of action, had limited ability to compute and evaluate the present and future consequences of each alternative, and were unable to compare heterogeneous consequences in terms of a consistent measure of utility (Simon et al., 1954). Rather than searching for the optimal outcome by considering the full range of consequences, decision makers chose the first option that was satisfactory or "good enough" and that reached the individual’s minimum requirements. Simon (1956) called this process “satisficing” a type of cognitive shortcut in the form of a heuristic or rule of thumb (March & Simon, 1958; Simon, 1956). During the decision-making process, decision-makers “satisfice” rather than “maximize” utility of a decision outcome. For example, a decision-maker sets an aspiration level that if achieved would provide an acceptable level of satisfaction. If the level is not achieved, the decision-maker has the option to change the aspiration level or the decision.

In addition to satisficing strategies, Tversky and Kahneman (1974) in a series of experiments demonstrated that decision-makers rely on a range of “heuristic principles which reduce the complex tasks of assessing probabilities and predicting values to simpler judgmental operations” (Tversky & Kahneman, 1974, p. 1124). For example, decision-makers use the availability heuristic and representativeness heuristic when assessing the
frequency, probability or likely causes of an event. The availability heuristic is a cognitive short cut that relies on immediate examples that comes to mind, and the representativeness heuristic, is a cognitive short cut that relies on an existing prototype that is considered to be the most relevant or stereotypical example of a person, object or event (Tversky & Kahneman, 1973).

The availability and representativeness heuristics illustrate how an over-reliance on heuristics can cause bias and unconsciously lead the decision-maker to make predictable errors of judgment. For example, the availability heuristic may lead to errors of judgment because irrelevant factors such as vividness or ease of recall may inappropriately influence an event’s immediate salience. The representative heuristic may lead to errors of judgment because pertinent information is dismissed and decision-makers are more likely to overestimate the likelihood of an event that resembles the typical case.

The notion of bounded rationality has been applied to the ethical domain. Bounded ethicality suggests that people are prone to systematic and predictable errors of ethical judgment (Chugh, Bazerman, & Banaji, 2005). Research suggests that the use of heuristics and framing effects as strategies to overcome limitations in information processing capacity and time, gives rise to unethical decisions beyond the decision-maker’s awareness (Chugh et al., 2005). For example, Kurn and Chugh (2009) showed that decision-makers that frame an ethical decision as a loss are more likely to make unethical choices than framing the decision as a gain.

Despite the potential for error and inconsistency in judgment, Gigerenzer and Goldstein (1996) argued that heuristics allow the decision-maker to solve problems efficiently, helping to simplify situations without sacrificing quality, and helping to manage
time pressure by improving efficiency (Bargh & Ferguson, 2000; Dijksterhuis & Nordgren, 2006). The authors posited that heuristics allow people to produce reasonable and workable solutions and, in most cases, enable the decision-maker to find the correct answer, or a close approximation to the correct answer. They contend that satisficing can match or outperform rational processes when making inferences about the real world because heuristics are “designed to be fast and frugal without a significant loss of inferential accuracy” (Gigerenzer & Goldstein, 1996, p. 651). Their argument challenges the normative tenets of decision-making theory and the assumption that rational decision-making processes are logically expected to lead to optimal results.

Social Factors in Models of General Decision-Making

The investigation of the role of social factors in decision-making highlights the contextualized nature of decision-making processes, and the interactive effects of individual and environmental characteristics on decision-making processes. Tetlock (1992, 2002) proposed a social functionalist model of decision-making to highlight the role of social factors (e.g. social responsibility and accountability) in shaping decision-making. The theory focuses on the “social functions of thought and the embeddedness of human beings in relations with other people, institutions, and the broader political and cultural environment” (Tetlock, 2002, p. 452). Research supports Tetlock’s (1992, 2002) argument that, in real-life contexts, the decision-maker is accountable to others for the position that person takes, and that outcomes of decisions have social consequences (Tetlock, Kristel, Elson, Green, & Lerner, 2000; Tversky & Shafir, 1992a, 1992b). Tetlock (2002) described three distinct social and cultural conditions that motivate decision-makers to act as either: (a) intuitive politicians: the decision-maker is accountable to a variety of constituents, (b) intuitive theologians: the decision-maker is accountable to a higher authority, or (c) intuitive prosecutors: the decision-maker places accountability demands on others within a collective.
Tetlock (2002) argued that decision-makers act as intuitive politicians in order to maintain positive social identities and uphold positive relations with key constituents. They anticipate objections to possible courses of action, and act in a way that is justifiable to themselves and others. Alternatively, decision-makers act as intuitive theologians in order to maintain a belief that “the rules governing their social world are not just the arbitrary preferences of currently dominant interest groups, but rather are anchored in sacred values that confer legitimacy on collective practices” (Tetlock, 2002, p. 452). Finally, decision-makers act to ensure the accountability of others; thus, as intuitive prosecutors, decision-makers will detect and punish cheaters and free riders who seek to benefit from membership in the collective but evade the responsibilities.

In the ethical domain, the person-situation interactionist model and issue contingent model of ethical decision-making demonstrate that ethical and unethical decisions are the result of an interplay between personal characteristics of the decision-maker and characteristics of the situation including the specific characteristics of the ethical issue (Trevino, 1986; Jones, 1991). The synthesis model of ethical decision-making (Jones, 1991) that incorporates the situational factors specified by Trevino (1986) and Jones (1991) into Rest’s four component model of ethical decision-making (Rest, 1986) provides further evidence of the role of situational factors in the ethical decision-making process.

**Dual-Process Systems of Cognition in General Decision-Making**

Investigation of dual processes in cognition has also influenced models of general decision-making (Evans & Stanovich, 2013). Dual-process models assume that cognitive tasks such as decision-making involve two forms of processing that are qualitatively distinct: one that is fast and broadly intuitive (Type 1 cognition) and another that is slow and broadly
reflective (Type 2 cognition) (Evans, 2008; Evans, 2010; Evans & Stanovich, 2013; Stanovich, 2004, 2011; Stanovich & West, 2000).

The defining feature of Type 1 cognition is that it does not require working memory and is autonomous. Type 1 processes are correlated with rapid execution and tend to be associative. An example of associative thinking is the process of dividing stimuli into logical clusters such as noticing similarities among different events. Associative thinking does not put a heavy load on central processing capacity. Type 1 cognition also includes emotional processing regulation and the solving of specific problems that have been learned implicitly or to the point of automaticity (Evans, 2008; Kahneman & Klein, 2009; Shiffrin & Schneider, 1977; Stanovich, 2004, 2011).

The defining features of Type 2 cognition are that it requires working memory, and involves the mental simulation of future possibilities, consequential decision-making and cognitive decoupling (Evans, 2008, 2010). Cognitive decoupling has been defined (Stanovich, 2011; Stanovich & Toplak, 2012) as the ability to prevent representations of the real world from becoming confused with representations of imaginary thinking, a necessary feature of hypothetical reasoning. The engagement of a general purpose system that is used in many higher cognitive functions and that requires working memory and executive functioning (Baddeley, 2007) underlies many correlates of Type 2 processing, including measures of general intelligence, and thinking that is slow and sequential (Evans & Stanovich, 2013).

Dual-process models differ in their assumptions about whether the two sets of processes work in parallel (Donaldson, 2003; Kahneman & Frederick, 2002; Sloman, 1996; Stanovich & West, 2000a) or operate consecutively (Boddenhausen, 1990; Fiske & Neuberg,
1990; Petty & Cacioppo, 1984). These assumptions impact the extent to which Type 1 cognition is recognized as being sufficient to guide effective action, and the extent to which Type 2 cognition is necessary to correct and override errors in intuitive judgments of Type 1 cognition.

In the ethical domain, researchers specify the qualitatively distinct roles of Type 1 and Type 2 cognition. For example in the four component model of ethical decision-making, Rest (1986) argues that moral awareness requires a basic awareness of the consequences of one’s actions and how such actions affects others and use cognitive and affective processes similar to Type 2 cognition. In the social intuitionist model of moral judgment, Haidt (2001) emphasizes the role of intuitions, that is, quick, automatic evaluations similar to Type 1 cognition. The four component model (Rest, 1986) and the social intuitionist model (Haidt, 2001) make different assumptions about the extent to which Type 1 cognition dominates Type 2 cognition in the ethical decision-making process and the causal role of reasoning in ethical choice.

**Strategies to Improve General Decision-Making Processes**

The preceding discussion on the transition from rational to bounded rational models of decision-making, and the influence of social factors and dual-cognition in decision-making, provides a basis on which to discuss strategies to improve general decision-making processes. A number of insights can be derived from this discussion. The first insight is that strategies to improve general decision-making need to minimize negative implications of bounded rationality and the potential for bias (Kahneman, 2003). Research suggests that decision-makers can minimize the negative impact of choosing an implicit favorite or satisficing by generating multiple alternatives and systematically assessing each alternative (Frisch & Jones, 1993). In a study conducted by Frisch and Jones (1993), participants were
asked to answer numerous questions relating to a recent decision that had proved to be very successful or unsuccessful. The most important difference between decisions that turned out well and those that turned out poorly was that participants were much more likely to have considered alternative courses of action before making the former, rather than the latter, decisions.

The second insight is that strategies need to shift decision-makers from using Type 1 cognition to Type 2 cognition and to complement intuition, or quick affective responses, with a formal analytic process. When data exist on past inputs to, and outcomes from, a particular decision-making process, decision-makers can construct a linear model or a formula that weights and sums the relevant predictor variables, and reach a quantitative forecast about the outcome (Bazerman, 2002). Linear models appear to produce predictions that are superior to those of experts across a wide array of domains (Dawes, 1971). Another strategy to engage Type 2 cognition and avoid potential errors of judgment sometimes caused by Type 1 cognition is to take an outsider’s perspective (Milkman, Chugh & Bazerman, 2009). This strategy aims to reduce decision-makers’ susceptibility to bias, including overconfidence about the knowledge they possess (Gigerenzer, Hoffrage, & Kleinbölting, 1991), and the tendency to overlook historic data and underestimate the time it would take to complete the task (Kahneman & Lovallo, 1993).

The third insight is that contextual factors can also improve the general decision-making process. In situations where Type 1 processing is known to frequently result in biased decisions (e.g., personnel selection), rather than encouraging decision-makers to ‘try harder’, a more effective strategy has been to modify the environment (Lowery, Hardin, & Sinclair, 2001; Ritov, Gati, & Tversky, 1990). In a study conducted by Lowery et al. (2001), participants showed less implicit racial bias with the involvement of a black experimenter
rather than a white experimenter (Lowery et al., 2001). In addition, researchers have partially de-biased judgment through a range of strategies, including having groups as opposed to individuals make decisions, training individuals in statistical reasoning, and making people accountable for their decisions (Larrick, 2004; Lerner & Tetlock, 1999). In summary, generally, individuals can improve the decision-making process when they are able to generate more rather than fewer courses of action, apply more rather than fewer reasoning strategies, and consider more rather than fewer perspectives.

**Ethical Decision-Making**

The primary components of general decision-making are equally relevant to ethical decision-making; they include the capacity to interpret or identify a problem or opportunity, formulate a strategy to solve the problem, discover and select a course of action, execute the course of action, and evaluate the solution. However, differences in content, complexity and emotionality between general and ethical decision-making and problem solving exist. Ethical decision-making models account for the specific nature of ethical dilemmas, problems that deal with moral values and convictions that are often in tension, and that elicit strong emotional reactions amongst affected stakeholders. Building on the description of general decision-making models, the following discussion of ethical decision-making models will focus on the role of rationality, bounded rationality, social factors and dual-cognition.

**Cognitive Moral Development**

Kohlberg’s (1969) model of cognitive moral development makes rational assumptions about the decision-maker, and emphasizes the role of reasoning and reflection in the ethical decision-making process. Building on the cognitive development theories of Piaget (1965), Kohlberg (1969) argued that an individual develops moral reasoning capability with age, advancing in sequence through a series of stages that increase in cognitive complexity and
elaboration about why actions are morally right and wrong. The stages are conceived as structured wholes, in the sense that an individual’s moral reasoning is expected to form a coherent system that can best be described by one stage or a combination of at most two adjacent stages. The stages are also hierarchical, meaning that people comprehend reasoning at all stages below their own, but not more than one stage above their own (Treviño, 1992). At different stages of cognitive moral development, individuals make different normative assumptions about which set of a priori moral laws or principles should be applied to resolve an ethical dilemma (Kohlberg, 1984).

The normative assumptions that guide each stage of Kohlberg’s theory of cognitive moral development originate from a range of philosophical ethical theories that provide the decision-maker with an unequivocal solution to an ethical problem. Each stage of the ethical decision-making model presents a distinct argument for judging the moral status of acts or agents, and implies a distinct cognitive process. They are absolutist in the sense that they generally offer a certain rule or principle that one can apply to any moral situation.

At the highest stage of cognitive moral development (Stage 5), individuals cognitively process ethical dilemmas using sophisticated reasoning, relying upon ethical principles of justice and rights and the consideration of societal good. Kohlberg (1984) argues that higher stage judgments are objectively “better” and therefore more desirable than lower stage judgments; however, most adults operate at the ‘conventional’ (Stage 3) level of cognitive moral development, meaning that their judgments about what is right are influenced by the expectations of peers and significant others or by policies and rules including the law (Stage 4). When thinking about what is right and wrong, individuals with the lowest level of cognitive moral development invoke considerations such as obedience and avoiding punishment (Stage 1), or acting in their own self-interest (Stage 2) (Kohlberg, 1984).
The Defining Issues Test (DIT) (Rest, Narváez, Thoma, & Bebeau, 1999) is the most widely used measure of cognitive moral development. Recent meta-analytic results suggest that individuals with higher levels of cognitive moral development as measured using the DIT are less likely to make unethical decisions (Kish-Gephart et al., 2010). Findings show that cognitive moral development is generally stable in adults. However, it appears that moral reasoning can continue to develop in adulthood through ethical training interventions and other opportunities to practice moral reasoning at work (Treviño, 1992).

Critics of Kohlberg’s (1969) model of cognitive moral development raise empirical problems concerning the stage properties of universality, insofar as they are found in all cultures, as well as problems concerning the invariance and irreversibility. For example, the model does not allow for individuals to skip stages, to move backwards in moral development, or to demonstrate an inability to integrate more than one stage while forming moral judgment (Mischel & Mischel, 1976; Flanagan, 1984). Despite criticisms, higher levels of moral reasoning are positively related to more ethical choices (Colby, Kohlberg, & Speicher, 1987), and recent meta-analytic findings show that cognitive moral development is negative related to unethical decision-making (Kish-Gephart, Harrison & Treviño, 2010).

**Bounded Ethicality**

Informed by research in bounded rationality in general decision-making, Banaji and Bhaskar (2000) were the first to test the assumption that decision-makers were bounded in their ethical decision-making capabilities. They suggested that unethical decisions “reveal how the interaction of specific social experiences and a boundedly rational cognitive architecture jointly shape thought and behavior” (Banaji & Bhaskar, 2000, p. 154). Bazerman put forward the notion of “bounded ethicality”, and argued that the bounds of rationality caused by the decision-maker’s limited information processing capacity, knowledge, and time...
to make a decision can influence the quality of ethical judgment and decision-making (Bazerman, 2005; Chugh, Bazerman, & Banaji, 2005).

Bazerman (2005) also argued that bounded ethicality is characterized by the motivation to maintain a sense of self-worth, and maintain a vision of the self as moral, competent and deserving. Evidence supports the notion of bounded ethicality and the motivation to maintain a positive moral self-image. For example, people believe they are more honest, trustworthy and fair than others (Messick & Bazerman, 1996), give themselves more credit for good behaviors, and take less responsibility for moral lapses than others would be likely to do (Messick & Bazerman, 1996), rate themselves as more ethical than the average person (Tenbrunsel & Messick, 2004), and justify unethical behavior as a self-defence (Shapiro, 1991).

Despite evidence to the contrary, ethical decision-makers continue to view their own ethicality as unbounded. Chugh, Bazerman and Banaji (2005) argue that this illusion of competence allows decision-makers to act in their own self-interest, and disregard the professional and normative ethics that may be at stake when a moral issue occurs (2005). For example, in a conflict of interest situation, self-serving bias obstructs the recognition of imminent ethical risks and prevents decision-makers from honestly disclosing a potential conflict (Chugh, Bazerman & Banaji, 2005). Bounded ethicality thus becomes a moral hazard, reducing awareness of a conflict and supporting the false belief that removing oneself from the conflict is not necessary. In addition, the use of heuristics and re-framing as strategies to overcome limitations in information processing capacity and time, gives rise to unethical decisions beyond the decision-maker’s awareness. For example, Kurn and Chugh (2009) showed that decision-makers that frame an ethical decision as a loss are more likely to make unethical choices than framing the decision as a gain.
Research conducted by Ritov and Baron (1990) supports the assumption of bounded ethicality. Findings showed that rather than maximizing expected utility in a hypothetical scenario, participants chose not to have their child vaccinated even when the likelihood of the vaccine causing death was lower than the death rate from the disease against which the vaccine would protect. Participants argued that they would feel more responsible for the death of their child and, therefore, would experience more regret, if death resulted from their own actions (choosing to have their child vaccinated) rather than from inaction (choosing not to have their child vaccinated) (Ritov & Baron, 1990).

**Four-Component Model of Ethical Decision-Making**

Rest’s (1986) four-component model of ethical decision-making has guided the majority of research and narrative reviews within behavioral ethics (Jones, 1991; Kish-Gephart et al., 2010; Loe et al., 2000; O’Fallon & Butterfield, 2005; Treviño, Weaver, & Reynolds, 2006). The four components of ethical decision-making are moral awareness (i.e., recognizing a moral issue), judgment (i.e., reasoning through the moral issue), intention (deciding to act on the moral issue) and action (the moral act itself) (Rest, 1986). Each component in the process is conceptually distinct, and is necessary for ethical behavior to occur. Rest (1986) also argues that execution of any one component does not necessarily lead to successful execution of any other component.

In component 1 of Rest’s ethical decision-making model, an individual will recognize the moral issue, imagine what courses of action are possible and trace the consequences of the action in terms of how each action would affect the welfare of each party involved (Rest, 1986). At this stage of the process “a person realizes that he/she could do something that would affect the interests, welfare, or expectations of other people, which may involve recognizing that a law, a moral norm, or a specific principle applies to the situation” (Rest,
1986, p. 5). In component 2 of Rest’s model, a judgment will be made about what course of action is morally right or wrong. Rest argues that moral judgment is reached primarily through a process of reasoning, the quality of which is contingent on the level of moral development of the decision-maker (Rest, 1986).

Unlike previous models of ethical decision-making, Rest (1986) emphasizes the role of moral motivation in ethical decision-making by explicitly included a step whereby the ethical decision-maker establishes moral intent (component 3) before engaging in moral behavior (component 4). Rest (1986) argued that although individuals may possess a well-developed sense of moral reasoning they may not have the motivation or resolve to act morally. In component 3 of Rest’s model, a decision-maker forms an intention to carry out a moral act. He or she will resolve to place moral values ahead of other values, weighting them more strongly and resolving the inherent tensions and trade-offs that arise in ethical dilemmas (Rest, 1986). This component describes a striving for, or a plan to strive for, a goal that is judged to be ethical. It is purposeful, conscious and voluntary. In component 4 of Rest’s (1986) model, moral intention is translated into action. According to Rest, the execution and implementation of the moral act involves a sequence of concrete actions: working around impediments and unexpected differences, overcoming fatigue and frustration, resisting distractions and allurements, and keeping sight of the eventual goal. Perseverance, resoluteness, competence, and character are attributes that lead to success in component 4.

**Issue Contingent Model of Ethical Decision-making**

Advancing Rest’s (1986) model of moral development, Jones (1991) put forward the proposition that the “intensity” of a moral issue would affect each component of Rest’s model. For example, as the moral intensity of an issue increases, decision-makers will recognize ethical issues more frequently (component 1), engage in more sophisticated moral
reasoning (component 2), establish moral intent (component 3) and execute the moral action (component 4) more frequently (Jones, 1991).

Jones (1991) argued that the “intensity” of a moral issue can be characterized by six distinct properties or characteristics directly related to the importance of an issue for the decision-maker. There is one normative characteristic: social consensus, the degree of peer agreement that the action is wrong, and five descriptive characteristics: magnitude of consequences, the total harm caused to the victim of an unethical choice; probability of effect, the likelihood that the action will result in harm; temporal immediacy, the length of time before harmful consequences of the act are realized; proximity, the social, psychological, cultural and physical nearness to the victim of the act; and concentration of effect, the “inverse function of the number of people affected by an act of given magnitude” (Jones, 1991, p. 377). The model assumes that the overall moral intensity of an issue will increase as any one of the six properties increase. As the level of moral intensity attributed to the situation increases, the complexity of the problem solving and decision-making process may also increase.

Meta-analytic findings (Kish-Gephart et al., 2010) showed that all six moral issue characteristics were negatively correlated with unethical intention. Social consensus and proximity had strong unique negative effects on moral intention, suggesting that moral issue characteristics that directly relate to harm (magnitude of consequences, concentration of effect, probability of effect and temporal immediacy), and issues that relate to agreement or similarity, are likely to increase one’s effort in moral reasoning (Weber, 1990) and therefore, depth of cognition and higher order creative processes of the decision-maker in ethical problem solving and decision-making.
**Person-Situation Interactionist Model of Ethical Decision-making**

While Jones (1991) emphasized issue-related situational factors, Treviño (1986) emphasized the interaction between context-related situational factors and individual difference characteristics. Treviño (1986) argued that ethical behavior in practical situations was not a product of fixed individual characteristics, but rather the result of an interaction between the individual and the situation (Higgins, Power, & Kohlberg, 1984).

Specifically, Treviño suggested that in organizational contexts, managers respond to ethical dilemmas with cognitions determined by their level of cognitive moral development, and that such cognitions were moderated by other individual difference characteristic (e.g., ego strength, field dependence and locus of control) and situational characteristics (e.g., immediate job context and organizational culture).

**Synthesis of Ethical Decision-Making Models**

Jones (1991) synthesized previous ethical decision-making models using Rest’s (1986) model as a foundation, and incorporating as moderating variables the individual factors specified in Jones’ (1991) Issue Contingent Model, and situational factors specified in Treviño’s person–situation interactionist model (Treviño, 1986). The synthesis contributed to behavioral ethics by bringing together a wider range of individual and issue characteristics, and organizational and social factors when modelling the ethical decision-making process (Treviño, 1986).

A recent meta-analysis reviewing over 30 years of research on antecedents of unethical choice at work (Kish-Gephart et al., 2010) used the synthesized model to organize findings. The meta-analysis used Rest’s (1983) model to define the dependent variables, including unethical intention and unethical behavior. Jones (1991) and Treviño’s (1986)
models were used to categorize the three groups of antecedents: individual, moral issue and organizational characteristics. Support was found for the role of situational factors in ethical decision-making process (Treviño, 1986; Victor & Cullen, 1987; Jones, 1991). Moderator analysis of meta-analytic findings uncovered stronger prediction for ethical behavior than intention for a number of variables including job satisfaction, organizational climate, and the existence and enforcement of codes of conduct. Findings also demonstrated the multidetermined nature of ethical decision-making and the interactive effect of individual, issue, and organizational characteristics on unethical choice.

**Social-Intuitionist Model of Moral Judgment**

Haidt’s (2001) social-intuitionist model of moral judgment argues that moral judgment is primarily the result of quick automatic evaluations (Type 1 cognition), and that slow deliberative reasoning (Type 2 cognition) is primarily used post hoc and is typically a one-sided effort in support of predetermined conclusions. Haidt’s model suggests that moral intuition is an affect-laden intuition incorporating an affective valence that appears suddenly and effortlessly in consciousness, without any feelings of having gone through decision-making processes such as searching, weighing evidence or inferring a conclusion (Haidt, 2001). The author suggests three ways in which decision-makers can override initial affect-laden intuitions. First, through social persuasion; in social contexts people can influence each other and reach consensus, thereby causing people’s privately held judgments to change. Second, through reasoned judgment; by thinking systematically and applying logic, people can form new judgments. Third, through private reflection; by putting oneself into the shoes of another person and experiencing new vicarious emotional responses (e.g., sympathy) a person can spontaneously activate new intuitions that contradict their own initial intuitive judgment.
Critics of the social-intuitionist model of moral judgment dispute Haidt’s proposition that moral reasoning is primarily used post hoc. They direct attention to the ubiquitous role of reasoning guiding decisions in organizational contexts (Blasi, 2009), and evidence to suggest that reasoning plays a causal role in ethical decision-making. Rest’s (1986) four-component model of ethical decision-making takes a dual-process perspective on moral cognition, specifying qualitatively distinct cognitions during the ethical decision-making process. For example, component 1 of Rest’s ethical decision-making models involves a “gut feeling” (a correlate of Type 1 cognition), while component 2 involves interpretation and extensive cognitive encoding in the form of moral reasoning (a correlate of Type 2 cognition) (Rest, 1986, p. 5). However, unlike Haidt’s (2001) argument that moral judgment is caused by quick moral intuitions and followed (when needed) by slow, ex-post facto moral reasoning, Rest (1986) does not assume that the components of the model occur in a linear sequence in real time, and does not assume that intuition dominates reason in the decision-making process.

**Strategies to Improve Ethical Decision-Making Processes**

The preceding discussion reviewed the development of ethical decision-making models including Kohlberg’s rational model of cognitive moral development, Rest’s four stages of ethical decision-making, the inclusion of factors such as the characteristics of the ethical issue (e.g., moral intensity) and the situation in synthesized model of ethical decision-making, and finally the integration of new knowledge about bounded ethicality and moral intuition. The discussion provides insight into strategies that improve ethical decision-making. The first insight is that engaging Type 2 thinking (i.e., slow systematic and reflective cognition) assists decision-makers to become aware of the moral issue and the capacity to evaluate the multiple judgment factors relevant to the ethical issue. Consistent with the suggestion that Type 2 cognition improves ethical decision-making, findings show that the ethical decision-making process is improved by generating more rather than less alternative
courses of action, and choosing between options simultaneously rather than accepting or rejecting options separately. For example, decision-makers displayed more self-interest (e.g., focused on their own interest relative to the interest of others) when assessing one option at a time than they did when considering multiple options side by side (Bazerman, White, & Lowenstein, 1995).

The second insight is that strategies that create new intuitions or affective responses to an ethical issue help to overcome bounded ethicality of the decision-maker. One such strategy is to use one’s imagination to step into another person’s shoes, and therefore experience a different perspective on the ethical issue. Taking an outsider’s perspective (e.g. role taking) has been discussed as a method of triggering new intuitions by vicariously experiencing another person’s emotion, such as pain or sympathy (Haidt, 2001; Selman, 1971). It is presented as an effective strategy to create broad change in a person’s intuitive response to an ethical dilemma, and is considered a principle pathway of moral reflection according to Piaget (1965), Kohlberg (1969, 1971) and other cognitive developmentalists.

**Complex Problem Solving**

Strategies to optimize ethical decision-making provide important insights that can be used to improve ethical decision-making processes; however, ethical decision-making is rarely a choice between two or more predetermined alternative courses of action. Most often, ethical decision-making requires problem solving, because alternative courses of action are usually under specified, and the optimal solution in a particular context is hard to identify. Ethical decisions are often complex ill-defined problems, meaning that all aspects are not clearly specified, including the initial situation, the range of possible strategies and the goal or solution. Ethical decisions often arise in situations where tensions exist between personal values, financial gain, and individual, organizational and societal interests. The conflict
creates an ethical dilemma in which different courses of action represent different moral imperatives; to obey one moral imperative may result in transgressing another. In addition, ethical dilemmas are often ambiguous, reflecting the “grey area” between what is defined by law and what is accepted within a particular organization, industry, and the immediate and greater community. Multiple stakeholders are often affected by the outcomes of ethical dilemmas; this complexity makes it difficult to identify the values and interests of all stakeholders. Furthermore, one stakeholder may apply undue pressure on the decision-maker to place greater weight on the stakeholder’s particular interests and values, making ethical decision-making and problem solving difficult. To effectively resolve ethical dilemmas, it is important to discuss problem solving models and to identify effective problem solving strategies.

**Mental Model and Geneplore Model of Problem Solving**

One of the most influential approaches to reasoning in problem solving is the mental model theory of problem solving (Johnson-Laird, 1983, 1999). A mental model is a representation in the mind of real or imaginary situations constructed from perception, imagination or the comprehension of discourse. It ‘represents a possibility’ (Johnson-Laird, 1999, p. 166) and its structure and content is analogous to the situation the model represents (Johnson-Laird, 1983). Like a diagram or picture, a mental model can be visualized; however, it can also be abstract, representing situations that cannot be visualized.

The mental model theory of problem solving argues that people reason by imagining the relevant state of affairs (semantic rules), rather than using mental logic and formal rules of inference (syntactic rules). However, some researchers (e.g., Chater & Oaksford, 2001) argue that the imaginative search for counterexamples to falsify conclusions involves a form of logic. The mental model theory postulates that problem solvers build an internal model of
the problem that can engender emotion, then formulate a tentative conclusion based on this model, and finally search for alternative models that might refute the conclusion (Johnson-Laird, 1999). Such problems of deductive reasoning require the construction of several mental models, thus increasing the demand on working memory. Mental models can assist problem solvers, by applying a mental model developed in one domain as an analogy for another domain. However, most evidence indicates that problem-solvers find it hard to be creative because their ideas are constrained by their existing knowledge. Hence, they typically only produce a single mental model of a situation, so systematic attempts at falsification are generally absent (Newstead, Handley, & Buck, 1999).

According to the geneplore model of problem solving (Finke, Ward, & Smith, 1992), creative problem solvers generate ideas using prior and readily accessible knowledge, and then move on to explore the ideas in detail. The geneplore model assumes that problem-solvers are more creative if they generate ideas before thinking of possible uses for them. During the generative phase, creative problem solvers construct mental representations that promote creative discovery and that can be formed before determining the use to which they will be put. Similar to the mental model theory, the geneplore model assumes that problem-solvers find it hard to be creative because their ideas are constrained by their existing knowledge.

One of the geneplore model’s best-known applications has been in the area of structured imagination. According to the model, an effective strategy to increase creativity is to generate mental representations before thinking of possible uses for the representations (Finke, 1996). Evidence suggests that the processes of generating alternative courses of action and exploration emphasized within the geneplore model are important in the production of creative solutions to problems (Hirshberg, 1998).
Strategies to Improve Problem Solving Processes

The preceding discussion on the mental model and geneplore model highlights the role of creative meta-cognitive processes in the solving of complex, ill-defined problems. The mental model theory highlights the role of imagination and the formation of mental models or representation of the problem state in the mind in order to find novel solutions to problems. The geneplore models emphasizes the importance of generating multiple mental models or representations of the problem before considering the use of the mental model in practical terms.

A strategic management tool that draws on strategies suggested by the mental model and geneplore model to solve complex and ill-defined problems in organizations is “scenario planning”. Such planning encourages deliberation (Type 2 cognition), thus minimizing the negative implications of bounded rationality and the potential for bias; it also encourages higher order creative processes, including the formation of mental models and the use of structured imagination. Scenario planning aims to increase a person’s capacity to capture a wide range of possibilities in rich detail, and to consider the consequences for multiple stakeholders. According to the logic of the tool, by identifying basic trends and uncertainties, a manager can construct a series of scenarios (imagined future states) that not only help to generate and evaluate strategic options, but also to help compensate for known decision-making biases (Kahneman & Tversky, 1973, 1984).

Since Wehane (1998, 1999, 2002) introduced moral imagination into the field of behavioral ethics, an increasing number of researchers have argued that moral imagination may represent a critical ability to improve ethical decision-making and problem solving in organizations (Moberg & Seabright, 2000; Caldwell & Moberg, 2007; Whitaker & Godwin 2013; Yang, 2013). Interest in moral imagination as a critical capability to improve ethical
decision-making and problem solving in organizations has been driven by factors such as the structure and design of work that systematically dulls the imagination. In organizations, authority is typically apportioned in a vertical hierarchy and departments are usually organized horizontally according to work type to increase efficiency and clarity of work. In addition, jobs are created with an increasingly high degree of specialization to manage the increasing complexity of the work. Although vertical and horizontal organizational structures and specialization improves organizational performance, an unintentional consequence is that structural and functional barriers form within an organization, creating a “silo” mentality that constrains innovation and perspective taking (Barratt, 2004). Furthermore, although organizational culture can promote and reward creativity and encourage communication across boundaries, Parker and Evans (2007) argue that social norms within an organization that define the “way we do things around here” make it easy to forget that there may be other genuine ethical perspectives on what to do in certain situations, or that there may be an alternative to one’s own perspective or the perspective of those one works with (Parker & Evans, 2007).

Moral imagination may provide the critical capability to help decision-makers overcome organizational factors that systematically prevent individuals from improving the quality of their ethical decision-making and problem solving when confronted with an ethical dilemma. According to Werhane (1998), higher levels of moral imagination allow decision-makers to see “beyond the rules of the game” that seem to be operating in the workplace, and beyond the day-to-day “realities” of organizational life, in order to question the prevailing ways of framing and addressing organizational problems, and envision a greater set of problems, perspectives and outcomes (Moberg & Seabright, 2000; Werhane, 1998).
In the following section I will define moral imagination and discuss the theoretical and empirical research on the construct in behavioral ethics. As shown in Figure 2.1, in this thesis, moral imagination is the dependent variable of the theoretical model.

**Moral Imagination**

![Diagram showing the theoretical model with Moral Agency as the independent variable, Moderator, and Dependent Variable Moral Imagination.](image)

**Figure 2.1. Moral imagination as the dependent variable in the theoretical model.**

In behavioral ethics, moral imagination has been conceptualized in a variety of ways (Moberg & Seabright, 2000). Werhane (1998) described moral imagination as a process that requires the decision-maker to a) disengage oneself from one’s role, one’s particular situation, or context; b) become aware of the kinds of schema one has adopted or that are operating in a particular kind of context; c) creatively envision new possibilities, fresh ways to frame experiences and new solutions to present dilemmas; and d) evaluate the old context, the scope or range of the conceptual schemes at work, and new possibilities.

Jacobs (1991, p. 25) suggests that moral imagination involves “articulating and examining alternatives, weighing them and their probable implications, considering their effects on one’s other plans and interests, and considering their possible effects on the interests and feelings of others”. Meanwhile, Johnson (1993, p. 202) defined moral
imagination as “an ability to imaginatively discern various possibilities for acting within a given situation and to envision the potential help and harm that are likely to result from a given action”.

The definitions of moral imagination presented by a range of researchers make it clear that moral imagination is a multidimensional construct. They also demonstrate that moral imagination can influence various facets of the ethical decision-making process. Moberg and Seabright (2000) argue that moral imagination enhances the psychological processes in each of the four component of Rest’s model of ethical decision-making, that is, awareness, judgment, intention, and behavior.

Moral imagination enhances moral awareness, component 1 of Rest’s (1986) model, by enlarging the set of alternative and novel actions considered in response to an ethical dilemma, thus expanding the decision-maker’s moral circle (Moberg & Seabright, 2000). Empirical research provides evidence for the relationship between moral awareness and moral imagination. Whitaker and Godwin (2013) found that individuals who are more sensitive to moral issues in general are more likely to engage in the cognitive processes involved in moral imagination. They argue that if decision-makers do not “encode” the moral issue, or remain unaware of it in a situation, they will respond solely out of self-interest (Whitaker & Godwin, 2013, p. 62). It seems that individuals must first recognize the moral issue in a situation, including its impact on others, before they can generate decision options that take into account the concerns of others.

Moral imagination enhances moral judgment, component 2 of Rest’s (1986) model, by increasing flexibility to apply a wide range of ethical criteria when evaluating possible actions; for example, applying principles (deontology), weighing the cost and benefit and
considering how to maximize overall happiness (consequentialism), or maintaining relationships (ethic of care) (Moberg & Seabright, 2000). Evaluating various courses of action using a variety of ethical criteria is consistent with Werhane’s proposition that moral imagination requires the “ability in particular circumstances to discover and evaluate possibilities not merely determined by the circumstance, or merely framed by a set of rules or rules-governed concerns” (Werhane, 1999, p. 93).

The evaluation of alternative and novel courses of action using a variety of ethical criteria suggests that moral imagination takes a pluralist and pragmatic approach to morality. Consistent with pluralist assumptions, moral imagination does not prescribe a single normative ethical theory to decide right from wrong, or require the consistent application of a particular set of moral values. Instead, it requires the decision-maker to have a sense of the variety of possibilities, and to test a range of assumptions underlying multiple ethical theories in order to incorporate a range of moral convictions in their decision-making process (Crane & Matten, 2010).

In an organizational context where multiple stakeholders hold diverse interests and values, a pluralist approach offers pragmatic benefits for the decision-maker. A pluralist approach enables the decision-maker to integrate multiple perspectives in order to find innovative and practical solutions to problems that account for the interests of all organizational stakeholders. By applying a wider range of ethical criteria derived from distinct ethical theories and testing the underlying assumptions about what constitutes the “right” course of action, the decision-maker is more likely to choose a course of action that is consistent with their actual ethical preference (Simon, 1979; Chugh, Bazerman, & Banaji, 2005; Banaji, Bazerman, and Chugh, 2003). Thus moral imagination, based on the assumption of plurality, offers a more useful approach to ethical decision-making in an
organizational setting than applying a single ethical theory such as a traditional rule-driven ethical approach (Kekes, 1991; Nussbaum, 1990).

Table 2.1 summarizes a range of ethical criteria used to evaluate the morality of various courses of action.
Table 2.1.

**Ethical Criteria used to Evaluate Alternative Courses of Action**

<table>
<thead>
<tr>
<th>Ethical criteria</th>
<th>Moral reasoning strategies and intuition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egoism</td>
<td>Morally right action is the pursuit of self-interest that can represent short-term or long-term desires.</td>
</tr>
<tr>
<td>Consequentialism</td>
<td>Maximizing overall happiness. The morally right action is the one that produces the best outcome for the greatest number requiring a calculation of the costs and benefits of an act’s consequences. Consequentialism treats deontological constraints as rules of thumb that must be broken in cases where doing so would produce better consequences (Bartels, 2008).</td>
</tr>
<tr>
<td>Deontology</td>
<td>Principles guiding moral action and ensures that moral action meets the relevant criteria. The morally right action demonstrates consistency of action, human dignity and universality (Kant et al., 1998). Requires checking of certain qualities of an action against rules or principles that must be honoured, thereby setting up constraints on action.</td>
</tr>
<tr>
<td>Justice</td>
<td>Fair treatment of individuals in a given situation so that everyone gets what they deserve. Involves fairness procedures (i.e., whether everyone has been free to acquire rewards for their efforts) and fair outcomes (i.e., whether the consequences both positive and negative are distributed in a just manner, according to some underlying principle such as need or merit) (Beauchamp &amp; Bowie, 1997).</td>
</tr>
<tr>
<td>Virtue</td>
<td>Morality based on the moral character or values of the actor (Barnes, 2014). Virtues are normatively defined set of human characteristics such as honesty. Possessing virtue not only involves actions consistent with virtue but also emotions, values, perceptions, attitudes, interests and expectations associated with virtue.</td>
</tr>
<tr>
<td>Ethic of care</td>
<td>Emphasizes emotion in moral action and the motive of care (Gilligan, 1982). A morally right action is the one that is most likely to avoid harm and preserve healthy and harmonious relationships.</td>
</tr>
<tr>
<td>Moral intuition</td>
<td>Gut instinct about right and wrong. The sudden appearance in consciousness of a moral judgment, including an affective valence (good–bad, like–dislike), without any conscious awareness of having gone through the steps of searching, weighing evidence or inferring a conclusion (Haidt, 2001).</td>
</tr>
</tbody>
</table>
Moral imagination enhances moral intention, component 3 of Rest’s (1986) model, by actively involving the decision-makers’ sense of self, offering moral standards derived from internal sources (e.g., self-standards) or external sources (e.g., social standards such as ethical norms or a moral exemplar) to evaluate anticipated courses of action (Moberg & Seabright, 2000). To emphasize why moral intention is a necessary component of ethical decision-making, Rest asks the rhetorical question “Why would one ever choose the moral alternative, especially if it involves sacrificing some personal value or suffering some hardship? What motivates the selection of moral values over other values?” (1986, p. 13). Moberg and Seabright suggest that “People chose the moral alternative because of the very personal stakes that are at issue; the choice signifies who they are and who they appear to be to others” (Moberg & Seabright, 2000, p. 867).

Moral imagination is associated with innovative intentions, and the desire to avoid unethical decision-making and to contribute positively to corporate and social well-being (Caldwell & Moberg, 2007; Moberg & Seabright, 2000; Werhane, 1998, 1999, 2002; Yang, 2014). Rocca (2010) argues that moral imagination enhances empathy for individuals within stigmatized or marginalized groups, thereby increasing the motivation of non-marginalized individuals to choose the moral alternative, especially if it involves sacrificing some personal value or suffering.

Empirical research has focused on the relationship between moral imagination and moral awareness, judgment and intention. Although no empirical studies of moral imagination have measured concrete actions, component 4 of Rest’s (1986) model, a well-established convention in psychological research is that intentions can be substituted for behavior when behavior is unavailable for study (Ajzen, 1991; Ajzen & Fishein, 1974).
The aim of this chapter was to review general decision-making models that provide insight into strategies that improve the quality of general and ethical decision-making to overcome bounded rationality and ethicality. In organizations, ethical dilemmas are ill-defined and complex problems; thus, a review of models of problem solving was also conducted to provide insight into strategies that improve problem solving when resolving an ethical dilemma. As the dependent variable in the research model, moral imagination was presented as a strategy that improves the quality of ethical decision-making and problem solving, helping to overcome individual and organizational factors that systematically dull the imagination and inhibit creative meta-cognitive processes.

The preceding discussion directed attention to what it means to be a moral agent, and the factors that foster or hinder moral agency in organizations. It also directed attention to the characteristics of the moral agent; in particular, their moral identity. The focus on moral agency and moral identity as important antecedents for moral imagination is consistent with the argument presented by Moberg and Seabright (2000). In their review of moral imagination, the authors highlight two sources of motivation: moral identity and moral agency. Moral identity provides the motivation to behave in line with one’s moral standards, and moral agency provides the motivation to win self and social approval.

The focus on moral identity and moral agency as antecedents of moral imagination is also consistent with the argument presented by MacIntyre, in *After Virtue* (1981). In his seminal work, MacIntyre (1981) critically observed that, under the severe pressures of narrowly focused, system-driven, utilitarian financial and bureaucratic calculation, individuals working in organizations struggle to realize and express moral agency and virtue. Weaver (2006) created a link between virtue and moral identity by suggesting that the philosophical virtue theory discussed by MacIntyre (1981) in *After Virtue* and the social
cognitive theory of moral identity (Aquino & Reed, 2002) both consider what it means to be a moral agent and use similar self-regulatory processes regarding the development and maintenance of a moral self-concept.
CHAPTER 3

This chapter will begin with a discussion on agency. In particular, it will discuss the self-regulatory mechanisms through which agency influences decision-making processes, and outline the external and internal sources through which agency is developed, maintained and enhanced. It will then discuss moral agency as a special case of agency, clarify the self-regulatory mechanisms that enable individuals to exercise moral agency during ethical decision-making and problem solving, and introduce the two external sources and two internal sources of moral agency that function as the independent variables in the research model.

Agency

Agency is the underlying psychological mechanism of Bandura’s social cognitive theory (Bandura, 1986, 1997). It is the power to originate intentional or volitional action; that is, the capacity to determine the direction taken or course of action chosen. From a social cognitive perspective, agency enables people to exercise control over the nature and quality of decision-making; however, it signifies the probabilistic production of events, the outcome of which may or may not have beneficial effects (Bandura, 1997). This is because social cognitive theory is characterized by reciprocal determinism, meaning that the environmental, behavioral and cognitive factors interact with each other in affect behavior (Bandura, 1986).

Agency is characterized by self-regulatory processes that enable individuals to exercise control over their own thoughts, emotions and behaviors. In social cognitive theory, Bandura (1986, 1997) outlines four psychological mechanisms to describe how agency exerts its effect on human behavior. The first psychological mechanism necessary to exercise agency is the capacity to form symbolic representations; that is, the capacity to transform
transient experiences into mental models that serve as guides for future action. In conjunction with prior knowledge, symbolizing capacity enables decision-makers to generate innovative courses of action. Rather than solving problems by enacting options, it is possible to test courses of action symbolically, and choose or discard the most likely and least likely course of action based on estimated outcomes. Symbolizing capacity provides decision-makers with greater flexibility to use multiple reasoning strategies and to consider the consequences for a greater number of stakeholders.

The second psychological mechanism necessary for individuals to exercise agency is forethought. Forethought enables decision-makers to anticipate their own and others’ reactions to various courses of action, and to imagine their likely consequences, evaluate the functional value of each course of action under differing circumstances, and organize and guide the execution of a desired course of action. Through the exercise of forethought, decision-makers can motivate themselves and guide their behavior based on likely consequences of various courses of action.

The third psychological mechanism necessary for individuals to exercise agency is self-reactiveness, which enables decision-makers to self-motivate and self-regulate. Once an agent adopts a social or self-standard, then negative or positive self-sanctions or commendations in response to actions that violate or are aligned with those standards serve as the regulatory input to resist unethical decision-making, to avoid detrimental outcomes and to encourage ethical decision-making and achieve beneficial outcomes. Finally, self-reflectiveness is the psychological mechanism that enables decision-makers to reflect on the adequacy of their thoughts and actions, and facilitates learning and personal development. The four mechanisms – symbolizing capacity, forethought, self-reaction and self-reflection – form a self-system that is essential for the exercise of agency. That self-system enables
individuals to represent social standards and self-standards during decision-making, and to evaluate, react to and reflect on efforts to attain, maintain and enhance such standards.

**Agency and General Decision-Making**

Decision-making is the process or action of choosing between two or more alternative courses of action; it is therefore difficult to consider decision-making processes without presupposing agency of the decision-maker. Agency facilitates personal control over information-processing activities and emotional regulation of decision-making. With the capacity to exercise control, agency increases symbolizing capabilities and forethought, thus expanding the range of possible courses of action conceived by the decision-maker. It also increases the effectiveness of self-reactive and reflective capabilities, by activating positive and negative evaluations of various courses of action based on behavioral standards. Thus, it provides the motivation necessary to achieve desired outcomes and avoid undesirable outcomes (Bandura, 1986, 1991). Researchers across multiple domains have demonstrated the functional role of the self-regulatory mechanisms associated with agency in decision-making (Bandura, 1995, 1997; Caprara & Cervone, 2000; Cervone & Shoda, 1999).

Research in decision-making provides insight into the cognitive and affective mechanisms through which agency exert its affects. Contractor and Kumar (2013) examined agency as an antecedent of regret – a negative, cognitively determined emotion that individuals experience when the outcome of their decision is unfavourable. They found that individuals who were given a choice in decision-making (i.e., high agency) experienced higher levels of regret than individuals who did not have a choice. Negative self-evaluations (e.g., feelings of failure) mediated the relationship between agency and regret levels. This research demonstrates that agency is associated with the psychological experience of empowerment. Individuals who experience a sense of choice in initiating and regulating
actions (i.e., high agency) report higher levels of psychological experience of empowerment (i.e., self-determination) (Deci, Connell, & Ryan, 1989). The finding that personal responsibility mediates the relationship between agency and regret levels (Connolly, Ordóñez, & Coughlan, 1997) suggests that agency is also closely associated with the psychological experience of ownership: individuals with a greater sense of personal control and the ability to directly affect their environment report (i.e., high agency) are more likely to experience a sense of ownership and therefore assume greater responsibility for the effects their actions cause (Pierce, Kostova, & Dirks, 2003). Research in decision-making provides insight into the experience of agency (e.g., the sense of choice, control, self-determination and ownership) and the cognitive and affective mechanisms through which agency exerts its effects (e.g., positive or negative evaluations, including cognitions such as responsibility or regret).

**External and Internal Sources of Agency**

According to social cognitive theory, behavioral standards are derived either from external sources (in the form of social norms or specific social influences) or internal sources (in the form of personal adaptations of social norms). Individuals derive the motivation to maintain behavioral standards from external sources such as social sanctions applied either informally (e.g., rejection from valued groups or associations) or formally (e.g., penalties prescribed by a system of rules), or from internal sources such as self-sanctions (e.g., psychological discomfort of cognitive dissonance, and feelings such as shame and embarrassment). Therefore, people refrain from transgressing social or self-standards because they anticipate negative social or personal consequences derived from social sanctions or self-sanctions.
Social cognitive theory also articulates two major sources of commendation or approval that motivate individuals to maintain standards: social commendation or self-commendation. Social commendation may be expressed informally (e.g., public recognition), or formally (e.g., rewards bestowed publicly). Self-commendation is experienced through feelings of self-satisfaction or pride. Self-satisfaction or dissatisfaction from attaining or failing to attain standards are motivating because of their connection with social or personal standards. As Bandura (1997) explains, “people do things that give them self-satisfaction and a sense of self-worth” (Bandura, 1997, p. 7). Therefore, people aspire to attain specific social or personal standards because they anticipate positive social or personal consequences derived from social and self-commendation.

The level of motivation generated by self-reactions is a function of the type and value of the incentives, and the nature of the performance standard. According to social cognitive theory, standards derived from external or internal sources do not refer to a global self but to the ideal self in a specific behavioral domain such as morality. In the following section I will first discuss the similarities and differences between the exercise of agency and moral agency, the relationship between moral agency and ethical decision-making, and finally the internal and external sources of moral agency investigated in the research model.
Moral Agency

As shown in Figure 3.1, moral agency is the independent variable in the theoretical model. Moral agency is a special case of agency. In ethical decision-making, moral agency is the capacity to exercise control over the nature and quality of ethical decision-making. The same self-regulatory processes involved in the exercise of agency are involved with moral agency during ethical decision-making. For example, symbolizing capacity enables individuals to comply with moral norms and establish personal moral standards; forethought enables individuals to imagine innovative courses of action and evaluate the consequences for various stakeholders; and self-reactive and reflective capabilities enable individuals to flexibly evaluate and reflect on the nature and quality of various courses of ethical or unethical action, based on a variety of ethical criteria.

Despite the similarities in the self-regulatory processes that enable individuals to exercise agency and moral agency, in the moral domain, moral standards that serve as a basis for self-regulation are relatively stable, and violation of moral standards usually generates stronger affective reactions than violations of standards in other domains (e.g. achievement).
(Bandura, 1991). In addition, judgmental factors that determine the importance or “intensity” of the moral issue are often more complex than those in other domains (Jones, 1991), increasing the complexity of self-regulatory process through which individuals carry their moral judgments forward into action.

**Moral Agency in Ethical Decision-Making**

Moral agency plays an important role in ethical decision-making because it is generally agreed that an agent is culpable of wrongdoing only if the act was intentional. In other words, agents are blameworthy only if they had control over the nature and quality of their decision-making. For example, Woolfolk, Doris and Darley (2006) showed that individuals were more likely to assign responsibility for an unethical action and judged the actor culpable for an unethical action if they perceived that the actor endorsed or accepted ownership of the unethical action (Alicke, 2000; Weiner, 1995).

According to social cognitive theory (Bandura, 1986, 1997), moral agency facilitates personal control over information processing and emotional regulation during ethical decision-making. In conjunction with prior knowledge, symbolizing capacity ensures morals norms or values are represented as social or self-standards that help guide behavior. Forethought expands the range of possible courses of action conceived by the decision-maker in response to an ethical dilemma, it also improves the flexibility to evaluate various courses of action based on a variety of ethical criteria and the capacity to test options or courses of action against moral norms or standards. Self-reactive and reflective capabilities facilitate positive and negative self-evaluations that provide the motivation to ensure that moral standards are maintained or enhanced. Based on the self-regulatory processes that improve the quality of ethical decision-making and problem solving, I expect moral agency to increase moral imagination.
The role of moral agency in ethical decision-making has been investigated in a range of ethical contexts. Singh (2013) examined children’s reported experiences with stimulant treatments for attention deficit hyperactivity disorder in light of bioethical arguments about the potential threats of psychotropic drugs to inhibit moral agency. In this study, moral agency was expressed in the children’s capacity to make “better” decisions by helping the children meet normative expectations through greater impulse control. Paternoster and Pogarsky (2009) investigated the role of agency in decision-making in the context of criminology. In their research, agentic decision-making was characterized by thoughtful reflective decision-making, such as collecting relevant information, thinking of alternative solutions to the problem, systematically deliberating over how to determine which alternative might be best, and retrospectively analysing the quality of their problem solving in the situation. This research in ethical decision-making provides insight into the experience of moral agency (e.g., personal control and reflection), and cognitive and affective mechanisms such as those through which agency exerts its affects (e.g., negative attributions for failing to meet normative expectations, such as being a “bad” person).

Self-regulatory mechanisms facilitate both the inhibitive form of morality expressed in the power to refrain from behaving unethically, and the proactive form of morality expressed in the power to behave ethically. Moral agency only operates if self-regulatory processes facilitate self-reactive mechanisms, including positive and negative self-evaluations. The inhibitive form of morality is particularly vulnerable to the deactivation of moral agency (e.g., moral disengagement). This is because a range of powerful cognitive mechanisms can be recruited to disengage the self-regulatory that normally inhibit unethical decision-making. As a result, moral disengagement enables individuals to violate their own moral standards without guilt or remorse. The most effective mechanism of moral disengagement occurs when the decision-maker “obscures,” “minimizes” or “disclaims” the
agentic role in the effect (e.g., harm) their actions cause (Bandura, Underwood, & Fromson, 1975; Diener, 1977; Milgram, Sabini & Silver, 1992; Zimbardo, 1995). In this context, a decision-maker uses rational arguments about the situation to justify unethical courses of action. For example, in organizations, moral agency can be diffused in group decision-making because no single person feels responsible for what is done collectively. Although a causal relationship exists between the individual and the decision, group members do not regard themselves as moral agents; therefore negative evaluations that inhibit unethical actions are not activated in response to unethical decision-making.

Research suggests that moral disengagement increases the likelihood of unethical decision-making. Moral disengagement predicts aggression in children and negatively predicts prosocial behavior (Bandura, Barbaranelli, Caprara, & Pastorelli, 1996; Bandura et al., 2001; Bandura et al., 1975). Aquino and colleagues (2007) found that moral disengagement positively predicts highly punitive response; for example, use of any means necessary to kill those responsible for these (terrorist) acts, to perpetrators of the terrorist attacks (i.e., September 11th attacks). It also reduced the extent to which participants experienced negative emotions in reactions to abuses of prisoners of war (e.g., Iraqi detainees). Moore and colleagues (2012) found that the propensity to morally disengage predicts unethical decision-making and behavior at work. Research in moral disengagement provides insight into self-regulatory mechanisms, in particular, the positive and negative self-evaluations necessary for individuals to exercise moral agency.

**External and Internal Sources of Moral Agency**

Moral standards can be derived from external sources and applied to oneself in an impersonal way. Social sanctions for transgressing moral standards and the anticipation of feelings such as shame or guilt provide the motivation necessary to avoid wrongdoing, while
social commendation and the anticipation of public recognition and reward and associated feelings of pride and self-satisfaction provide the motivation to maintain or exceed moral standards.

Moral standards can also become internalized to form personal moral standards (i.e., personal adaptations of moral norms). Self-sanctions keep behavior in line with personal moral standards and are important because unethical decisions can often go socially unnoticed. Self-commendations such as feelings of personal satisfaction and integrity or authenticity provide motivation to act in a manner consistent with personal moral standards.

As shown in Figure 3.2, two external sources of moral agency – role autonomy and organizational culture – are presented as independent variables in the research model. In the following section I will define role autonomy and organizational culture, and discuss their relationship with moral agency.

Figure 3.2. External sources of moral agency as independent variable in the theoretical model.
**Role Autonomy**

Role autonomy is the freedom an incumbent is granted to make decisions and take courses of actions when carrying out work-related tasks without seeking prior approval from superiors. In an organizational context, role autonomy describes the degree of delegated authority, and the extent to which an individual can exercise personal discretion. Moral agency and role autonomy are related. When an individual is delegated authority and empowered to exercise discretion in decision-making, that person has the capacity, within external constraints such as a code of conduct and the law, to act freely. Without such discretion, an individual is unable to exercise moral agency, because the discretion provides the latitude necessary to choose or not to choose a desired or undesired course of action.

In organizations, a sense of moral agency is heightened when autonomy is granted, because the decision-maker feels a sense of ownership of the tasks undertaken when carrying out a role. With personal discretion, the incumbent is more likely to regard themselves as the agent of their action, and to feel responsible and therefore accountable for the effects their decisions cause. As a result, inhibitory self-regulatory processes (e.g., negative self-evaluations) and proactive self-regulatory processes (e.g., positive self-evaluations) are more likely to be activated, discouraging unethical decision-making and encouraging ethical decision-making.

**Organizational Culture**

Organizational culture has been defined as the shared basic assumptions, values and beliefs that characterize a setting; they are taught to newcomers as the proper way to think and feel, and are communicated by myths and stories people tell about how the organization came to be the way it is as it solved problems associated with external adaptation and internal integration (Schein, 2010; Trice & Beyer, 1993; Zohar & Hofmann, 2012).
Surface-level cultural artefacts that communicate patterns of acceptable behavior establish behavioral norms that indicate the values that are important and the actions that are desirable within an organization (O'Reilly et al., 1991; Treviño, 1986, 1990; Treviño et al., 1998). In an ethical organizational culture, moral agency is activated through cultural artefacts that communicate behavioral norms, and the anticipation of social sanctions for transgressing ethical standards (Bandura, 1986, 2002). In contrast, in an unethical organizational culture, moral agency is inhibited because individuals do not anticipate social sanctions for transgressing ethical standards.

As external sources of moral agency, high role autonomy and an ethical organizational culture motivate ethical decision-making. Role autonomy formally grants individuals discretion and control over the nature and quality of decision-making when carrying out work-related tasks, increasing feelings of ownership and personal responsibility, while organizational culture through surface-level cultural artefacts shapes behavioral norms that control the nature and quality of ethical decision-making.

As shown in Figure 3.3, power and moral efficacy are two independent variables in the theoretical model, and are both internal sources of moral agency. In the following section I will define power and moral efficacy, and discuss their relationship with moral agency.
**Power**

Power is defined as the capacity to modify others’ states by providing or withholding valued resources or administrating punishment (Galinsky, Gruenfeld, & Magee, 2003). The psychological experience of power describes how one feels about possessing power, and can be based on either the actual possession of power or thoughts of the possession of power. The psychological experience of power can be understood as a mindset; that is, a view an individual adopts about themselves as a high-power individual or a low-power individual that comprises assumptions and beliefs about themselves and their environment.

Power is related to moral agency through the behavioral inhibition system. The psychological experience of high power deactivates the behavioral inhibition system, decreasing self-control and therefore decreasing moral agency (Bandura, 1999). In contrast, the psychological experience of low power activates the behavioral inhibition system, thereby increasing self-control and thus increasing moral agency. Self-control enables individuals to override unethical responses and to resist the temptation to respond unethically for self-gain. This is particularly important because the psychological experience of high power increases self-focus and decreases awareness of social consequences of actions.
**Moral Efficacy**

Self-efficacy is the belief an individual adopts about their capability to exercise control over their own functioning and over environmental events (Bandura, 1997). In ethical decision-making, moral efficacy is the belief about one’s capacity to organize and execute courses of action required to attain moral performance (Bandura, 1986). It describes the level of confidence the decision-maker has in their skills to act as moral agents by providing a sense of personal control to produce desired effects and to persevere when confronted with adversity.

High moral efficacy helps individuals to aspire to higher moral standards and to remain task focused under challenging conditions. A person high in moral efficacy is more likely to understand the various dimensions of an ethical dilemma and to manage the trade-offs that may arise. They are also more likely to regulate their motivation and to persevere when necessary to generate alternative solutions when confronted with a complex, ill-defined and ambiguous problem such as an ethical dilemma.

Thus, low power and high moral efficacy activate the self-regulatory processes that enhance moral agency and motivate moral courses of action. Low power increases the behavioral inhibition system, thus increasing self-control and therefore moral agency. Moral efficacy enhances a “can do” attitude to ethical decision-making, increasing a person’s confidence in the skills necessary to resolve ethical dilemmas.

The aim of the previous discussion on agency and moral agency was to discuss how self-regulatory processes enable individuals to exercise control over their own thoughts, emotions and behaviors. In the moral domain, it described how self-regulatory processes allow agents to control the nature and quality of ethical decision-making; to represent
standards of moral behavior as alternative and innovative courses of action; and to anticipate, react to, and reflect on positive and negative cognitive and affective evaluations in response to imagined or actual discrepancies between expected standards of moral behavior and actual behavior. It also discussed how moral agency is derived from external sources (e.g. role autonomy and organizational culture) and internal sources (e.g., power and moral efficacy) that activate self-regulatory mechanisms through social sanctions and self-sanction to inhibit unethical decision-making, and through social and self-commendations to motivate ethical decision-making.

Several authors (Aquino & Reed, 2002; Lapsley, 1996; Lapsley & Narváez, 2004; Shao et al., 2008; Weaver, 2006; Aquino, Freeman, Reed, Lim, & Phelps, 2007) suggest that social cognitive theory provides a framework for integrating two sources of moral motivation; namely, moral agency and moral identity. This suggestion is based on the idea that although moral identity is not a necessary condition of moral agency, social cognitive theory of moral agency accommodates the functional features of moral identity and represents the maximal functioning of moral agency (Rottschaefer, 1998). Consistent with this argument, Moberg and Seabright (2000) argue that moral agency and moral identity are important antecedents for moral imagination. In the next section, moral identity will be discussed as a moderating variable in the theoretical model.
Moral Identity and Ethical Decision-Making

Similar to social cognitive descriptions of moral agency, moral identity has also been described as a self-regulatory mechanism that influences moral cognition and motivates ethical decision-making (Aquino & Reed, 2002; Blasi, 1983; Damon & Hart, 1992; Erikson, 1964). Moral identity is a self-definition or self-conception (Erikson, 1964) centred on the moral aspects of one’s self (Bergman, 2002) and the self-importance of moral traits (Aquino & Reed, 2002). As Figure 3.4 shows, moral identity is the moderator variable in the theoretical model.

Individuals differ in a relatively stable fashion in terms of the self-importance of moral identity (Côté, DeCelles, McCarthy, Van Kleef, & Hideg, 2011; DeCelles, DeRue, Margolis, & Ceramic, 2012; Detert et al., 2008; Ruedy & Schweitzer, 2010). As a dispositional variable, moral identity has an independent effect on moral behavior, and interacts with individual and situational factors to influence moral judgment, intention and behavior (Aquino & Reed, 2002). Moral identity has also been shown to function as a state influencing behavior when activated by situational factors that increase or decrease the

Figure 3.4. Moral identity as the moderator in the theoretical model.

CHAPTER 3

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current accessibility of the individual’s moral self-schema within the working self-concept (Aquino et al., 2007). Research conducted in this thesis conceptualizes moral identity as an individual difference variable that operates as a relatively stable dispositional factor.

Several different psychological mechanisms have been proposed as causal pathways for the effects of moral identity on moral functioning. Mechanisms include responsibility for the effects one’s action cause (Blasi, 1980, 1983), the tendency towards self-consistency (e.g. Aquino and Reed (2002); Blasi, Lapsley, and Narváez (2004)), the protection of the self-concept and the desire to maintain a positive moral self-image (Aquino & Reed, 2002; Arnold & Edwards, 1993; Gibbs, 2003; Hardy, 2006; Hoffman, 2001; Monroe, 2001; Pratt, Hunsberger, Pancer, & Alisat, 2003; Rest, 1983), the integration of goals (e.g., Colby and Damon (2010)), and the development of self-narratives (e.g. Reimer (2003)).

Common to all these conceptualizations of the mechanisms linking moral identity to judgments, intentions and behavior is the integration of self-relevant knowledge in the form of a schema (e.g., Aquino and Reed (2002); Lapsley and Narváez (2004). Self-schemas are elaborate and interconnected knowledge structures about one’s self that include values, goals and traits. Thus, moral schemas are cognitive generalizations about the moral self that comprise elaborate and interconnected knowledge about one’s moral character. Self-schemas serve an important compensatory function, enabling decision-makers to overcome limitations in the processing capacity of their working memory, and to respond quickly and flexibly to environmental demands. Decision-makers who possess a large amount of knowledge in a domain are able to interpret new stimuli quickly, question interpretations that seem erroneous, and generate and access multiple coping strategies. In schema-driven information processing, decision-makers apply preexisting knowledge; this helps them to go “beyond the information given” when only partial and incomplete information is available (Bruner, 1957).
Therefore, self-schemas expand decision-makers’ cognitive and behavioral repertoire, giving them greater potential for action (Cantor & Kihlstrom, 1987).

Since Blasi (1980, 1983) published his paradigmatic model on the role of the self in moral functioning an increasing number of researchers have hypothesized and shown that identity processes should be taken into account in the prediction of ethical decision-making. However, the complex and multifaceted aspects of moral identity (Hardy & Carlo, 2005) mean that the construction and validation of the self-importance of moral identity measure by Aquino and Reed (2002) provided much needed consistency to empirical research in the field. Based on the theoretical foundation of social cognitive theory (Bandura, 1977, 1986; Kihlstrom & Klein, 1994) and social identity theory (Tajfel, 1959; Tajfel, 1979), Aquino and Reed (2002) defined moral identity as a self-conception organized around a set of collectively shared moral traits (e.g., caring, compassionate, fair, friendly, generous, helpful, hardworking, honest, and kind). Following Blasi (1980), Aquino and Reed (2002) argue that a person constructs an identity on moral grounds when moral commitments are central to their self-definition. They concur with Lapsley and Navaez (2004), and suggest that a person’s moral identity is stored in memory as a complex knowledge structure organized around a set of moral traits forming a moral self-schema. In line with social cognitive theory (Cervone & Shoda, 1999), Aquino and Reed (2002) argue that the mental representations of the self in the form of a moral self-schema is critical for processing social information and providing guidelines for action. Consistent with contemporary theories of identity, they suggest that when a moral identity is self-defining relative to other identities, the person’s moral self-schema is readily available and easily activated for processing social information, and is likely to have the strongest and most consistent influence on thoughts and emotions (Markus & Kunda, 1986; Aquino, Reed, Thau, & Freeman, 2007). Aquino & Reed (2002) argue that the motivating force of moral identity can be explained by the consistency
principle. They argue that an identity creates a need for the individual to be true to oneself and, therefore, the need to act consistently with ones’ identity.

Aquino and Reed (2002) empirically identified two sub-dimensions of moral identity: its internalization and symbolization. The internalization of moral identity is the extent to which moral traits are a relatively stable part of one’s self-concept or self-schema; it captures the personal and reflective aspect of moral identity. The symbolization of moral identity refers to the public expression of moral identity; it captures the extent to which moral traits are expressed in actions (e.g., the possession of an object, or association with a role, group or organization). Research suggests that possessions are symbolic expressions of the self; they help people to define themselves and express their identity to others, and help to maintain the continuity of the self across time (Pierce et al., 2003). The internalization of moral identity has been shown to have a more robust moderating effect than symbolization, suggesting that internalization is more representative of concepts generally associated with moral motivation (e.g., fortitude and courage) (Reynolds & Ceranic, 2007).

The self-importance of moral identity is positively related to moral reasoning capability, measured using a short version of Rest’s DIT (Olsen, Eid, & Johnsen, 2006; Reed & Aquino, 2003), and principle reasoning style (Reynolds & Ceranic, 2007; Ruedy & Schweitzer, 2010). McFerran, Aquino and Duffy (2010) demonstrated the relationship between moral identity and individuals’ ethical ideology. Individuals higher in moral identity showed a preference for principled rather than expedient ideology. They also demonstrated that ethical ideology mediated the relationship between moral identity and organizational citizenship behavior, and a propensity to morally disengage. Principled ideology refers to the belief that moral principles exist, are important to one’s self-definition, and determine behavior regardless of the outcome. Expedient ideology assumes that moral principles have
flexibility, and that deviations for personal gain are justifiable (Schlenker, 2008). According to Schlenker (2008), ethical ideology rests on a continuum between two dimensions, and focuses on the individuals’ commitment to a particular ideology.

Moral identity is also positively related to ethical judgment, intention and behavior. Examples of ethical judgment include the moral obligation towards out-groups (Reed & Aquino, 2003), and towards the welfare and interests of out-groups (Hardy, Bhattacharjee, Reed, & Aquino, 2010), and the moral appropriateness of forgiving wrongdoers (Reed & Aquino, 2003). Examples of ethical intention include the desire to be a better person (Aquino, McFerran, & Laven, 2011) and the motivation to engage in prosocial behavior such as charitable giving (e.g., monetary donation) (Aquino et al., 2011). Examples of ethical behavior include self-reported volunteering (Aquino & Reed, 2002); donation of non-perishable food for a local charity; prosocial behavior at work (e.g., helping others who have work-related problems) (McFerran et al., 2010), and courtesy, competence and decision-quality in a call centre (Côté et al., 2011; Skarlicki, van Jaarsveld, & Walker, 2008); and prosocial behavior in sport (e.g., congratulating the opposition on good play) (Sage & Kavussanu, 2010), in leadership (Olsen et al., 2006), and in experimental contexts (e.g., giving more money to the receiver than allocator in a modified dictator’s game) (Aquino et al., 2011).

Moral identity is also negatively related to moral disengagement (Aquino et al., 2007; Detert et al., 2008; McFerran et al., 2010; Moore et al., 2012). Aquino and colleagues (2007) found that the negative relationship between moral disengagement and highly punitive response to terrorists was eliminated by participants who placed high self-importance on their moral identities. The effectiveness of moral disengagement to increase negative emotions in
reaction to abuses of Iraqi detainee by American soldiers was also negated when participants’ moral identities were primed (Aquino et al., 2007).

Research also shows that moral identity is negatively related to unethical judgment such as the appropriateness of antisocial behaviors in sport (e.g., trying to get an opponent injured) (Sage, Kavussanu, & Duda, 2006), unethical intention at work (DeCelles et al., 2012; Reynolds & Ceranic, 2007; Skarlicki et al., 2008) and unethical behavior. Examples of unethical behavior include passive-avoidant leadership behavior (Olsen et al., 2006), self-reported past unethical workplace behavior (e.g., using company services for personal use, calling in sick to take a day off, not reporting others’ violations of company policies and rules) (Reynolds & Ceranic, 2007), self-reported past cheating behavior (Reynolds & Ceranic, 2007), customer-directed sabotage (e.g., purposefully disconnected the call) (Skarlicki et al., 2008), self-reported organizational deviance (e.g., lied about the number of hours worked) (DeCelles et al., 2012), and self-reported cheating, lying and stealing (e.g., taking low-cost items from a retail store) (Moore et al., 2012).

The following section will review research investigating the interaction between individual differences factors and situational factors in ethical decision-making. It will then discuss the way in which internal and external sources of moral agency and moral identity interact to affect moral imagination.

**Moral Agency and Moral Identity**

Consistent with social cognitive theory (Bandura, 1986; Cervone & Shoda, 1999), ethical decision-making is often regarded as a product of the person and his or her situation (Higgins, Power, & Kohlberg, 1984). Correspondingly, the synthesis model of ethical
decision-making incorporates the moderating role of individual and situational factors on four components of ethical decision-making (Jones, 1991; Tetlock, 1992, 2002; Treviño, 1986).

Evidence supports the interactive effect of individual and situational factors on ethical decision-making. For instance, Caldwell and Moberg (2007) hypothesized that situational and individual characteristics interact to influence moral imagination. Specifically, they showed that high moral identity individuals were less affected by ethical norms than low moral identity individuals. Their hypothesis was based on Tett and Burnett’s (2003) trait-based interactionist model of job performance. The model argues that the influence of situational factors in ethical decision-making is weaker for individuals for whom the psychological properties of the situation are self-relevant. In other words, if a person has a high moral identity, situations that promote morality (e.g., an organizational culture that prioritizes ethics) will have less of an effect on ethical decision-making than situations that do not promote morality. In contrast, if a person has a low moral identity, situations that promote morality (e.g., an organizational culture that prioritizes ethics) will have more of an effect on ethical decision-making than situations that do not promote morality.

Several authors (Aquino & Reed, 2002; Lapsley, 1996; Lapsley & Narváez, 2004; Shao et al., 2008; Weaver, 2006; Aquino, Freeman, Reed, Lim, & Phelps, 2007) suggest that social cognitive theory provides a theoretical framework to integrate moral agency and moral identity in models of ethical decision-making. Social cognitive theory identifies the self-regulatory processes that are involved in exercising moral agency and moral identity. Although moral identity is not a necessary condition of moral agency, the cognitive and affective features of moral identity suggests that moral identity represents the maximal functioning of moral agency relative to how moral agency is commonly practised (Rottschaefner, 1998). As demonstrated by the two sub-dimensions of moral identity,
individuals with high moral identity internalize moral standards by integrating morality into their self-concept, and symbolize their moral identity through external actions. Consequently, high moral identity individuals develop a rich and easily activated moral self-schema to help process social information. Moral self-regulatory processes also help in processing social information; for instance, by helping to represent moral standards as alternative or innovative courses of action, by imagining the consequences of various courses of actions and anticipating positive and negative self-reactions in response to actions that are consistent or inconsistent with moral standards, and by reflecting on consequences of actions to reinforce or enhance one’s moral identity. Evidence supports a positive effect of moral identity on ethical decision processes, providing insight into the effect of moral identity on moral self-regulatory process.

The proposition that high moral identity represents maximal levels of moral agency supports the proposition that people’s ethical decision-making is likely to be influenced by their level of moral identity, and that individuals low in moral identity are more susceptible to, and likely to benefit from, the experience of moral agency. Although I expect that people with high moral identity would display higher levels of moral imagination, I predict that people low in moral identity are more susceptible to, and more likely to benefit from, the moral agency experience, in particular because such people do not define themselves in moral terms, have not developed a rich moral self-schema to help process social information, and are not motivated to act in a manner consistent with moral traits to avoid cognitive dissonance. For people low in moral identity, the moral agency experience activates a range of self-regulatory processes that enable the decision-maker to represent higher moral standards as concrete actions, and to imagine the consequence of various courses of action by experiencing positive or negative self-evaluations in response to past, current or imagined future courses of action. In contrast, people high in moral identity are less likely to benefit
from the moral agency experience and activation of self-regulatory processes, because they already define themselves in moral terms, have rich moral self-schemas that help to process social information, and are already motivated to act in a manner consistent with moral traits to avoid cognitive dissonance. I therefore predict that an individual’s moral identity would moderate the relationship between moral agency and moral imagination, such that the relationship would be stronger for individuals with relatively lower levels of moral identity than for people with relatively higher levels of moral identity.

Evidence supports the proposition that low moral identity individuals will be more susceptible to the experience of moral agency and thus more likely to benefit from experiencing higher levels of moral agency. Low moral identity increases the likelihood of unethical reasoning strategies such as moral disengagement during decision-making (Aquino et al., 2007; Detert et al., 2008; McFerran et al., 2010; Moore et al., 2012), and the likelihood of lower levels of cognitive moral development (Olsen, Eid, & Johnsen, 2006; Reed & Aquino, 2003). In addition, a low level of moral identity increases the likelihood of unethical intention at work (DeCelles et al., 2012; Reynolds & Ceramic, 2007; Skarlicki et al., 2008).

However, low moral identity individuals who are exposed to ethical norms (i.e., experience a higher level of moral agency) are more likely to use a wider range of moral reasoning strategies in ethical decision-making (Reynolds & Ceramic, 2007); use more ethical language; and demonstrate greater perspective, greater consideration of novel courses of action (Caldwell & Moberg, 2007) and more willingness to act in a prosocial manner (e.g., giving money to a charity) (Aquino et al., 2009).

The investigation of moral imagination in this thesis will contribute to current research in behavioral ethics in several ways. First, by investigating moral agency as an antecedent of moral imagination, social cognitive theory provides a strong theoretical
foundation to investigate how multiple self-regulatory processes impact multiple dimensions of moral imagination. It also provides a strong theoretical platform to investigate external and internal sources of moral agency, to provide further information about the functional role of various self-regulatory processes in the exercise of moral agency. The focus on moral agency as an antecedent of moral imagination also emphasizes the characteristics of the moral agent, in particular, the person’s moral identity. Once again, because social cognitive theory can accommodate the functional features of moral identity, it is possible to test whether the moderating effect of moral identity is weaker for high moral identity individuals. The systematic investigation of the moderating role of moral identity on the relationship between two external and two internal sources of moral agency and moral imagination answers the call for investigations to take an interactive perspective of ethical decision-making in an organizational context (Kish-Gephart et al., 2010). The results will provide insight into the interaction between self-regulatory mechanisms associated with the exercise of moral agency (derived from internal and external sources) and moral identity, and how the interaction of moral agency and moral identity affects the structure of ethical decision-making.
CHAPTER 4

Four experiments are used to investigate how moral agency and moral imagination, as well as the interaction between moral agency and moral identity, affect individuals’ moral imagination. Experiments 1 (E1) and 2 (E2) investigate external sources of agency; E1 investigates role autonomy and E2 investigates ethical organizational culture. Experiments 3 (E3) and 4 (E4) investigate internal sources of agency; E3 investigates power and E4 investigates moral efficacy.

This chapter provides an overview of those aspects of the method that are common to all four experiments. The fundamental difference between the four experiments relates to the distinct manipulation of the four sources of agency.

Methods

Participants

Participants were recruited via a United States’ job website, Amazon’s Mechanical Turk. An analysis of the Mechanical Turk data quality revealed that it is at least as high as that of data collected by traditional methods (Buhrmester, Kwang, & Gosling, 2011). Registered members of Mechanical Turk responded to an online advertisement and completed the experimental study. Participants were compensated for the time taken to complete the online experimental study. The financial compensation was US $10 for the successful completion of a single study. Participants were not allowed to complete more than one of the four studies posted on the Mechanical Turk website. All participants were adults living in the United States.

In E1, the sample of 99 working adults consisted of 58 females and 41 males who ranged in age from 20 to 67 years ($M_{age} = 36, SD = 10.85$). In E2, the sample of 102 working
adults consisted of 60 females and 42 males who ranged in age from 20 to 70 years ($M_{age} = 35, SD = 10.66$). In E3, the sample of 99 working adults consisted of 58 females and 41 males who ranged in age from 20 to 70 years ($M_{age} = 33, SD = 9.74$). In E4, the sample of 100 working adults consisted of 50 females and 50 males who ranged in age from 21 to 62 years ($M_{age} = 33, SD = 9.01$). Across all experiments, the average period of work experience was 14 years ($SD = 9.01$), the average number of years work experience was 14.5 years, and the average level of education was a bachelor degree (43.6%).

**Design**

A consistent experimental design was used for all four experiments to test my hypotheses in a moral agency (high vs. low) design, with moral identity as a covariate. Creativity was included as a covariate across all studies. A different manipulation of moral agency was used in each experiment: role autonomy (E1), organizational culture (E2), power (E3) and moral efficacy (E4). In each case, the dependent variable was moral imagination.

Table 4.1 shows the relationship between low and high agency and the manipulated condition in each experiment.

**Table 4.1**

*Relationship Between Moral Agency (Low vs. High) and Experimental Conditions for Experiments 1 to 4*

<table>
<thead>
<tr>
<th>Moral agency</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment 1</td>
<td>Low role autonomy</td>
<td>High role autonomy</td>
</tr>
<tr>
<td>Experiment 2</td>
<td>Unethical culture</td>
<td>Ethical culture</td>
</tr>
<tr>
<td>Experiment 3</td>
<td>High power</td>
<td>Low power</td>
</tr>
<tr>
<td>Experiment 4</td>
<td>Low moral efficacy</td>
<td>High moral efficacy</td>
</tr>
</tbody>
</table>
Procedure

All four experiments were conducted using a secure online survey tool that recorded responses. Participants were told that the experiment was designed to investigate decision-making processes. To begin the experiment, participants completed the measure of moral identity and then a measure of creativity (described below and shown in Appendix A and B, respectively). Participants then completed a filler task that required them to count the number of vowels in two sentences. Participants were then randomly assigned to one of two experimental conditions (high or low moral agency). In each of the experiments, participants were primed with either a high or low level of the experimental condition (as shown in Table 4.1), and then answered two self-report items designed to check the effectiveness of the experimental manipulation. Following the self-report items, participants were asked to read and respond to two business-related scenarios that involved an ethical dilemma. After reading each scenario, participants responded to five questions that measured moral imagination (described below and supplied in Appendix J). Questions requiring participants to generate alternative courses of action were presented on separate screens in order to extend their imagination and to generate a greater number of alternative courses of action. The remaining questions were presented on a single screen. The scenario remained visible while participants responded to each question. The two scenarios were presented to participants in random order. Finally, participants completed five demographic questions and a question probing their awareness of the purpose of the study. Any participant who realized the purpose of the study was removed from the data analysis. A debriefing was then conducted and participants were thanked for their participation. Participants provided their Mechanical Turk user identification in order to verify the successful completion of the study, and to facilitate payment via the Mechanical Turk payment system.
Materials

Dependent Variable – Moral Imagination

Across the four experiments, the dependent variable was moral imagination. An adapted version of the measurement of moral imagination developed by Whitaker and Godwin (2013) was used. Moral imagination was measured by coding open-ended responses to the two business-related scenarios showed in Table 4.2 and in Appendix I that involve an ethical dilemma. In each experiment, participants were asked to read the two business-related scenarios (matched in word length and moral intensity) and then were asked to envision that they were in a position to make a decision on the situation and to answer a series of questions. The questions were designed to guide participants through the ethical decision-making process and to keep participants engaged. Open-ended questions prompted participants to generate alternate and novel courses of action, to evaluate the most likely and least likely action, and to consider the consequences for affected parties.

Table 4.2 Two Business-related Scenarios Involving an Ethical Dilemma

Scenario 1

You are a manager in a medium-sized branch of the company that is located in a small town. Unfortunately, due to departmental consolidation, you are forced to lay off a third of your workforce in six month time. You know that the discharge process will be unpleasant because many employees have worked with the company for a long time. You also know that as soon as you announce the layoffs property prices in the small town will fall off considerably, as will the effort and morale of the company’s employees.

One of your favorite employees, whom you admire very much, has been going through some hard times financially. You are also aware that he has been caring for his terminally ill wife and their two young children. You would like to give this
employee some advance notice so that he could sell his house for a reasonable price. However, you know that if you tell him to sell the house there is a chance the rest of the company would read the sale as a sign that layoffs are imminent long before the planned announcement date. If this were to happen not only would property prices drop, so too would firm productivity.

Scenario 2

You are a manager in the IT department. One of your co-workers, whom you consider a friend, recently ran into hard times. His wife has lost her job, and his family (which includes four children) has been having considerable financial problems. For additional income he has started to develop websites. To promote his new business he has been using the company’s email account and telephone to schedule new jobs and communicate with customers. In addition, he has placed the company’s email address and telephone number on his personal business cards.

You know there is increasing pressure from management to cut costs and outsource the work done in your department. You are concerned about the security of your job. The tendering process has begun and one of the vendors is your colleague. You feel conflicted because this colleague has always made time to help you with the issues you encountered at work, however, a few times he has called in sick, and much of his work has not been completed. As a result, the team, including you, have had to step in to fulfil his job duties. You suspect that he has been using sick days to build websites, because he never appears to be unwell. Your boss is concerned with the declining performance of your team. He asks you if this colleague is using company time to pursue interests not related to the company.
**Scenario Pre-test**

To ensure that moral imagination was not just a function of the moral intensity of the scenario, a pre-test was conducted to determine whether there were any significant differences in the moral intensity between the two scenarios. Jones (1991) suggested that the “intensity” of a moral issue can be characterized according to the magnitude of the consequences, degree of social consensus, probability of effect, temporal immediacy, proximity and concentration of effect. Jones suggested that this influences the amount of effort expended during cognitive processing, in part by increasing attributions of responsibility to oneself for the decisions likely consequences to others. Meta-analytic findings (Kish-Gephart et al., 2010) show that all six dimensions of moral intensity are negatively correlated with unethical intention.

The pre-test for the two scenarios consisted of 31 working adults who were recruited through the Mechanical Turk job recruitment website. The sample consisted of 19 females and 12 males who ranged in age from 22 to 54 years ($M = 34, SD = 10.80$). The average education level was a bachelor degree (29%). The average period of work experience was 14 years ($SD = 8.09$).

Moral intensity was measured using Paolillo and Vitell’s (2002) six item scale. As shown in Appendix D, participants read the scenario and then, using a scale ranging from 1 (strongly disagree) to 7 (strongly agree), assessed the degree of agreement that a statement accurately describes the moral intensity of the scenario. A sample item measuring expected harm states, “The overall harm (if any) done as a result of the action would be very small.” Each item measured a single component of moral intensity proposed by Jones (1991).
Research suggested that four of the six items (probability of effect, temporal immediacy, magnitude of harm and concentration of effect) form a cluster that measures expected harm (McMahon & Harvey, 2006; Kish-Gephart et al., 2010). Thus, the probability of effect refers to the likelihood harm will occur; temporal immediacy refers to the passage of time before that harm will occur; magnitude of the consequences refers to the amount of harm that will occur; and concentration of effect refers to the relative amount of harm in relation to the number of victims potentially harmed (Kish-Gephart et al., 2010). Cronbach’s coefficient alpha for the four items relating to expected harm was $\alpha = .94$ for Scenario 1 and $\alpha = .82$ for Scenario 2. The other two dimensions relate to the level of ambiguity or uncertainty that the action is wrong (social consensus), and the psychological similarity or distance (proximity) between the victim and the decision-maker (McMahon & Harvey, 2006). Table 4.3 shows the means and standard deviations for expected harm and social consensus in Scenario 1 and Scenario 2. Given the wording of the items, agreement with the statements of moral intensity indicates a lower level of moral intensity (Paolillo & Vitell, 2002).

**Table 4.3**

*Means and Standard Deviations among Three Categories of Moral Intensity in Scenarios 1 and 2*

<table>
<thead>
<tr>
<th>Moral intensity</th>
<th>Scenario 1 n = 31</th>
<th>Scenario 2 n = 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$M$</td>
<td>$SD$</td>
</tr>
<tr>
<td>Expected harm</td>
<td>4.51</td>
<td>1.51</td>
</tr>
<tr>
<td>Social consensus</td>
<td>4.58</td>
<td>1.54</td>
</tr>
<tr>
<td>Proximity</td>
<td>3.58</td>
<td>1.72</td>
</tr>
<tr>
<td>Overall moral intensity</td>
<td>4.23</td>
<td>0.79</td>
</tr>
</tbody>
</table>

Note: Higher scores indicate lower levels of moral intensity.
No significant difference was found between Scenario 1 and Scenario 2 in regard to expected harm $t = -1.65, p = .101$, social consensus $t = 7.6, p = .405$, and proximity of effect $t = 0, p = 1.0$.

**Scoring Moral Imagination**

As a multifaceted construct, moral imagination was instrumentalized as a series of five outcome variables. The procedure used to transform open-ended questions into scores that could be used for subsequent data analyses is described in Table 4.4. Specifically, the table describes the wording of the item as it appeared for the participants, the scoring procedure and its scale in relation to the five outcome variables measuring moral imagination. The items described in the table were used for both scenarios. Thus, moral imagination consisted of five outcome variables across two scenarios, creating a total of 10 outcome variables.
### Table 4.4

**Five Dimensions of Moral Imagination: Item Wording, Scoring and Scaling**

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Item</th>
<th>Scoring procedure</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Initial actions</td>
<td>(a) List as many ways as you can think to take action on this situation. (b) List any further ways you can think to take action on this situation.</td>
<td>The total number of alternate courses of action combined with the total number of further courses of action</td>
<td>A greater number of actions indicates higher levels of moral imagination</td>
</tr>
<tr>
<td>2 Novel actions</td>
<td>In order to stretch your thinking, list any novel or alternative ways you can think to take action</td>
<td>Total number of novel actions</td>
<td>A greater number of novel actions indicates higher levels of moral imagination</td>
</tr>
<tr>
<td>3 Most likely reasoning strategies</td>
<td>Which action are you most likely to take and why?</td>
<td>Total number of moral reasoning and intuitive strategies used to determine most likely action</td>
<td>A greater number of strategies indicates higher levels of moral imagination</td>
</tr>
<tr>
<td>4 Least likely reasoning strategies</td>
<td>Which action are you least likely to take and why?</td>
<td>Total number of moral reasoning and intuitive strategies to determine least likely action</td>
<td>A greater number of strategies indicates higher levels of moral imagination</td>
</tr>
<tr>
<td>5 Stakeholders considered</td>
<td>Identify who you think will be impacted by your decision and how they will be impacted.</td>
<td>Total number of stakeholders considered when determining the consequence of a chosen course of action</td>
<td>A greater number of stakeholders considered represented a higher level of moral imagination</td>
</tr>
</tbody>
</table>
Although the flexible use of moral reasoning strategies has not yet been measured in empirical research on moral imagination, previous experiments have analysed the use of ethical language, including terms such as “ethics” or “social responsibility” (Moberg & Caldwell, 2007; Yang, 2013). Coding for a range of moral reasoning strategies and emotional responses to an ethical dilemma may provide important information on the creative metacognitive processes involved in moral imagination. The flexible application of a variety of ethical criteria when evaluating potential courses of action reflects the pluralist assumptions of moral imagination (Werhane, 1999). Pluralism argues that no single ethical theory can provide the true or best view on an ethical dilemma but that a consensus on basic principles and rules in specific contexts can and should be reached (Crane & Matten, 2010; Kaler, 1999). Thus, a greater number of moral reasoning strategies used to determine the most likely or least likely course of action is indicative of higher levels of moral imagination. This particular process in ethical decision-making involves forming mental models that prove the morality of a course of action, and models that might refute morality of a course of action and help to rule in or rule out potential courses of action (Johnson-Laird, 1999). The evaluation of the most likely and least likely action using a range of moral reasoning strategies is also similar to problem solving strategies advocated by the geneplore model, such as structured imagination. Some researchers argue that the search for counterexamples to falsify conclusions (e.g., considering the least likely course of action) involves a form of logic (Chater & Oaksford, 2001) or deductive reasoning.

A coding scheme was created in order to count the number of moral reasoning strategies used to decide the most likely and least likely course of action (Outcomes 3 and 4). Seven distinct categories were created. The categories represented various ethical criteria for evaluating morality based on the philosophical ethical theories most commonly used in behavioral ethics (Crane & Matten, 2010). Each philosophical ethical theory or intuition
makes different assumptions about the considerations that are important when forming a moral judgment. For example, a decision-maker may apply egoism (i.e., consider their own interests, including the interests of the organization for whom they work), consequentialism (i.e., consider the significance of the consequences for all stakeholders), deontology (i.e., consider whether the action itself honours rules or principles), justice (i.e., consider whether people are treated fairly), virtue (i.e., consider how virtuous or moral person would act), relationships (i.e., consider how to preserve relationships and minimize harm), or social intuition (i.e., consider how I feel and what my gut instinct tells me).

Table 4.5 provides an example of how each moral reasoning strategy or intuitive response based on a specific philosophical ethical theory was applied to the business-related ethical dilemma presented in Scenarios 1 and 2.
### Table 4.5

**Moral Reasoning and Intuitive Strategies used to determine the Most likely and Least Likely Action: Example responses for Scenarios 1 and 2**

<table>
<thead>
<tr>
<th>Ethical criteria</th>
<th>Example response</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Egoism</strong></td>
<td></td>
</tr>
<tr>
<td>Scenario 1</td>
<td>I would not tell the co-worker because I need to protect my job.</td>
</tr>
<tr>
<td></td>
<td>I need to maintain productivity at the company and I don't want any questionable activities to come back to me. I could be fired for sharing confidential information.</td>
</tr>
<tr>
<td>Scenario 2</td>
<td>I would selfishly look out for my interests. I value my job over the job of someone else.</td>
</tr>
<tr>
<td></td>
<td>It allows me to avoid responsibility for harming my friend, yet doesn't make me risk my own job too much by doing anything improper.</td>
</tr>
<tr>
<td><strong>2. Consequentialism</strong></td>
<td></td>
</tr>
<tr>
<td>Scenario 1</td>
<td>It seems like the most beneficial to him but does not harm the property values or productivity in the company.</td>
</tr>
<tr>
<td></td>
<td>I wouldn't take this action because the repercussions are too great. Property values would fall, the employees would stop working, and I could lose my job.</td>
</tr>
<tr>
<td>Scenario 2</td>
<td>It would benefit the most parties; he'd be more present when at work, productivity would improve.</td>
</tr>
<tr>
<td></td>
<td>It solves multiple problems. Web development program could lead to more revenue for the company. Keeping the work in house should cost less than outsourcing. The co-worker could bring his clients with him otherwise it could be a conflict of interest. It would solve his side business contact/sick day issues. Management could offer a modest raise with structured performance goals and bonuses. It could be a win-win.</td>
</tr>
<tr>
<td><strong>3. Deontology</strong></td>
<td></td>
</tr>
<tr>
<td>Scenario 1</td>
<td>The ethical thing to do is to be honest with our employees. I would be deceiving the other employees and therefore my actions would be morally wrong. If they see that we are trying to help them productivity shouldn't drop too much.</td>
</tr>
<tr>
<td></td>
<td>It seems like the best way to help this person that I care about, without violating the ethics of my position with the company.</td>
</tr>
<tr>
<td>Scenario 2</td>
<td>It's honest yet doesn't directly hurt the employee at this time.</td>
</tr>
<tr>
<td></td>
<td>I would warn him about the conflict of interest because it seems the most ethical.</td>
</tr>
</tbody>
</table>
4. Justice

Scenario 1  - I would not give the advanced warning to my friend because it is unfair to the other workers and that shows blatant favoritism.
- Because it's the most fair to everyone. Lots of people go through hard times and just because I know this man doesn't mean I should give him special treatment.

Scenario 2  - It is the fairest thing to do for the company and the team.
- I don't think what he's doing is right, and it's not fair to the rest of the team. It's important for me to confront him and be honest about it, but I don't think it's necessary to tell my boss everything I know if there's a chance we can correct the situation on our own.

5. Virtue Ethics

Scenario 1  - I would feel really guilty about knowing I could have helped this person more. It would honestly be something that might keep me awake at night thinking about. I wouldn't want to walk around with guilt like that even if there were consequences to my behavior.
- This person had the decency to be honest with me, so I owe that decency back.

Scenario 2  - I pride myself as the kind of man who would not take the easy and unethical way out of this dilemma.
- To do nothing and let him suffer is nothing like me or how I value my friendships. I want to be loyal to him.

6. Ethic of Care

Scenario 1  - If he was my friend, and I was not under an agreement to not divulge information, I would try to give him a heads-up so he could take care of himself.
- Because he is a friend and I care about his family's well-being.

Scenario 2  - I want to help my friend.
- We are friends and he has helped me in the past so I should show some compassion, especially considering his family situation.

7. Moral Intuition

Scenario 1  - I wouldn’t feel right it I didn’t give him advanced warning
- Because it is wrong

Scenario 2  - It just doesn’t seem right
- Because it feels like it is the right thing to do
Two coders (the author and a PhD candidate in management) rated participant’s use of moral reasoning strategies when deciding on which action they were “most likely” and “least likely” to take. In order to facilitate a shared mental model surrounding the coding scheme, a training process took place. The two coders independently rated practice responses from 15 participants who participated in a pilot study. The rating from the two coders had a correlation of .83 and an interclass correlation (ICC) of .82, suggesting the coding was reliable. The two coders discussed the disagreements among the ratings and jointly rated responses from a further 10 participants who also participated in a pilot study. For each experiment, the trained coder coded a subset of 25% of the sample. Once a sufficient level of agreement was achieved on the subset to ensure the coding was reliable, the author coded the responses of the remaining dataset to create a measure of the two dimensions of moral imagination for each participant; namely, the number of moral reasoning strategies used to determine the most likely and least likely action.

**Moderator Variable – Moral Identity**

In all four experiments, moral identity was investigated as a covariate in the experimental design. Moral identity was measured using the instrument developed by Aquino and Reed (2002), and included two subdimensions. Higher scores on the two subdimensions indicate greater importance of morality expressed privately (internalization subdimension) and publically (symbolization subdimension).

Moral identity was measured by using Aquino and Reed’s (2002) internalization and symbolization sub-scales. As shown in Appendix A, participants are first presented with a set of nine adjectives (caring, compassionate, fair, friendly, generous, helpful, hardworking, honest and kind), along with the statement that these “represent some of the characteristics that might describe a person. The person with these characteristics could be you or it could be
someone else. For a moment, visualize in your mind the kind of person who has these characteristics. Imagine how that person would think, feel, and act”. Participants then rate, with a scale ranging from 1 (strongly disagree) to 7 (strongly agree), seven items for each subscale, to assess the degree to which these characteristics represent an important part of their own identity. Sample items from the internalization subscale include: “It would make me feel good to be a person who has these characteristics”, “I strongly desire to have these characteristics.” Sample items from the symbolization subscale include: “The kinds of books and magazines that I read identify me as having these characteristics”, “The fact that I have these characteristics is communicated to others by my membership in certain organizations.”

**Control Variable – Creativity**

The inclusion of creativity as a control variable was based on recent findings showing that creativity is positively related to moral imagination (Whitaker & Godwin, 2013; Yang, 2013). Whitaker and Godwin (2013) found that employees who were rated as creative by their supervisors at work were more attentive to the moral issue in a hypothetical business-related scenario involving an ethical dilemma, and generated a greater number of alternative courses of action (a dimension of moral imagination). Yang (2013) found that decision-makers with proactive personalities demonstrated higher levels of moral imagination. Proactivity appears to be an important character trait that augments creativity (Seibert, Crant, & Kraimer, 1999).

To test whether moral imagination is not just a function of a person’s creativity, but is enhanced or inhibited by the individual’s sense of moral agency (derived from internal and external sources), and the personal attributes of the decision-maker, creativity as a control variable was consistently applied across the four experiments. Creativity was measured using Gough’s creative personality scale (Gough, 1979). As shown in Appendix B, participants
were required to read a list of 30 adjectives and check the adjectives that best describe them. The scale consists of 18 adjectives indicative of creative individuals, and 12 adjectives contraindicative of creative individuals. The total number of contraindicative adjectives, applicable to the respondent, is subtracted from the total number of indicative adjectives applicable to the respondent. The resulting values, which falls between –12 and +18, indicates the respondent’s position along a latent creativity dimension, as shown, for example, by Amabile, Hill, Hennessey, and Tighe (1994); Batey and Furnham (2006); Carson, Peterson, and Higgins (2005); Oldham and Cummings (1996). Higher scores on the scale indicate stronger creative tendencies or characteristics of the individual.

At the conclusion of the study, participants were probed for awareness of the experimental manipulation. Participants who guessed the purpose of the studies were excluded from further analyses.

**Approach to Data Analysis**

To analyse the data, I first provided summary statistics for participants. The main analysis was general linear modelling, which accommodates factors and covariates. In each experiment, moral agency was manipulated; this factor contains two levels, high moral agency and low moral agency. Moral identity was the covariate that contained two subdimensions, internalization and symbolization of moral identity, measured using the same Likert scale from 1 (strongly disagree) to 7 (strongly agree).

For each experiment there were two hypotheses: the main effect of the manipulation of moral agency and an interaction between moral agency and moral identity on moral imagination. Modelling included creativity as a control and, in E4, also included a baseline measure of moral efficacy as a control.
The outcomes were number of initial actions; number of novel courses of action; number of reasoning strategies used to determine most likely course of action; number of reasoning strategies used to determine least likely reasoning strategies; and number of stakeholders considered when evaluating the consequences for the most likely course of action. The same outcomes were derived in response to two scenarios, creating a total of 10 outcomes for each experiment.

For each outcome, a single general linear model was fitted. The model included the main effects of moral agency, moral identity internalization and symbolization to test Hypothesis 1, and the interaction of moral agency and moral identity to test Hypothesis 2.

To describe the main effect of moral agency as a categorical variable on each dimension of moral imagination across both scenarios, I reported the $F$ statistic, $p$-value and effect size $\eta_p^2$ as well as the mean differences (between high moral agency and low moral agency). To describe the main effect of the continuous variables (moral identity, creativity, moral efficacy baseline) on each dimension of moral imagination across both scenarios, I reported the $F$ statistic, $p$-value, effect size $\eta_p^2$, and an estimated value of the unstandardized regression analysis (slope). To describe the interaction effect, I reported the $F$ statistic, the unstandardized regression coefficient, $p$-value and effect size $\eta_p^2$.

Tables of the main effect and interaction effects include all relevant statistics. To assist interpretation, figures were included in the analysis for significant interaction effects.

**List of Items in Appendix**

The Appendix for this thesis includes: a) Self Importance of Moral Identity Measure (Aquino & Reed, 2002), b) Gough Personality Scale (Gough, 1965), c) Moral Efficacy Questionnaire (Hannah & Avolio, 2010), d) Moral Intensity measure (Paolillo & Vitell,
2002), e) E1 manipulation of role autonomy, f) E2 manipulation of organizational culture, g) E3 manipulation of power, h) E4 manipulation of moral efficacy, i) Scenario 1 and 2, and j) Five open-ended questions in response to Scenario 1 and 2.
CHAPTER 5

As shown in Figure 5.1, the experiment reported in this chapter will test a section of the theoretical model presented in Chapter 1, and will use the methodology outlined in Chapter 4. Participants will be primed with either low moral agency (low role autonomy) or high moral agency (high role autonomy) before reasoning through two business-related scenarios that involve an ethical dilemma.

The objective of this chapter is to investigate and test how an external source of agency, namely role autonomy, affects ethical decision-making, and to determine whether moral identity moderates this relationship. First, I will explore and evaluate the effect of role autonomy on general decision-making processes and ethical decision-making, with a special focus on moral imagination. Second, I will discuss role autonomy as an external source of moral agency in organizations, and ask whether high and low role autonomy differentially affect moral imagination. Third, I will discuss the interactive effect of role autonomy and moral identity on moral imagination, and ask whether high and low role autonomy interacts with high and low moral identity to differentially affect moral imagination.
Role Autonomy and General Decision-Making

Role autonomy is the freedom to make decisions and take courses of actions when carrying out work-related tasks without seeking prior approval from superiors. In an organizational context, role autonomy describes the degree of delegated authority, and the extent to which an individual can exercise personal discretion. Discretion is defined by Hambrick and Finkelstein (1987, p. 371) as “latitude of managerial action”; that is, the freedom to choose between alternative courses of action within the limits of the organization’s code of conduct and the law. For example, a manager with high discretion (i.e., high role autonomy) can select from a wide range of actions, and from a wide range of options for implementing actions. In contrast, a manager with low discretion (i.e., low role autonomy) has a much narrower range of possible courses of action, and is greatly restricted in how action may be implemented (Seibert et al., 2004).

In discussing the way in which discretion can be applied at work, Caza (2012) identified eight distinct domains: the amount of effort expended (e.g., the number of hours worked per week); goal pursued (e.g., the prioritization of work tasks); technical method,
schedule and materials (e.g., the procedure, pace, use of resources); staffing (e.g., the selection of personnel); general and supervisory support (e.g., helping or monitoring colleagues and subordinates); interpersonal style (e.g., professional boundaries); civic virtue (e.g., organizational citizenship behavior); and buffering, (e.g., taking responsibility for team performance). In each of these areas of work, discretion can vary from low to high (Caza, 2012).

The right to act autonomously at work and to exercise discretion arises from various sources to influence decision-making processes. These sources include the individual, the organization and the wider environment (Seibert et al., 2004). At the individual level, for example, an incumbent may perceive that he or she has more or less discretion than is actually available, based on stable individual differences such as locus of control (Carpenter & Golden, 1997). When an individual feels that he or she can control the environment (internal locus of control), as opposed to being controlled by the environment (external locus of control), the incumbent is more likely to perceive a higher level of managerial discretion.

Research investigating the psychological experience of empowerment also demonstrates that job incumbents can vary in their beliefs about the work environment. For example, an individual’s perceptions about the level of self-determination that they perceive is available to them at work vary; that is, they vary in the amount of choice they believe they have when initiating and regulating action (Deci et al., 1989; Spreitzer, 1995), such as making decisions about work methods, pace and effort (Spector, 1986; Staw, Bell, & Clausen, 1986).

At the organizational level, structures, policies and management practices can also enhance or inhibit managerial discretion. Management practices that emphasize information sharing and team accountability, and that encourage autonomy through boundaries, empower
individuals, giving them a sense of autonomy while carrying out their role (Seibert et al., 2004). Similarly, providing access to information or resources serves to increase autonomy (Conger & Kanungo, 1988; Thomas & Velthouse, 1990). Other management practices serve to restrain the autonomy of individuals at higher levels of an organization. For example, a chart of authority sets the authority limits for its managers, determining the extent to which an individual can act without necessarily seeking further authorization or approval.

Factors beyond the boundaries of the organization, such as market conditions and institutional norms, can also influence managerial discretion. Comparing highly competitive market conditions to cooperative conditions, empowering managers with autonomy facilitates decision-making and enables organizations to respond dynamically and adaptively to changing market conditions (Zhao, Chu, & Chen, 2010). National-level institutional norms can also influence the type of management practices that are deemed to be normatively appropriate. For example, countries in which the social norm for decision-making is autonomous rather than consensus based tend to permit individual initiative and tolerate unilateral decision-making (Hofstede, 2001). In such environments, individuals are more likely to be granted role autonomy and have wider latitude for action (Crossland & Hambrick, 2011). These findings add to a growing body of research demonstrating that discretion can arise from multiple sources.

Research suggests that role autonomy is associated with a range of outcomes that facilitate the decision-making process. Role autonomy is positively associated with managerial discretion (Hambrick & Finkelstein, 1987), intrinsic motivation (Ryan & Deci, 2000), personal initiative (Frese, Fay, Hilburger, Leng, & Tag, 1997), proactive problem solving (Parker, Williams, & Turner, 2006), psychological empowerment and empowerment climate (Seibert et al., 2004; Spreitzer, 1995), performance (including the ability to solve
problems using appropriate analytical approaches and decision tools) (Donaldson & Davis, 1991; Kesner, 1987; Seibert et al., 2004) and creativity (Amabile, 1983; Reiter-Palmon & Illies, 2004; Shalley, 1991; Simon, 1985).

Consistent with these findings, Zhang and Bartol (2010) found that role autonomy improves decision-making processes by encouraging creative problem solving. Their findings show that individuals with higher levels of psychological empowerment (i.e., higher degree of role autonomy) demonstrate higher levels of intrinsic motivation, are more engaged in the creative process of decision-making at work, and achieve more creative outcomes than individuals with lower levels of psychological empowerment. The creative process includes problem identification, information searching and encoding, and idea and alternative action generation (Zhang & Bartol, 2010). In addition, Mumford and colleagues (2010) found that creativity not only encourages individuals to generate a greater number of alternative courses of action, but also to better identify the implications of their decisions, in comparison to less creative individuals (Mumford et al., 2010).

Unlike fixed work procedures that restrict creative thinking (Amabile et al., 2004; Madjar, Oldham, & Pratt, 2002), autonomous work procedures serve as a cue to engage in the creative process at work (Unsworth & Clegg, 2010). Autonomy helps to establish an environment in which an employee has the freedom and intellectual space to play with ideas and expand the range of alternative courses of action before settling on a viable and creative solution (Amabile, 1983).

Creative problem solving may also improve decision-making by encouraging System 2 thinking, thus helping to overcome limitations in rational thinking (Kahneman, 2003; Shalley & Zhou, 2008; Stanovich & West, 2000). System 2 thinking is effortful, consciously monitored and deliberately controlled. Bounded rationality results from limitations of time,
knowledge and information processing, and leads to systematic judgment bias. Taking the
time to consider a greater number of alternative courses of action can reduce the negative
impact of bounded rationality. For example, it can reduce the likelihood of choosing an
implicit favorite, or choosing the first option that meets the minimum requirements, when
making evaluative judgments (Frisch & Jones, 1993).

Low and high role autonomy differentially affect general decision-making. High role
autonomy provides individuals with managerial discretion, and empowers and encourages
incumbents to engage in creative problem solving, thus minimizing the negative effects of
bounded rationality.

**Role Autonomy and Ethical Decision-Making**

In organizations, there are many opportunities to make decisions. A particular type of
decision in a business context that has important consequences for a variety of organizational
stakesholders is ethical decision-making. Research in general decision-making suggests that
discretion associated with role autonomy encourages and empowers individuals to engage in
creative problem solving. It also suggests that role autonomy may increase the quality of
ethical decision-making processes. For example, creative problem solving associated with
role autonomy may help individuals to become aware of their own bounded ethicality,
helping them to notice the unethical actions of others (Banaji, Bazerman, & Chugh, 2003;
Chugh et al., 2005). Bounded ethicality is defined by Banaji, Bazerman and Chugh (2003) as
the “systematic and predictable ways in which humans act unethically beyond their own
awareness”. Creative problem solving appears to increase awareness of ethical blind spots
that arise from the motivated desire to maintain a stable view of oneself as moral, competent
and deserving.
As well as the association between autonomy and creativity, evidence supports a relationship between role autonomy and prosocial attitudes and behaviors. When granted role autonomy, incumbents display higher levels of job satisfaction and commitment (Chen & Chiu, 2009; Mayhew, Ashkanasy, Bramble, & Gardner, 2007), display greater mental well-being (Park & Searcy, 2012), and are more likely to engage in discretionary prosocial action such as organizational citizenship behavior (Alge, Ballinger, Tangirala, & Oakley, 2006) than individuals who lack role autonomy.

Shantz and colleagues (2013) demonstrated that individuals with high role autonomy are more engaged in their work and achieve higher performance ratings from their supervisors, and as a consequence, enact more organizational citizenship behaviors and fewer deviant behaviors than low role autonomy individuals (Shantz et al., 2013). In addition, Molleman (2009) found that when task interdependence is high, perceived task autonomy is positively related to a belief that autonomy brings social benefits. For example, the belief that autonomy at work fulfills social needs (e.g., mutual support, understanding and respect among team members) increases the ability of individuals to help one another, thus stimulating prosocial behavior and mutual liking (Molleman, 2009).

Role autonomy is also positively associated with perspective taking in decision-making. Perspective taking is the principle pathway for moral reflection (Kohlberg, 1969, 1971; Piaget, 1965). Taking a wider perspective on ethical issues requires an individual to metaphorically step into someone else’s shoes. Seeing an ethical dilemma from more than one perspective can facilitate vicarious emotions such as sympathy, which in turn stimulates new intuitions and potential courses of action (Haidt, 2001). Friedman and Podolny (1992) found that managers with low levels of role autonomy displayed a narrower perspective in decision-making than managers with high levels of role autonomy. Low role autonomy
individuals were more likely to act as representatives of their own organizations, whereas high autonomy managers were more likely to incorporate the interests of multiple stakeholders in their decision-making (Friedman & Podolny, 1992).

The link between role autonomy and ethical decision-making is also supported by research investigating individual differences in beliefs of personal control (Spector & O'Connell, 1994). Meta-analyses show that an internal (rather than external) locus of control is negatively related to unethical intention and behavior (Kish-Gephart et al., 2010). An internal locus of control is a relatively stable belief that outcomes of one’s actions are contingent on personal effort, rather than the environment (Rotter, 1990). That is, the individual as opposed to the environment primarily determines his or her experiences. In the person–situation interactionist theory of ethical decision-making, Treviño (1986) proposed that individuals with high internal locus of control would be less likely to engage in unethical choices than individuals with high external locus of control. Treviño (1986) argued that because an individual with an internal locus of control believes that outcomes are contingent on his or her own actions, the individual is more likely to recognize personal responsibility for those outcomes, more likely to see that such an action will bring about potentially negative outcomes (i.e., harm to others), and thus be more likely to avoid it (Kish-Gephart et al., 2010; Treviño, 1986). In summary, high role autonomy individuals are more likely to display prosocial attitudes and engage in prosocial behavior, take a wider perspective in decision-making and have an internal locus of control than low autonomy individuals. Role autonomy may therefore establish a context that helps to minimize the negative effects of bounded rationality and bounded ethicality.

To establish a relationship between role autonomy and moral imagination, and to test the model presented in Chapter 1, it is necessary to not only discuss the relationship between
role autonomy and general and ethical decision-making, but also to discuss role autonomy as an external source of moral agency.

**Role Autonomy and Moral Agency**

Agency is the capacity for self-influence (Bandura, 1986). From a social cognitive perspective, self-influence relies on self-regulatory processes such as symbolization, forethought, self-reactive evaluation and reflection (Bandura, 1986). In decision-making, agency serves an important function; namely, to control thoughts and behavior for the purpose of achieving desirable outcomes and avoiding undesirable outcomes. *Moral* agency is the capacity for self-influence in both the proactive form or morality (e.g., the decision to make an ethical decision) and the inhibitory form (e.g., the decision not to make an unethical decision). At the core of moral agency is the capacity to control the nature and quality of the ethical decision-making process. Through a range of moral self-regulatory processes, a moral agent is able to achieve outcomes consistent with ethical standards and avoid outcomes that are inconsistent with ethical standards (Bandura, 1986).

Bauman (1993) argues that in a bureaucratic organization, the lack of discretion in decision-making undermines employee’s moral autonomy because individuals are bound by rules. Without personal discretion, an individual is obliged to follow others’ rules, and is constrained from exerting influence, thinking independently or having choice (Bauman, 1993). Creating a link between role autonomy and moral agency, Bauman (1993) suggests that without personal discretion, employees lack moral agency and the power to exercise control over their decisions. In moral cognition, autonomy is often considered the basis for determining moral responsibility and accountability for one’s actions. Judgments of culpability for unethical acts are often based on judgments of intention or causality; that is, whether the agent had discretion over his or her actions (Woolfolk et al., 2006).
Moral agency and role autonomy are related. When an individual is delegated authority and empowered to exercise discretion in decision-making, that person has the capacity, within external constraints such as a code of conduct and the law, to act freely. Without such discretion, an individual is unable to exercise moral agency, because the discretion provides the latitude necessary to choose or not to choose a desired or undesired course of action.

Role autonomy also appears to give an individual a sense of psychological ownership of their job. Ownership is described by Salancik and Pfeffer (1980) as a source of personal power that derives from an individual’s basic need for personal control, and the capacity to directly affect his or her environment. As a cognitive–affective construct, Van de Walle and colleagues (1995) argue that ownership is expressed in the meaning and emotion of phrases such as “my role” or “my decision”. That is, the authors equate feeling of ownership to the feeling of possession. Although the target of ownership may vary (e.g., a role, a mode of production or an organization), researchers consistently suggest that the experience of ownership increases personal motivation to protect the target of ownership (Avey et al., 2009). Pierce and colleagues (2003) suggest that the psychological experience of ownership is likely to lead to an assumption of responsibility, to assume risk on behalf of a target, and to incorporate the target of ownership into one’s self-concept. For example, when an individual experiences a sense of ownership when carrying out a role at work, the incumbent is likely to assume responsibility for his or her actions, and to be protective, caring, and nurturing of the role. Hannah, Avolio and May (2011) argue that ownership is a source of moral motivation that is necessary in order to think and act morally. In an organizational context, they describe moral ownership in the ethical decision-making process as the extent to which organizational members feel a sense of psychological responsibility over the ethical nature of their own
actions, those of others around them, their organization or another collective (Hannah et al., 2011).

In organizations, a sense of moral agency is experienced when autonomy is granted, because the decision-maker feels a sense of ownership of the tasks undertaken when carrying out a role. With personal discretion, the incumbent is more likely to regard themselves as the agent of their action, and to feel responsible and therefore accountable for the effects their decisions cause. As a result, inhibitory self-regulatory processes (e.g., negative affect) and proactive self-regulatory processes (e.g., positive affect) are more likely to be activated, discouraging unethical decision-making and encouraging ethical decision-making.

Evidence supports the relationship between role autonomy and the psychological experience of ownership (Bradford & Cohen, 1998; Pierce, O'Driscoll, & Coghlan, 2004). Parker and colleagues (1997) found that individuals granted high autonomy reported a higher level of production ownership while carrying out their work than did individuals granted low autonomy. Production ownership was defined as the concern for and feelings of responsibility for production (Parker & Sprigg, 1999). Pierce and colleagues (2004) also demonstrated that the relationship between role autonomy and ownership can be explained by the psychological experience of control over one’s work. The mediating role of control in the relationship between role autonomy and ownership provides further evidence that role autonomy is a source of moral agency; in other words, as autonomy increases, so does a sense of personal control. Based on the assumption that the psychological experience of ownership increases a sense of responsibility for work outcomes, the findings also suggest that role autonomy is a source of moral agency.

Therefore, I expect that high role autonomy individuals, in comparison with low role autonomy individuals, when confronted with an ethical dilemma, will display higher levels of
moral imagination. In particular, I expect that high role autonomy individuals will generate a greater number of alternative courses of action, use a greater number of reasoning strategies, and consider the consequences for a greater number of stakeholders than low autonomy individuals, because role autonomy increases creative decision-making processes, and increases ownership and personal responsibility over outcomes. Accordingly, I propose the following hypothesis:

**Hypothesis 1.1.** In response to an ethical dilemma, individuals with high role autonomy will display higher levels of moral imagination. Specifically, individuals with high role autonomy will (a) generate more initial courses of action, (b) generate more novel courses of action, (c) use a greater number of moral reasoning strategies to determine the most likely action, (d) use a greater number of moral reasoning strategies to determine the most likely action, and (e) consider the consequences for a greater number of stakeholders, than individuals with low role autonomy.

Although external sources of moral agency appear to influence ethical decision-making (Bandura, 1986), it is likely that moral agency influences different people in different ways (Kish-Gephart et al., 2010). Drawing on social cognitive theory (Bandura, 1986), the personality trait-based interactionist model of job performance (Tett & Burnett, 2003) and models of ethical decision-making (Blasi, 1980, 1983; Hannah et al., 2011; Treviño, 1986), I will now evaluate research suggesting that moral identity interacts with role autonomy to influence ethical decision-making.

**Role Autonomy and Moral Identity**

Ethical decision-making is often viewed as a product of a person’s situation and his or her characteristics, such as their moral identity (e.g., Higgins, Power, & Kohlberg, 1984).
Moral identity is a self-definition or self-conception organized around a group of moral trait associations (Aquino & Reed, 2002; Erikson, 1964). The conceptualization of moral identity from a social cognitive perspective includes two dimensions that capture distinct properties (Erikson, 1964). The internalization dimension concerns the private or personal aspects of the self, and is rooted in the core of a person’s being. The symbolization dimension concerns the public or social aspect of the moral self, and the degree to which these traits are expressed through a person’s actions.

Moral identity influences ethical decision-making through a range of cognitive and self-regulatory mechanisms. As discussed previously, individuals high in moral identity accumulate self-relevant knowledge in the form of a moral schema that assists decision-makers to process information when working through an ethical dilemma. Moral identity also influences ethical decision-making because individuals high in moral identity set high moral standards and work hard to keep their behavior consistent with how they view themselves (Blasi, 1983). Moral identity motivates ethical decision-making because actions inconsistent with self-defining moral traits result in cognitive dissonance and negative feelings such as guilt (Blasi, 1983; Festinger, 1957). Therefore, high moral identity individuals are more likely to make more ethical judgments (Reed & Aquino, 2003), form more ethical intentions and engage in more prosocial behavior than low moral identity individuals (McFerran et al., 2010). In addition, high moral identity individuals are less likely to display moral disengagement, to make unethical judgments or engage in unethical behavior than low moral identity individuals (Aquino et al., 2007; Detert et al., 2008; McFerran et al., 2010; Moore et al., 2012).

Situational factors have been shown to interact with moral identity to influence moral imagination (Caldwell & Moberg, 2007). Research suggests that role autonomy interacts with
individual characteristics to influence ethical decision-making (Caldwell & Moberg, 2007). For instance, personality factors interact with role autonomy to influence performance ratings (Barrick & Mount, 1993), and stakeholder orientation of the decision-maker interacts with role autonomy to influence organizational performance (Chang & Wong, 2003).

Consistent with these findings I expect moral identity as a relatively stable dispositional variable will interact with role autonomy (i.e., low vs. high) to affect moral imagination. In particular, although I expect that having high moral identity will lead to higher levels of moral imagination in response to an ethical dilemma, I predict that low moral identity will be more strongly influenced by the experience of high moral agency (i.e., high role autonomy). I reason that high moral identity people would already have moral self-regulatory processes activated because of their well-developed moral schema and moral self-regulatory processes. High moral identity people are already more inclined to consider more ethical courses of action, and to regulate their actions by anticipating consequences and experiencing positive and negative self-evaluations. People high in moral identity already have high motivation to behave in a manner consistent with self-defining moral traits in order to avoid the discomfort of cognitive dissonance and other negative self-evaluations such as guilt; thus, they are less likely to be influenced by the high moral agency experience (i.e., high level of role autonomy). I therefore predict that moral identity would moderate the relationship between role autonomy and moral imagination, such that the relationship would be relatively stronger for people with relatively lower levels of moral identity. The experience of role autonomy helps low moral identity individuals to represent higher moral standards as innovative courses of action, to anticipate consequences of various courses of action and test options against a range of ethical criteria, and to strive harder to act in a manner consistent with higher moral standards or goals.
Evidence supports the proposition that low moral identity individuals will be more susceptible to the experience of role autonomy and associated feelings of ownership and responsibility. Also, low moral identity is associated with unethical reasoning strategies such as moral disengagement during decision-making (Aquino et al., 2007; Detert et al., 2008; McFerran et al., 2010; Moore et al., 2012), cognitive moral development (Olsen, Eid, & Johnsen, 2006; Reed & Aquino, 2003), and unethical intention at work (DeCelles et al., 2012; Reynolds & Ceramic, 2007; Skarlicki et al., 2008). However, low moral identity individuals when experiencing ownership and personal responsibility when carrying out work-related tasks are more likely to use a wider range of moral reasoning strategies in ethical decision-making (Reynolds & Ceramic, 2007), use more ethical language, take a wider perspective on ethical issues and the consideration of novel courses of action (Caldwell & Moberg, 2007), and be more willing to act in a prosocial manner (e.g., giving money to a charity) (Aquino et al., 2009).

Based on the preceding argument I put forward the following hypothesis:

**Hypothesis 1.2** In response to an ethical dilemma, moral identity will moderate the relationship between role autonomy and moral imagination. Specifically, the relationship between role autonomy and (a) the number of initial courses of action, (b) the number of novel actions, (c) the number of moral reasoning strategies used to determine the most likely action, (d) the number of reasoning strategies used to determine the least likely action, and (e) the number of stakeholders considered, will be stronger for individuals with low as opposed to high levels of moral identity.

Research suggests that creativity influences moral imagination (Whitaker & Godwin, 2013). Specifically, the authors found that not only did employee creativity have a direct effect on moral imagination, but also that it strengthened the association between moral
attentiveness and moral imagination. Creativity was not included in the hypothesis, but was included as a control variable in the analyses.

**Method**

**Participants**

Participants in this study were 99 working adults who were recruited through the Mechanical Turk job recruitment website. The sample consisted of 58 females and 41 males who ranged in age from 20 to 67 years ($M_{age} = 36, SD = 10.85$). The average education level was a bachelor degree (33%). The average period of work experience was 16 years ($SD = 9.56$).

**Procedure**

This experiment follows the procedure set out in Chapter 4. Participants first completed a measure of moral identity (Aquino & Reed, 2002). The construct reliability measures for the internalization and symbolization of moral identity were $\alpha = 0.75$ and $\alpha = 0.84$, respectively. Participants completed a creativity measure. The construct reliability for creativity was $\alpha = 0.76$. The moral identity and creativity measure are shown in Appendix A and B, respectively. They then completed a filler task, and were then randomly assigned to one of the two experimental conditions. In this experiment, participants were primed with either high or low role autonomy to establish high or low moral agency, respectively.

As shown in Appendix E, in the (low) or high role autonomy manipulation, participants read the following preamble:

“In order to make a decision on the scenario you will need to envision that you work as a manager in this organization and that you are (closely monitored in this role, that is, you have low autonomy) not closely monitored in this role, that is you have high role autonomy.
CHAPTER 5

By (low) high autonomy we mean that you (do not have to) must first seek approval from all senior managers before you take action on a situation. You (do not have) have the discretionary power or delegate authority to determine the procedures and actions that are necessary to carry out your work and achieve your work objectives.”

In order to test the effectiveness of the manipulation, participants then answered the following questions: “Working in this organization I have a high level of autonomy to carry out my job,” and “When I am required to take action in my job I must seek approval from senior management,” using a scale from 1 (strongly disagree) to 5 (strongly agree). As expected, participants in the high role autonomy condition rated their role as significantly more autonomous ($M = 4.84, SD = .42$), $t (97) = -45.88, p < .001$, and less constraining ($M = 1.34, SD = .77$), $t (97) = 29.23, p < .001$, than participants in the low role autonomy condition ($M = 1.16, SD = .37$) ($M = 4.78, SD = .65$), respectively.

Participants were then asked to read two business scenarios that involved an ethical dilemma, to envision that they were in a position to make a decision on the situation, and to respond to a series of questions in relation to each scenario. The questions were the same for each scenario and were identical to those described in Chapter 4. The two scenarios and questions are shown in Appendix I and J, respectively.

As discussed in Chapter 4, coding of participants’ responses to the scenarios was necessary to transform open-ended questions into scores suitable for subsequent data analyses. In order to ensure the reliability of the coding, a second trained coder coded a subset of 25% of the sample. Interrater reliability was analysed. The degree of agreement between the two raters when assigning the data to categories reached an acceptable level ($\text{Kappa} = .87, p < 0.001$). A score greater than .80 indicates almost perfect agreement among raters (Bakeman, Gottman, & D’Amato, 1992; Siegel & Castellan, 1988).
Results

A multivariate analysis of covariance MANCOVA (low vs. high Role Autonomy) was conducted with multiple dependent variables, including five outcome variables for Scenarios 1 and 2 (number of initial actions generated; number of novel actions generated; number of reasoning strategies used to decide most likely action; number of reasoning strategies used to decide least likely action; and number of stakeholders considered), with moral identity internalization and moral identity symbolization as covariates. The model also included a test of the control variable (creativity). No significant results were found for creativity among the dependent variables; therefore, the effect of this variable is not discussed in any detail.

For each outcome, two hypotheses were tested. The first (H1.1) tests the main effect of Role Autonomy (high vs. low) on five dimensions of Moral Imagination. The second (H1.2) tests whether the relationship between Role Autonomy (low vs. high) and five dimensions of Moral Imagination is moderated by Moral Identity Internalization and Moral Identity Symbolization. Table 5.1 summarizes the statistically significant findings among the five outcomes of Moral Imagination in Scenarios 1 and 2.
Table 5.1

*Overview of Significant Results for Hypothesis 1.1 and Hypothesis 1.2 in Scenario 1 (S1) and 2 (S2)*

<table>
<thead>
<tr>
<th></th>
<th>Initial actions</th>
<th>Novel actions</th>
<th>MLR strategies</th>
<th>LLR strategies</th>
<th>Stakeholders considered</th>
</tr>
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<tr>
<td>H1.1</td>
<td>S1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>S2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H1.2</td>
<td>S1</td>
<td></td>
<td></td>
<td></td>
<td>✓ (RA × S)</td>
</tr>
<tr>
<td></td>
<td>S2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note.* MLR Strategies = Most likely reasoning strategies, LLR Strategies = Least likely reasoning strategies, RA × S = Interaction between Role Autonomy and Symbolization.

Table 5.2 summarizes the statistics, including the frequencies for each of the five outcomes of Moral Imagination, for Scenarios 1 and 2, as well as correlation between the independent variables, covariate and dependent variables. As shown in Tables 5.3 and 5.4, contrary to the expectations of H1.1 and H1.2, the main effect for Role Autonomy (low vs. high) on the five dimension of Moral Imagination in both scenarios, and the interaction effect for Role Autonomy (low vs. high) and Moral Identity on the five dimensions of Moral Imagination across both scenarios were not significant.
Table 5.2

Experiment 1 Descriptive Statistics

<table>
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<tr>
<th></th>
<th>M</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
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<th>10</th>
<th>11</th>
<th>12</th>
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<td>Condition</td>
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<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Internalization</td>
<td>5.26</td>
<td>0.59</td>
<td>.17</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Symbolization</td>
<td>4.10</td>
<td>1.16</td>
<td>.14</td>
<td>.42**</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creativity</td>
<td>4.51</td>
<td>3.61</td>
<td>.14</td>
<td>-.01</td>
<td>-.09</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Initial actions S1</td>
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<td>.11</td>
<td>.05</td>
<td>.04</td>
<td>.1</td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial actions S2</td>
<td>5.23</td>
<td>2.22</td>
<td>-.06</td>
<td>.05</td>
<td>.14</td>
<td>.01</td>
<td>.45**</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Novel actions S1</td>
<td>2.15</td>
<td>1.29</td>
<td>.13</td>
<td>.09</td>
<td>.05</td>
<td>.01</td>
<td>.58**</td>
<td>.46**</td>
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</tr>
<tr>
<td>Novel actions S2</td>
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<td>-.06</td>
<td>-.04</td>
<td>.01</td>
<td>.01</td>
<td>.42**</td>
<td>.55**</td>
<td>.34**</td>
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<td></td>
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<td></td>
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<tr>
<td>Most likely reasoning strategies S1</td>
<td>2.09</td>
<td>0.93</td>
<td>-.03</td>
<td>.01</td>
<td>-.11</td>
<td>.05</td>
<td>.44**</td>
<td>.33**</td>
<td>.45**</td>
<td>.26**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Most likely reasoning strategies S2</td>
<td>2.22</td>
<td>0.79</td>
<td>.05</td>
<td>.03</td>
<td>.09</td>
<td>.02</td>
<td>.08</td>
<td>.28**</td>
<td>.26**</td>
<td>.17</td>
<td>.35**</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Least likely reasoning strategies S1</td>
<td>1.56</td>
<td>0.61</td>
<td>.04</td>
<td>-.01</td>
<td>.15</td>
<td>-.06</td>
<td>.14</td>
<td>.09</td>
<td>.16</td>
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<td>.13</td>
<td>.14</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Least likely reasoning strategies S2</td>
<td>1.78</td>
<td>0.69</td>
<td>-.06</td>
<td>-.05</td>
<td>-.06</td>
<td>-.02</td>
<td>.05</td>
<td>.19</td>
<td>.11</td>
<td>.13</td>
<td>.19</td>
<td>.22*</td>
<td>.13</td>
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<td></td>
</tr>
<tr>
<td>Stakeholders considered S1</td>
<td>2.27</td>
<td>1.13</td>
<td>.06</td>
<td>.15</td>
<td>.11</td>
<td>.16</td>
<td>.30**</td>
<td>.23**</td>
<td>.06</td>
<td>.16</td>
<td>.13</td>
<td>.16</td>
<td>.19</td>
<td>-.01</td>
<td></td>
</tr>
<tr>
<td>Stakeholders considered S2</td>
<td>2.07</td>
<td>1.19</td>
<td>-.08</td>
<td>.06</td>
<td>.05</td>
<td>.15</td>
<td>.27**</td>
<td>.20**</td>
<td>.08</td>
<td>.19</td>
<td>.01</td>
<td>.09</td>
<td>-.07</td>
<td>-.04</td>
<td>.27**</td>
</tr>
</tbody>
</table>

** p < 0.01.
* p < 0.05.
However, investigating the specific dimensions of Moral Imagination, Table 5.4 shows a statistically significant Role Autonomy (low vs. high) × Moral Identity Symbolization interaction on the number of moral reasoning strategies used to determine the most likely action (Outcome 3) in Scenario 2, $F(1,92) = 4.02, p = .038, \eta_p^2 = .05$, but not in Scenario 1, $F(1,92) = 2.16$. Consistent with expectation of H2.1, the interaction effect was stronger for low Moral Identity Symbolization people than high Moral Identity Symbolization people. Figure 5.2 illustrates the nature of the significant interaction. Figure 5.2 shows that the difference in the number of moral reasoning strategies used when Role Autonomy is low versus high is greater when Moral Identity Symbolization is low than when Moral Identity Symbolization is high. This result suggests that people with low Moral Identity Symbolization are more likely to benefit from the experience of Role Autonomy than people with high Moral Identity Symbolization. All other main effects or interactions for the five dimensions of moral imagination were non-significant.
Figure 5.2. Interaction effect of Role Autonomy and Moral Identity Symbolization on the number of moral reasoning strategies used to determine the most likely action in Scenarios 1 and 2.
Table 5.3

Test Results: The Main Effect of Role Autonomy, Moral Identity Internalization, Moral Identity Symbolization and Creativity on Multiple Dimensions of Moral Imagination in Scenarios 1 and 2

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Explanatory variable</th>
<th>Scenario 1 n=99</th>
<th>Scenario 2 n=99</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Estimate*</td>
<td>F</td>
</tr>
<tr>
<td>Initial actions</td>
<td>Role autonomy</td>
<td>.49</td>
<td>0.69</td>
</tr>
<tr>
<td></td>
<td>Internalization</td>
<td>.10</td>
<td>0.05</td>
</tr>
<tr>
<td></td>
<td>Symbolization</td>
<td>.05</td>
<td>0.05</td>
</tr>
<tr>
<td></td>
<td>Creativity</td>
<td>.06</td>
<td>0.77</td>
</tr>
<tr>
<td>Novel actions</td>
<td>Role autonomy</td>
<td>.34</td>
<td>1.35</td>
</tr>
<tr>
<td></td>
<td>Internalization</td>
<td>.13</td>
<td>0.28</td>
</tr>
<tr>
<td></td>
<td>Symbolization</td>
<td>.01</td>
<td>0.01</td>
</tr>
<tr>
<td></td>
<td>Creativity</td>
<td>-.01</td>
<td>0.01</td>
</tr>
<tr>
<td>Most likely reasoning strategies</td>
<td>Role autonomy</td>
<td>-.06</td>
<td>0.09</td>
</tr>
<tr>
<td></td>
<td>Internalization</td>
<td>.09</td>
<td>0.26</td>
</tr>
<tr>
<td></td>
<td>Symbolization</td>
<td>-.10</td>
<td>1.18</td>
</tr>
<tr>
<td></td>
<td>Creativity</td>
<td>.01</td>
<td>0.15</td>
</tr>
<tr>
<td>Least likely reasoning strategies</td>
<td>Role autonomy</td>
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<td>Internalization</td>
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<td>0.54</td>
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<td>Creativity</td>
<td>-.01</td>
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<td>Stakeholders considered</td>
<td>Role autonomy</td>
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<td>0.00</td>
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<td>Internalization</td>
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<td></td>
<td>Symbolization</td>
<td>.07</td>
<td>0.43</td>
</tr>
<tr>
<td></td>
<td>Creativity</td>
<td>.05</td>
<td>2.61</td>
</tr>
</tbody>
</table>

Note. * The estimate for role autonomy is the difference between means (High Role Autonomy - Low Role Autonomy), for all other explanatory variables the estimate is the estimated value of raw unstandardized regression analysis (i.e., slope).
Table 5.4
Test Results: The Interaction between Role Autonomy and Moral Identity Internalization and Moral Identity Symbolization on Multiple Dimensions of Moral Imagination in Scenario 1 and Scenario 2

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Interaction</th>
<th>Scenario 1 n = 99</th>
<th>Scenario 2 n = 99</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>b</td>
<td>p</td>
</tr>
<tr>
<td>Initial actions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Role autonomy × Internalization</td>
<td>1.50</td>
<td>-1.10</td>
<td>224</td>
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<tr>
<td>Role autonomy × Symbolization</td>
<td>2.44</td>
<td>.718</td>
<td>.122</td>
</tr>
<tr>
<td>Novel actions</td>
<td></td>
<td></td>
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<tr>
<td>Role autonomy × Internalization</td>
<td>2.82</td>
<td>-.84</td>
<td>.097</td>
</tr>
<tr>
<td>Role autonomy × Symbolization</td>
<td>2.86</td>
<td>.433</td>
<td>.094</td>
</tr>
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<td>Most likely reasoning strategies</td>
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<tr>
<td>Role autonomy × Internalization</td>
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<td>.637</td>
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<tr>
<td>Role autonomy × Symbolization</td>
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<td>.275</td>
<td>.145</td>
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<td>Least likely reasoning strategies</td>
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<td>Role autonomy × Internalization</td>
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<td>.264</td>
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<td>-.299</td>
<td>.185</td>
</tr>
</tbody>
</table>
CHAPTER 5

Discussion

Role autonomy had no direct effect on moral imagination among all five dimensions and across both scenarios providing no support for hypothesis 1. One possible explanation for this result is that boundary conditions for the relationship between role autonomy as a source of moral agency and moral imagination exist.

One plausible explanation for the lack of evidence showing that role autonomy affects moral imagination is that role autonomy does not activate the self-regulatory processes necessary to exercise moral agency. The expectation that role autonomy would provide a source of moral agency was based on the proposition that role autonomy primes feelings of self-determination: an incumbent’s sense of choice about activities and work methods (Spector, 1986; Spreitzer, 1995; Staw et al., 1986), and feeling of ownership: the extent to which the incumbent assumes responsibility over the ethical nature of his or her decisions (Hannah & Avolio, 2010). The feeling of self-determination and ownership is closely linked to the experience of moral agency, that is, the ability to take control of the nature and quality of their ethical decision-making and is responsible for the effect their actions cause.

A situational characteristic that may prime feeling of self-determination and ownership is one where an incumbent not only has role autonomy but is also accountable to a relevant evaluative agent for the quality of their ethical decisions. Accountability is “an implicit or explicit expectation that one’s decisions or actions will be subject to evaluation by some salient audience(s) with the belief that there exists the potential for one to receive either rewards or sanctions based on the expected evaluation” (Hall, Blass, Ferris, & Massengale, 2004, p. 33). Accountability creates awareness of task responsibilities and acceptable
methods for task achievements, and guides and directs effort towards a specified set of objective and standards of behavior (Hall et al., 2006).

In contexts where an individual is autonomous and accountable, the incumbent is more likely to exercise moral agency, to monitor and guide behavior to ensure decisions are aligned with moral standards. Evidence supports the argument that role autonomy in combination with accountability increases moral agency. Molleman (2009) found that when task interdependence was high, task autonomy was positively related to a belief that autonomy brings social benefits such as mutual support, understanding and respect among team members. In this case, task interdependence creates accountability norms and collective expectations in which decisions and behaviors are subject to evaluation and justification by a salient organizational agency (Parboteeah et al., 2010; Wang et al., 2013). In contexts where an incumbent is autonomous but not accountable to a relevant and salient evaluative agent, the ends to which autonomy at work should be directed are neither clear nor subject to ethical scrutiny. Under such conditions, it is possible that such discretion could be used for self-interest or the pursuit of the organization’s goal at the expense of other stakeholders.

Although hypothesis 2 was not supported, role autonomy did interact with moral identity symbolization to affect one dimensions of moral imagination, namely the number of moral reasoning strategies used to determine the most likely course of action in scenario 2. The interaction is consistent with research conducted by Caldwell and Moberg (2007) showing that situational characteristics interact with individual differences, such as moral identity, to influence moral imagination.

One possible explanation why role autonomy interacted with moral identity to affect the number of moral reasoning strategies used to determine the most likely course of action is
that role autonomy primed cognitions helpful in creative problem solving (Zhang & Bartol, 2010). Role autonomy increases creativity because it provides the freedom and intellectual space to play with ideas and expand the range of alternative courses of action before settling on a viable and creative solution (Amabile, 1983). In the event that role autonomy did not increase moral agency but instead primed creativity, it follows that role autonomy would interact with moral identity to influence the dimensions of moral imagination aligned with creative process engagement, such as flexibly applying moral reasoning strategies to decide on a solution to the problem (Zhang & Bartol, 2010).

One explanation as to why moral identity symbolization interacted with role autonomy to affect the number of moral reasoning strategies to determine the most likely action in Scenario 2 is that this dilemma provided the decision-maker with the opportunity to publically demonstrate and symbolize his or her moral identity. In Scenario 2, the decision-maker is required to deliberate on whether to disclose information about potential indiscretions of a work colleague to her boss. Following Erikson (1964), Aquino and Reed (2002) suggest that moral identity symbolization reflects the degree to which an individual’s moral identity is expressed through public action. Blowing the whistle is a set of specific behaviors that provide an individual with an opportunity to symbolize his or her moral identity. Thus, it is consistent with theory to suggest that individuals symbolize their moral identity through actions such as whistle blowing.

The interaction effect was stronger for people low in moral identity symbolization. This finding is consistent with the argument presented in the theoretical model that individuals low in moral identity are more susceptible to the moral agency experience because they do not define themselves in moral terms, do not possess a moral self-schema,
and are not motivated to act in a manner consistent with pre-existing moral frameworks to avoid cognitive dissonance.
CHAPTER 6

As shown in Figure 6.1, the experiment reported in this chapter will again test the theoretical model presented in Chapter 1, and will use the methodology outlined in Chapter 4. Participants will be primed with either low moral agency (unethical organizational culture) or high moral agency (ethical organizational culture) before reasoning through two business-related scenarios that involve an ethical dilemma.

The objective of this chapter is to investigate and test how an *external* source of agency, namely organizational culture, affects ethical decision-making, and to determine whether moral identity moderates this relationship. First, I will explore and evaluate the effect of ethical organizational culture on general decision-making processes and ethical decision-making, with a special focus on moral imagination. Second, I will discuss ethical organizational culture as an external source of moral agency, and ask whether ethical and unethical cultures differentially affect moral imagination. Third, I will discuss the interactive effect of ethical organizational culture and moral identity on moral imagination, and ask whether ethical and unethical organizational culture interacts with high and low moral identity to differentially affect moral imagination.
Organizational Culture and General Decision-Making

Organizational culture has been defined as the shared basic assumptions, values, and beliefs that characterize a setting; they are taught to newcomers as the proper way to think and feel, and are communicated by myths and stories people tell about how the organization came to be the way it is as it solved problems associated with external adaptation and internal integration (Schein, 2010; Trice & Beyer, 1993; Zohar & Hofmann, 2012). An organization’s culture is attributable to the early decisions founders make about structures and organizing principles, and to what ends valuable resources will be expended (Schein, 1985, 2010). Over time, an organization’s culture is revealed by symbolic devices such as myths (Boje, Fedor, & Rowland, 1982), rituals and stories (Mitroff & Kilmann, 1976), legends (Wilkins & Martin, 1980) and specialized language (Hirsch & Andrews, 1983).

Schein (2010) proposed three levels of organizational culture: artefacts, espoused beliefs and values, and underlying assumptions. Cultural artefacts represent the observable outer layer of culture, including rituals, language, myths, dress and the organization of space. Formal organizational artefacts include written codes of conduct, value statements or
charters, reporting systems, performance reviews and reward structures. As observable manifestations of underlying beliefs held within the organization, they represent and reinforce an organization’s culture (Martin & Siehl, 1983).

Schein’s next level of culture is espoused beliefs and values, or the values that are reported by management as core to the organization, but that may or may not reflect the reality in the organization for members (Schein, 2010). Rokeach (1973, p. 5) defined a value as an “enduring belief that a specific mode of conduct or end state of existence is personally or socially preferable to an opposite or converse mode of conduct or end state of existence.” Shared values affect organizational decision-making by influencing the process of evaluating what is good or bad, right or wrong.

Schein’s third level concerns the underlying assumptions of organizational life. Shared assumptions affect decision-making processes by influencing implicit mental models and by determining the ideal prototype of behavior in the organization. Shared values and assumptions also create a sense of identity (Deal & Kennedy, 1982; Peters & Waterman, 1982) that helps the individual make sense of their environment (Martin & Siehl, 1983), and provides meaning and connectedness (Ashforth & Mael, 1989).

The strength of an organization’s culture, that is, how widely and deeply employees hold the company’s dominant values and assumptions, also affects the relationship between organizational culture and decision-making in organizations (Martin & Siehl, 1983; Tichy, 1982). In a strong organizational culture, well-established artefacts communicate dominant values that are widely held, understood and embraced by most employees across all subunits. In a weak culture, the dominant values are held by only a few people at the top of the
organization, cultural artefacts do not clearly communicate organizational values and a social identity is not established because the values themselves are in flux.

The strength of an organization’s culture is dependent on the extent to which it acts as a control system operating through social norms. Social norms are implicit and explicit rules for acceptable behaviors, values and beliefs (Kruglanski & Higgins, 2007). The tendency for group members to conform to social norms results in public compliance with the group’s beliefs and behavior, but not necessarily their private acceptance of those beliefs (Cialdini, Kallgren, & Reno, 1991; Deutsch & Gerard, 1955; Nail, MacDonald, & Levy, 2000). Norms can be enforced indirectly (e.g., comments or jokes) or directly (e.g., rewards for acceptable behavior and social sanctions for deviant behavior). They also vary on two dimensions: the intensity or amount of approval or disapproval attached to an expectation (i.e., degree of fragmentation); and the crystallization or degree of consensus or consistency with which a norm is shared (i.e., the degree of integration of the general culture and degree of differentiation of subcultures) (Martin, 2002; O'Reilly, Chatman, & Caldwell, 1991). Thus, depending on the intensity or consistency of the norm (i.e., what is consensually believed), norms control decision-making processes, influencing what actions are acceptable or unacceptable, desirable or undesirable.

The strength of an organization’s culture is also dependent on the extent to which it provides “social glue” and “sense making” (Chatman & Cha, 2003; Heidrick & Struggles, 2008; Harris, 1994). Social glue functions by creating a social identity among organizational members and a sense of belonging. Sense making operates through narratives, helping employees or group members to understand why the organization functions as it does and what is expected of them. Research suggests that organizational cultures that are moderately strong are more effective than those that are very strong, because the former encourages
creativity in decision-making and accommodate subcultural diversity. Subcultural groups increase diversity of thought in an organization and vigilance over the dominant culture (O’Reilly & Chatman, 1996; Spector & Lane, 2007). The differential effect of weak and strong organizational culture on decision-making suggests that organizational culture operates as a set of cognitions shared by members of a social group, creating a cognitive map (mental model) of the physical, social, strategic and cultural dynamics of the organization (Geertz, 1973; Smircich, 1983). One explanation of why very strong cultures decrease the effectiveness of organizational decision-making is that they lock people into mental models, preventing them from considering novel or alternative courses of action, and blinding them from new opportunities and new ways of solving intractable or systemic problems (McShane, Olekalns, Travaglione, 2013).

**Ethical Organizational Culture and Ethical Decision-Making**

Ethical organizational culture is defined as “a subset of organizational culture, representing a multidimensional interplay among various ‘formal’ and ‘informal’ organizational systems of behavioral control that are capable of promoting either ethical or unethical behavior” (Treviño et al., 1998, p. 451–452).

The embedding mechanisms of ethical culture are the surface-level cultural artefacts such as behavioral norms, codes of conduct and reward systems. These artefacts are described by Schein as “shared cultural elements” of an organization’s ethical culture (Schein, 1985, p. 169), and they reflect the underlying assumptions and values of the organization that relate to the ethical domain. Shared cultural elements shift the focus of attention towards ethical aspects of problems or decisions, and influence evaluative judgments that relate to ethical conduct.
There is evidence to support a relationship between ethical organizational culture and ethical decision-making (Ford & Richardson, 1994; Loe et al., 2000). Meta-analytic results (Kish-Gephart et al., 2010) demonstrate the influential role of an organization’s ethical culture (Treviño, 1986, 1990) and similar constructs (e.g., ethical climate) on ethical decision-making (Victor & Cullen, 1988). They indicate that individuals working in an organization that focuses attention on the well-being of multiple stakeholders, or on following rules that protect the company and others (i.e., ethical organizational culture), are more likely to act ethically. In contrast, individuals working in an organization that promotes self-interest (i.e., unethical organizational culture) are more likely act unethically (Kish-Gephart et al., 2010).

Surface-level cultural artefacts such as ethical behavioral norms, incentives (e.g., reward systems that promote ethical behavior), formal ethical infrastructure (e.g., code of ethics) and ethical leadership positively impacted all four components of ethical decision-making (Rest, 1986). They affected moral awareness and judgment (Deshpande, 2009; McKinney, Emerson, & Neubert, 2010; Pflugrath, Martinov-Bennie, & Chen, 2007; Rottig, Koufteros, & Umphress, 2011), as well as ethical intention and behavior (Elango, Paul, Kundu, & Paudel, 2010; Hwang, Staley, Te Chen, & Lan, 2008; Shafer & Simmons, 2011; Sweeney, Arnold, & Pierce, 2010; J. Zhang, Chiu, & Wei, 2009).

Ethical behavioral norms increased willingness to report unethical behavior of team members (Schaubroeck et al., 2012), increased confidence that reporting would be considered legitimate and appropriate by management (Schaubroeck et al., 2012; Zhang et al., 2009), decreased concern with retaliation on reporting unethical behavior, (Schaubroeck et al., 2012; Zhang et al., 2009), decreased the likelihood of aggressive and unethical decision-making in an accounting organization (Shafer & Simmons, 2011), and decreased the likelihood of
deceiving a negotiating partner (Aquino, 1998). In addition, Batson and colleagues (1997) found that individuals were more likely to act in ways that are harmful to others in situations in which such behavior can be rationalized.

When surface-level cultural artefacts such as behavioral norms reflect underlying assumptions of a deeper organizational culture, their impact on decision-making processes increases. As an individual incorporates organizational values into their identity, identification and self-categorization processes influence decision-making processes. For example, observing an in-group member engage in unethical behavior (e.g., cheating) increased the likelihood of making unethical decisions, while observing an out-group member engage in unethical behavior decreased that likelihood (Gino, Ayal, & Ariely, 2009). This result demonstrates the strong social influence of group membership and social norms.

To establish a relationship between ethical organizational culture and moral imagination, and to test the theoretical model presented in Chapter 1, it is necessary to discuss the relationship between ethical organizational culture and general and ethical decision-making, and also to discuss ethical organizational culture as an external source of moral agency.

**Ethical Organizational Culture and Moral Agency**

As discussed previously, agency is the capacity for self-influence (Bandura, 1986). In decision-making, agency serves an important function; that is, to regulate and control feelings, thoughts and behavior to achieve desirable outcomes and avoid undesirable outcomes. *Moral* agency is the capacity for self-influence in proactive and inhibitory forms of morality. At the core of moral agency is the capacity to control the nature and quality of the ethical decision-making. Through a range of moral self-regulatory processes, moral agents
are able to achieve outcomes consistent with ethical standards and avoid outcomes that are inconsistent with such standards (Bandura, 1986).

Moral agency and ethical organizational culture are related. The embedding mechanisms of ethical culture are the surface-level cultural artefacts (e.g., behavioral norms) that communicate patterns of acceptable behavior. Behavioral norms are a form of social control that influence decision-making processes. Norms indicate which values are important and unimportant, desirable and undesirable within an organization (O'Reilly et al., 1991; Treviño, 1986, 1990; Treviño et al., 1998). In an ethical organizational culture, moral agency derives from anticipatory positive affect and positive social sanctions for decisions that correspond to ethical standards espoused by the organization and expressed through behavioral norms; and from anticipatory negative affect and negative social sanctions for transgressing ethical standards (Bandura, 1986, 2002). As moral agency increases, decision-makers are more likely to take ownership of, and feel responsible for, the quality of their ethical judgment and decision-making. They are more likely to be cognizant of ethical issues, to make ethical decisions personally, and to encourage others to make ethical decisions (Schaubroeck et al., 2012; Treviño, 1986).

Schaubroeck and colleagues argue that ethical organizational culture encourages individuals to be more effective moral agents (Schaubroeck et al., 2012). They suggest that a shared understanding of ethical conduct, communicated through surface-level cultural artefacts, should encourage strong beliefs about moral agency. This is because the individuals are immersed in a context that informs, supports and rewards ethical decision-making. Ethical organization culture was found to enhance the moral agency of members and, as a result, to increase participants’ willingness to report the unethical behavior of others, their capacity to refrain from ethical transgressions themselves, and their willingness to display exemplary
ethical behavior to achieve organizational objectives, despite personal risk (Schaubroeck et al., 2012).

In Chapter 2, the link between moral agency and moral imagination was put forward. The argument was based on the proposition that moral agency encompasses the ability to make deliberate moral judgments in reference to personal standards, and the ability to keep conduct in line with those standards. Following the logic of this argument, and the relationship between ethical organizational culture as an external source of moral agency, decision-makers working in an ethical organizational culture are more likely to display higher levels of moral imagination. Evidence supports the relationship between ethical organizational culture and moral imagination (Caldwell & Moberg, 2007). In an ethical organizational culture (i.e., a culture that places a premium on ethical thinking as opposed to other priorities such as productivity), decision-makers are more likely to display moral imagination.

Based on the preceding argument, I propose the following hypothesis:

_Hypothesis 2.1._ In response to an ethical dilemma, individuals in an ethical organizational culture will display higher levels of moral imagination. Specifically, individuals with high role autonomy will (a) generate more initial courses of action, (b) generate more novel courses of action, (c) use a greater number of moral reasoning strategies to determine the most likely action, (d) use a greater number of moral reasoning strategies to determine the most likely action, and (e) consider the consequences for a greater number of stakeholders, than individuals in an unethical organizational culture.
Ethical Organizational Culture and Moral Identity

Research suggests that situational characteristics such as ethical norms interact with individual characteristics to influence the way people make ethical decisions (Kish-Gephart et al., 2010; Tetlock, 1992, 2002; Treviño, 1986). The process of making an ethical decision is likely to be influenced by the importance of moral identity to their self-concept (Aquino & Reed, 2002).

I propose that moral identity will interact with an organization’s culture (e.g. ethical vs. unethical) to influence ethical decision-making processes such as moral imagination. In particular, although I expect that people with a high moral identity will display higher levels of moral imagination than people with low moral identity, I predict that the latter will be more strongly influenced by high moral agency experience derived from an ethical organizational culture. I reason that the high moral agency experience of an ethical organizational culture is more likely to affect low moral identity individuals. Because such individuals do not already possess a well-developed moral schema to help process social information, their moral self-regulatory processes are less likely to be activated, and thus are more likely to benefit from the moral agency experience. In contrast, the high moral agency experience of an ethical organizational culture is less likely to affect high moral identity individuals, because they already define themselves in moral terms and are highly motivated to display actions that are consistent with self-defining moral traits. They possess a well-developed moral schema, and their moral self-regulatory processes are already likely to be activated, and thus are less likely to draw on the moral agency experience when making ethical decisions. I therefore predict that a person’s moral identity would moderate the relationship between moral agency and moral imagination, such that the relationship would be stronger for people with low moral identity than people with high moral identity.
Ethical organizational culture appears to interact with moral identity to influence ethical decision-making processes such as the use of moral reasoning strategies including principled reasoning and consequentialist reasoning (Reynolds & Ceramic, 2007), rule-utilitarian reasoning (i.e., seeks to benefit the most people through the fairest and most just means available) and rights-based reasoning (i.e., respect for the rights of the individual) (Premeaux, 2004), and moral imagination, a creative form of moral reasoning (Caldwell & Moberg, 2007).

Evidence also supports the prediction that moral identity moderates the relationship between ethical organizational culture and moral imagination, and specifically that the effect is stronger for individuals low in moral identity. Caldwell and Moberg (2007) hypothesized and showed that moral identity moderated the relationship between ethical organizational culture and moral imagination, such that high moral identity individuals were unaffected by unethical organizational culture in their ethical decision-making. Following Tett and Burnett (2003) they argued ethical organizational culture provided situational cues that were already self-relevant to people high in moral identity. Thus, it affected ethical decision-making to a lesser extent than for people low in moral identity, for whom situational cues were not already self-relevant. The situational cues relevant to people high in moral identity include surface level cultural artefacts such as a code of conduct that communicates the values of the organization and appropriate standards of ethical behavior, as well as information about the consequences for violating ethical standards (Caldwell and Moberg, 2007). Consistent with Tett and Burnett (2003) and the argument that low moral identity represents minimal functioning of moral agency, low moral identity individuals are more susceptible to high moral agency experience of an ethical organizational culture. For instance, in an ethical organizational culture, low moral identity individuals can observe others acting according to ethical norms and model their own behavior accordingly. They can also activate moral self-
regulatory processes by anticipating social censure for failing to act in a manner consistent with ethical norms, and anticipate social rewards for upholding or exceeding ethical norms.

Based on theory and findings demonstrating the complex relationship between ethical organizational culture and moral identity, I propose the following hypothesis:

**Hypothesis 2.2** In response to an ethical dilemma, moral identity will moderate the relationship between organizational culture and moral imagination. Specifically, the relationship between organizational culture and (a) the number of initial courses of action, (b) the number of novel actions, (c) the number of moral reasoning strategies used to determine the most likely action, (d) the number of reasoning strategies used to determine the least likely action, and (e) the number of stakeholders considered, will be stronger for individuals with low as opposed to high levels of moral identity.

**Method**

**Participants**

Participants in this study were 102 working adults who were recruited through the Mechanical Turk job recruitment website. The sample consisted of 60 females and 42 males who ranged in age from 20 to 70 years ($M_{age} = 35$, $SD = 10.66$). The average level of education was a bachelor degree (37%). The average period of work experience was 15 years ($SD = 10.01$).

**Procedure**

This experiment follows the procedure set out in Chapter 4. Participants first completed a measure of moral identity (Aquino & Reed, 2002). The construct reliability measures for the internalization and symbolization of moral identity were $\alpha = .84$ and $\alpha = .88$, 
respectively. Participants completed a creativity measure. The construct reliability for creativity was $\alpha = .81$. The moral identity and creativity measure are shown in Appendix A and B, respectively. Participants then completed a filler task, and were then randomly assigned to one of the two experimental conditions. In this experiment, participants were primed with either an ethical organizational culture or an unethical organizational culture to establish high or low moral agency, respectively.

The manipulation required participants to read three documents from an organization in which the two scenarios took place. The documents included a company code of conduct, information regarding the company’s reward scheme, and an email correspondence from the director of communication to staff. As shown in Appendix E, in the ethical organizational culture condition, the code of ethical conduct stated that the company’s primary focus was “on our responsibilities to all our stakeholders and to each other”. It stated that a fundamental principle of the company was to “preserve our culture of ethics”, and set out the expectation that managers at all times were required to model appropriate conduct and to reinforce the importance of ethics to staff. The second document provided information about the long-term bonus scheme at the company, designed to reward ethical business practice and to focus employees’ effort and hard work to achieve sustainable growth. An email was also provided announcing that the company was one of five to have won the highly regarded community services award for its deep and long-term commitment to corporate social responsibility.

In the unethical culture condition, the code of business conduct stated that the company’s primary focus was “on our responsibilities to our shareholders”. It stated that a fundamental principle of the company was to “preserve our high performance culture”, and set out the expectation that managers at all times were required to model appropriate conduct
and to reinforce the importance of performing at the highest standards to staff. The second document provided information about the short-term bonus scheme at the company, designed to drive sales and ultimately increase market share. An email was also provided announcing that the company was one of five to have won the prestigious financial services award for its deep and long-term commitment to high performance and total quality.

After reading the three documents, participants were asked to imagine what it would be like to work in the company and to rate the extent to which they believed the company prioritized ethical values (e.g., corporate citizenships) over non-ethical values (e.g., increasing market share). Participants’ responses to these items were used to test the effectiveness of the organizational culture manipulation. Consistent with expectations, participants exposed to the ethical culture manipulation judged the company, using a scale ranging from 1 to 5, to be more ethical ($M = 4.55$, $SD = .49$) than participants exposed to the unethical culture ($M = 4.16$, $SD = .75$), $t (100) = -3.20$, $p = .002$.

Participants were then required to read two scenarios that ostensibly occurred in the company from which the documents they had just read originated. After reading each scenario, participants were asked to envision they were in a position to make a decision on the situation, and to answer a series of questions relating to the scenarios. The questions were the same for each scenario, and were identical to those described in Chapter 4. The two scenarios and questions are shown in Appendix I and J, respectively.

As discussed in Chapter 4, coding of participants’ responses to the scenarios was necessary to transform open-ended questions into scores suitable for subsequent data analyses. In order to ensure the reliability of the coding, a second trained coder coded a subset of 25% of the sample. Interrater reliability was analysed. The degree of agreement
between the two raters when assigning the data to categories reached an acceptable level (Kappa = .82, p < 0.001). A score greater than .80 indicates almost perfect agreement among raters (Bakeman et al., 1992; Siegel & Castellan, 1988).

Results

A multivariate analysis of covariance MANCOVA (unethical vs. ethical Organizational Culture) was conducted with multiple dependent variables, including five outcome variables for Scenarios 1 and 2 (number of initial actions generated; number of novel actions generated; number of reasoning strategies used to decide most likely action; number of reasoning strategies used to decide least likely action; and number of stakeholders considered), with Moral Identity Internalization and Moral Identity Symbolization as covariates. The model also included a test of the control variable (Creativity). No significant results were found for Creativity among the dependent variables; therefore, the effect of this variable is not discussed in any detail.

For each outcome, two hypotheses were tested. The first (H2.1) tests the main effect of Organizational Culture (unethical vs. ethical Organizational Culture) on five dimensions of Moral Imagination. The second (H2.2) tests whether the relationship between Organizational Culture (unethical vs. ethical) and the five dimensions of Moral Imagination is moderated by Moral Identity Internalization and Symbolization. Table 6.1 summarizes the statistically significant findings among the five outcomes of Moral Imagination in Scenarios 1 and 2.
Table 6.1

Overview of Significant Results for Hypothesis 2.1 and Hypothesis 2.2 in Scenarios 1 (S1) and 2 (S2)

<table>
<thead>
<tr>
<th></th>
<th>Initial Actions</th>
<th>Novel Actions</th>
<th>MLR strategies</th>
<th>LLR strategies</th>
<th>Stakeholders considered</th>
</tr>
</thead>
<tbody>
<tr>
<td>H2.1</td>
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<tr>
<td>S1</td>
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<tr>
<td>S2</td>
<td></td>
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<td>✓ (OC)</td>
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<tr>
<td>H2.2</td>
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<tr>
<td>S1</td>
<td></td>
<td></td>
<td>✓ (OC × I)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S2</td>
<td></td>
<td></td>
<td></td>
<td>✓ (OC × I)</td>
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</tbody>
</table>

Note. MLR Strategies = Most likely reasoning strategies, LLR Strategies = Least likely reasoning strategies, OC = Main effect of Organizational Culture, OC × I = Interaction between Organizational Culture and Internalization.

Table 6.2 provides a summary of the statistics including the frequencies for each of the five outcomes of Moral Imagination for Scenarios 1 and 2, as well as correlation between the independent variables, covariate and dependent variables. As shown in Table 6.3 and Table 6.4, contrary to the expectations of H2.1 and H2.2, the main effect for an Organizational Culture (unethical vs. ethical) on Moral Imagination in both scenarios, and the interaction effect for Organizational Culture (low vs. high) and Moral Identity on Moral Imagination across both scenarios were not significant.
### Table 6.2

**Experiment 2 Descriptive Statistics**

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<tr>
<th></th>
<th>M</th>
<th>SD</th>
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<tbody>
<tr>
<td>1. Condition</td>
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<td>2. Internalization</td>
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<tr>
<td>3. Symbolization</td>
<td>4.21</td>
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<td>.01</td>
<td>.38**</td>
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<td>4. Creativity</td>
<td>4.16</td>
<td>4.44</td>
<td>- .01</td>
<td>.01</td>
<td>.02</td>
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<tr>
<td>5. Initial actions S1</td>
<td>4.68</td>
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<td>.05</td>
<td>.22*</td>
<td>.11</td>
<td>.05</td>
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<tr>
<td>6. Initial actions S2</td>
<td>5.65</td>
<td>2.36</td>
<td>- .04</td>
<td>.04</td>
<td>.08</td>
<td>.44**</td>
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<td>7. Novel actions S1</td>
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<td>- .09</td>
<td>.15</td>
<td>.01</td>
<td>.06</td>
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<td>.42**</td>
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<td>8. Novel actions S2</td>
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<td>.06</td>
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<td>9. Most likely reasoning strategies S1</td>
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<td>.29**</td>
<td>.06</td>
<td>.03</td>
<td>.35**</td>
<td>.31**</td>
<td>.37**</td>
<td>.26**</td>
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<tr>
<td>10. Most likely reasoning strategies S2</td>
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<td>- .09</td>
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<td>.35**</td>
<td>.34**</td>
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<td>.28**</td>
<td>.27**</td>
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<td>11. Least likely reasoning strategies S1</td>
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<td>.02</td>
<td>.25**</td>
<td>.16</td>
<td>- .09</td>
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<td>.32**</td>
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<td>.28**</td>
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<tr>
<td>12. Least likely reasoning strategies S2</td>
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<td>.15</td>
<td>.25**</td>
<td>- .02</td>
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<td>.33**</td>
<td>.25**</td>
<td>.07</td>
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<tr>
<td>13. Stakeholders considered S1</td>
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<td>1.03</td>
<td>.01</td>
<td>.14</td>
<td>- .04</td>
<td>.05</td>
<td>.22**</td>
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<td>.08</td>
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<tr>
<td>14. Stakeholders considered S2</td>
<td>2.12</td>
<td>1.11</td>
<td>.04</td>
<td>.09</td>
<td>- .08</td>
<td>- .01</td>
<td>.18</td>
<td>.36**</td>
<td>.39**</td>
<td>.27**</td>
<td>.27**</td>
<td>.32**</td>
<td>.16</td>
<td>.23**</td>
<td>.46**</td>
</tr>
</tbody>
</table>

**p < 0.01.

* p < 0.05.
As shown in Table 6.3, examining the specific dimensions of Moral Imagination, the main effect for Organizational Culture (unethical vs. ethical) on the number of novel actions (Outcome 2) was significant in Scenario 2, $F(1,97) = 4.23, p = .042, \eta^2_p = .04$, but not in Scenario 1, $F(1,97) = 1.26, p = .264$. In Scenario 2, the difference in the mean number of novel actions generated in an ethical Organizational Culture minus the unethical Organizational Culture was -.34, suggesting that, contrary to expectation, people in an unethical Organizational Culture generated more novel actions than people in an ethical Organizational Culture.

Investigating the specific dimensions of moral imagination, as shown in Table 6.4, a statistically significant interaction between Organizational Culture (unethical vs. ethical) × Moral Identity Internalization on the number of novel actions (Outcome 2) was found in Scenario 1, $F(1,95) = 5.40, p = .022, \eta^2_p = .05$, but not in Scenario 2, $F(1,95) = 1.24, p = .268$. Consistent with expectation of H2.2, the interaction effect was stronger for people low in Moral Identity Internalization than people high in Moral Identity Internalization. Figure 6.2 illustrates the nature of the significant interaction. Figure 6.2 shows that the difference in the number of novel actions generated in an unethical versus ethical Organizational culture is greater when Moral Identity Internalization is low than when Moral Identity Internalization is high. This result suggests that people with low Moral Identity Internalization are more likely to benefit from the experience of an Ethical Organizational Culture than people with high Moral Identity Internalization.
As shown in Table 6.4, a statistically significant Organizational Culture (unethical vs. ethical) × Moral Identity Internalization interaction on the number of stakeholders considered (Outcome 5) was also found in Scenario 2, $F(1, 92) = 4.21, p = .043, \eta_p^2 = .04$, but not in Scenario 1, $F(1, 92) = 0.51, p = .475$. Consistent with expectation of H2.2, the interaction effect was stronger for people low in Moral Identity Internalization than people high in Moral Identity Internalization. Figure 6.3 illustrates the nature of the significant interaction. Figure 6.3 shows that the difference in the number of stakeholders considered in an unethical versus ethical Organizational Culture is greater when Moral Identity Internalization is low than when Moral Identity Internalization is high. This result suggests that people with low Moral
Identity Internalization are more likely to benefit from the experience of an ethical Organizational Culture than people with high Moral Identity Internalization.

**Figure 6.3. Interaction effect of organizational culture and moral identity internalization on the number of stakeholders considered in scenario 2.**

Although not predicted, Table 6.3 shows a statistically significant main effect of Moral Identity Internalization on three dimensions of moral imagination. A statistically significant main effect of Moral Identity Internalization $F(1, 97) = 6.34, p = .013, \eta^2_p = .06$ was found in Scenario 2 on the number of initial actions generated (**Outcome 1**), and a marginally statistically significant main effect of Moral Identity Internalization was found in Scenario 1, $F (1, 97) = 3.59, p = .061 \eta^2_p = .04$. In Scenario 1, the regression slope was significantly different from zero; $b = .49, \eta^2_p = .04, t = 1.90, p = .061$, and in Scenario 2, $b = .73, \eta^2_p = .08, t = 2.77, p = .013$. Additionally, a statistically significant main effect of Moral
Identity Internalization was found in Scenario 1, $F(1,97) = 9.44, p = .003, \eta_p^2 = .09$, but not in Scenario 2, $F(1,97) = 1.46, p = .230$, on the number of moral reasoning strategies used to determine the most likely action (Outcome 3). In Scenario 1, the regression slope was significantly different from zero; $b = .24, \eta_p^2 = .08, t = 3.07, p = .003$. Similarly, a significant main effect of Moral Identity Internalization was found in Scenario 1, $F(1,97) = 4.25, p = .042, \eta_p^2 = .04$, and in Scenario 2, $F(1,97) = 7.39, p = .008, \eta_p^2 = .07$, on the number of moral reasoning strategies used to determine the least likely action (Outcome 4). In Scenario 1, the regression slope was significantly different from zero; $b = .13, \eta_p^2 = .04, t = 2.06, p = .007$, and Scenario 2, $b = .22, \eta_p^2 = .07, t = 2.72, p = .008$. These results suggest that people high in moral identity internalization are more likely to generate more alternative actions, use more moral reasoning strategies to determine the most and least likely action, than people low in moral identity internalization.

All other main effects or interactions for each of the five outcome variables were not significant.
### Table 6.3

**Test Results: The Main Effect of Organizational Culture, Moral Identity Internalization, Moral Identity Symbolization and Creativity on Multiple Dimensions of Moral Imagination in Scenarios 1 and 2**

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Scenario 1 n = 102</th>
<th>Scenario 2 n = 102</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Estimate *</td>
<td>F</td>
</tr>
<tr>
<td><em>Initial actions</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational culture</td>
<td>0.22</td>
<td>0.08</td>
</tr>
<tr>
<td>Internalization</td>
<td>0.49</td>
<td>3.59</td>
</tr>
<tr>
<td>Symbolization</td>
<td>0.05</td>
<td>0.08</td>
</tr>
<tr>
<td>Creativity</td>
<td>0.02</td>
<td>0.24</td>
</tr>
<tr>
<td><em>Novel actions</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational culture</td>
<td>-0.20</td>
<td>1.26</td>
</tr>
<tr>
<td>Internalization</td>
<td>0.22</td>
<td>2.77</td>
</tr>
<tr>
<td>Symbolization</td>
<td>-0.04</td>
<td>0.26</td>
</tr>
<tr>
<td>Creativity</td>
<td>0.01</td>
<td>0.31</td>
</tr>
<tr>
<td><em>Most likely reasoning</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>reasoning strategies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational culture</td>
<td>-0.06</td>
<td>0.72</td>
</tr>
<tr>
<td>Internalization</td>
<td>0.24</td>
<td>9.44</td>
</tr>
<tr>
<td>Symbolization</td>
<td>-0.03</td>
<td>0.32</td>
</tr>
<tr>
<td>Creativity</td>
<td>0.01</td>
<td>0.08</td>
</tr>
<tr>
<td><em>Least likely reasoning</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>reasoning strategies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational culture</td>
<td>0.02</td>
<td>0.01</td>
</tr>
<tr>
<td>Internalization</td>
<td>0.13</td>
<td>4.25</td>
</tr>
<tr>
<td>Symbolization</td>
<td>0.03</td>
<td>0.50</td>
</tr>
<tr>
<td>Creativity</td>
<td>-0.01</td>
<td>0.95</td>
</tr>
<tr>
<td>Stakeholders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>considered</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational culture</td>
<td>0.01</td>
<td>0.04</td>
</tr>
<tr>
<td>Internalization</td>
<td>0.22</td>
<td>2.99</td>
</tr>
<tr>
<td>Symbolization</td>
<td>-0.09</td>
<td>0.99</td>
</tr>
<tr>
<td>Creativity</td>
<td>0.01</td>
<td>0.30</td>
</tr>
</tbody>
</table>

**Note.** * The estimate for role autonomy is the difference between means (High Role Autonomy - Low Role Autonomy), for all other explanatory variables the estimate is the estimated value of raw unstandardized regression analyses.
### Chapter 6

Table 6.4

**Test Results: The Interaction between Organizational Culture and Moral Identity Internalization and Moral Identity Symbolization on Multiple Dimensions of Moral Imagination in Scenario 1 and Scenario 2**

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Interaction</th>
<th>Scenario 1</th>
<th></th>
<th>Scenario 2</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>F</td>
<td>b</td>
<td>p</td>
<td>F</td>
</tr>
<tr>
<td>Initial actions</td>
<td>Organizational culture × Internalization</td>
<td>0.29</td>
<td>-.30</td>
<td>.592</td>
<td>1.83</td>
</tr>
<tr>
<td></td>
<td>Organizational culture × Symbolization</td>
<td>2.07</td>
<td>.51</td>
<td>.154</td>
<td>1.80</td>
</tr>
<tr>
<td>Novel actions</td>
<td>Organizational culture × Internalization</td>
<td>5.40</td>
<td>-.65</td>
<td>.022</td>
<td>1.24</td>
</tr>
<tr>
<td></td>
<td>Organizational culture × Symbolization</td>
<td>0.07</td>
<td>.05</td>
<td>.785</td>
<td>0.18</td>
</tr>
<tr>
<td>Most likely reasoning</td>
<td>Organizational culture × Internalization</td>
<td>0.73</td>
<td>-.15</td>
<td>.394</td>
<td>3.31</td>
</tr>
<tr>
<td>strategies</td>
<td>Organizational culture × Symbolization</td>
<td>0.09</td>
<td>-.03</td>
<td>.763</td>
<td>0.09</td>
</tr>
<tr>
<td>Least likely reasoning</td>
<td>Organizational culture × Internalization</td>
<td>0.56</td>
<td>.10</td>
<td>.455</td>
<td>1.08</td>
</tr>
<tr>
<td>strategies</td>
<td>Organizational culture × Symbolization</td>
<td>0.06</td>
<td>-.02</td>
<td>.811</td>
<td>2.18</td>
</tr>
<tr>
<td>Stakeholders considered</td>
<td>Organizational culture × Internalization</td>
<td>0.51</td>
<td>-.20</td>
<td>.475</td>
<td>4.21</td>
</tr>
<tr>
<td></td>
<td>Organizational culture × Symbolization</td>
<td>0.00</td>
<td>-.01</td>
<td>.978</td>
<td>1.83</td>
</tr>
</tbody>
</table>
Discussion

Although hypothesis 1 was not supported, the multidimensional nature of the dependent variable (moral imagination) combined with the multivariate analysis of variance used to test both hypotheses made it possible to investigate whether some dimensions of moral imagination were consistent with the hypotheses proposed in this thesis. The results of this experiment show that organizational culture had a significant impact on one dimension of moral imagination. However, contrary to expectation, people in an unethical organizational culture, conceptualized as low moral agency, generated more novel actions than people in an ethical organizational culture, conceptualized as high moral agency in scenario 2.

A possible explanation for this finding is that competitive norms and the promotion of a “winning mindset” communicated through the cultural artefacts of an unethical organizational culture may have enhanced creativity in the pursuit of self-interest. For example, organizational norms that prioritized competition and high performance may have primed the pursuit of self-interest at the expense of other stakeholders, motivating decision-makers to generate a greater number of novel (but perhaps less ethical) actions than decision-makers in an ethical organizational culture.

Research supports the suggestion that competitive norms increase creativity (Baucus, Norton, Baucus, & Human, 2008), and that decision-makers that are primed to think creatively find loopholes to solve ethical dilemmas (even if that entails crossing ethical boundaries) to generate various credible reasons to justify their own actions (Gino & Ariely, 2012). Findings also show that people who are primed to think creatively are more likely to behave dishonestly than people who are not primed to think creatively because they demonstrate a greater ability to justify their dishonest behavior (Gino & Ariely, 2012).
Although organizations use competitive norms to foster creativity and innovation, a review of the behavioral ethics and creativity literature showed that such prescriptions are particularly problematic for organizational ethics (Baucus, Norton, Baucus, & Human, 2008). The authors suggest that organizational norms must also encompass concerns for ethical behavior by promoting ethical norms and encouraging and rewarding virtues such as trust, compassion, respect, and honesty (Baucus, Norton, Baucus, & Human, 2008).

Although hypothesis 2 was not supported, organizational culture and moral identity internalization interacted to effect two dimensions of moral imagination across scenario 1 and 2. Organizational culture interacted with moral identity internalization to affect the number of novel actions generated in Scenario 1, and the number of stakeholders considered in Scenario 2. Consistent with expectations, the interaction effect was stronger for low moral identity people than high moral identity people. This finding supports the argument that the experience of moral agency experience (in this case and ethical organizational culture) is likely to have a stronger impact on low moral identity people because such individuals do not already define themselves in moral terms, do not have a rich moral self-schema to help process social information, and are less motivated to act in a manner consistent with moral traits. For these individuals, the experience of an ethical organizational culture activates a range of self-regulatory processes to help guide the ethical decision-making process. Specifically, moral agency helps low moral identity individuals to represent higher moral standards as concrete courses of action and to imagine the consequences for future courses of action by activating anticipatory positive and negative self-evaluations. In contrast, moral agency is less likely to assist high moral identity individuals because they already define themselves in moral terms, possess a well-developed moral self-schema to help process information, and are already highly motivated to display actions that are consistent with self-defining moral traits.
These results are consistent with research conducted by Caldwell and Moberg (2007) and consistent with the theoretical argument proposed by Tett and Burnett (2003) that the influence of situational factors in ethical decision-making is stronger for individuals for whom the psychological properties of the situation are not self-relevant. In other words, if a person has a low moral identity, situations that promote morality (e.g., an ethical organizational culture) will have a greater effect on ethical decision-making process than for people that have a high moral identity.

A possible reason why organizational culture interacted with moral identity internalization but not with moral identity symbolization to influence moral imagination is that the subdimensions of moral identity have unique properties. Moral identity internalization is the self-importance of moral traits to a person’s self-concept, whereas the symbolization of moral identity is the degree to which a moral person’s social identity is expressed in action. Moral identity internalization has been show to relate to constructs generally associated with moral motivation, while symbolization is related more to self-presentation concerns than to moral concerns. Corroborating these arguments, Reynolds and Ceramic (2007) found that that symbolization reduced ethical behavior, whereas internalization increased ethical behavior. Following Tett and Burnett’s (2003) argument, if situational cues in an ethical organizational culture, communicated through cultural artefacts such as a code of ethics or a reward scheme are relevant to individuals high in internalization but not symbolization, it follows that moral identity internalization but not symbolization would interact with an ethical organizational culture to affect moral imagination.
CHAPTER 7

As shown in Figure 7.1, the experiment reported in this chapter will again test the theoretical model presented in Chapter 1, and will use the methodology outlined in Chapter 4. Participants will be primed with either low moral agency (high power) or high moral agency (low power) before reasoning through two business-related scenarios that involve an ethical dilemma.

In contrast to the previous two chapters, the objective of this chapter is to investigate how an internal source of agency (the psychological experience of power) affects ethical decision-making, and to determine whether moral identity moderates this relationship. First, I will explore how the psychological experience of power affects general decision-making and ethical decision-making. Second, I will discuss the psychological experience of power as an internal source of moral agency in organizations, and ask whether it differentially affects moral imagination. Third, I will discuss the interactive effect of the psychological experience of power and moral identity on moral imagination, and ask whether power interacts with high and low moral identity to differentially affect moral imagination.
Figure 7.1. The section of the theoretical model tested in Experiment 3.

Power is defined as the capacity to modify others’ states by providing or withholding valued resources or administrating punishment. The psychological experience of power describes how one feels about possessing power, and can be based on either the actual possession of power or thoughts of the possession of power. As Smith and Trope (2006) explain, power is linked in memory to a group of characteristics and tendencies. When the construct of power is activated – via actual experience of power or the mere exposure to cues related to power – the same associated concepts and tendencies should be activated (Galinsky, Gruenfeld, & Magee, 2003) The psychological experience of power can be understood as a mindset; that is, a view individuals adopt about themselves that comprises assumptions and beliefs about themselves and their environment, as a high-power individual or a low-power individual. For example, high-power individuals are likely to assume they are free to deliver resources or punishments, and that the environment is reward rich, whereas low-power individuals are likely to assume they lack freedom, are constrained, and that the environment is threatening.

The psychological experience of power alters how individuals process information, and therefore how they make decisions. Specifically, the psychological experience of power
determines whether an individual is more likely to (a) use either automatic (Type 1) or systematic and controlled (Type 2) cognition; (b) construe information in either an abstract and decontextualized manner or a concrete and contextualized manner; and (c) either approach rewards or avoid threats (Galinsky, Magee, Gruenfeld, Whitson, & Liljenquist, 2008; Gino, Schweitzer, Mead, & Ariely, 2011; Keltner, Gruenfeld, & Anderson, 2003; Whitson et al., 2013).

**Power and General Decision-Making**

Research examining the psychological effect of power on decision-making processes shows that individuals with high or low power process information differently. High-power individuals tend to process information using Type 1 cognition. As defined in dual-process theories, Type 1 cognition is autonomous and rapid, and does not require working memory (Evans, 2008; Kahneman & Klein, 2009; Shiffrin & Schneider, 1977; Stanovich, 2004, 2011). Researchers suggest that high power triggers Type 1 cognition because high-power individuals are less motivated to attend to the consequences of their actions (Smith & Trope, 2006) and are more likely to experience positive affect (Bodenhausen, Sheppard, & Kramer, 1994; Diener, 1977; Lerner & Keltner, 2000), because of the cognitive demands of high-power positions (e.g., coordinating the actions of many subordinates) (Fiske, 1993; Neuberg & Fiske, 1987). The tendency for high-power individuals to use Type 1 thinking in decision-making increases the use of heuristics or rules of thumb such as stereotyping to simplify the decision-making process (Bargh & Chartrand, 1999; Goodwin, Gubin, Fiske, & Yzerbyt, 2000; Gruenfeld, 1995; Gruenfeld & Kim, 1998; Wegner & Bargh, 1998).

The possession of power, or the thought of possession of power, increases the psychological distance one feels from others (Smith & Trope, 2006), and therefore the way information is construed. According to construal level theory (CLT) (Trope & Liberman,
2003, 2010), actions and events can be construed at a low or high level. As the psychological distance one feels from a person, object or event increases, an individual will represent them at a higher level of construal. High-level construals are abstract, schematic, decontextualized, detail-poor representations that capture superordinate, central features (Trope & Liberman, 2010). Researchers argue that power increases the psychological distance one feels from others because, in social groups, high-power roles are ordinarily held by fewer individuals than are low-power roles, thus increasing the feeling of distinctiveness (Stapel & Koomen, 2001) and independence from others (Lee & Tiedens, 2001; Overbeck & Park, 2001). Based on the association between psychological distance and construal level derived from CLT, power increases the tendency of decision-makers to extract the gist (i.e., the essence) from data, to focus on central aspects of the situation rather than on the contextual details or nuances of the situation. The implication for decision-making is that power increases the ability to see the bigger picture, to plan ahead and to keep an eye on higher goals during decision-making.

High-power individuals also demonstrate the tendency to display approach-related behavior (Keltner et al., 2003). The approach and inhibition theory of power suggests that high power activates the behavioral approach system, which regulates behavior associated with rewards (e.g., Carver and White (1994); Sutton and Davidson (2000)). According to the theory, high-power individuals are expected to experience more positive emotion, to be less inhibited and to perceive their environment as less threatening and more rewarding than low-power individuals. The implication of approach-related tendencies of high power on decision-making is a reduction in reasoning complexity, and an increased sensitivity to rewards as opposed to threats.
In contrast to high-power individuals, those with low power tend to process information using Type 2 cognition, to construe information in a concrete and contextualized fashion, and to display inhibition-related tendencies. According to dual-process theories (Kahneman, 2003), Type 2 cognition requires working memory and is associated with systematic processing, deliberation and more complex social reasoning (Gruenfeld & Kim, 1998). Following CLT, low power decreases the psychological distance an individual feels from other people, objects and events. As psychological distance decreases, construal becomes more concrete, contextualized and detail rich (Trope & Liberman, 2003, 2010). According to approach and inhibition theories of power, individuals with low power display inhibition-related tendencies including negative affect, vigilance, sensitivity to threat in the environment, and the use of systematic controlled cognition and complex social reasoning (e.g., consideration of multiple response options and stimulus characteristics) (Evans, 2008, 2010) and situationally constrained behavior (Keltner et al., 2003).

Based on research investigating the impact of Type 1 and Type 2 processing on decision-making, the psychological experience of low as opposed to high-power is more likely to improve the decision-making process. Milkman, Chugh and Bazerman (2009) argue that moving towards Type 2 processing, and thereby replacing intuition with formal analytic process, helps decision-makers avoid judgment biases. In addition, research investigating the effect of psychological distance from others on construal level, and the impact of power on approach and inhibition tendencies, suggests that low-power individuals are more likely than high-power individuals to use optimal strategies when making decisions. For example, low-power individuals are more likely to take into consideration contextual details relevant to the situation, to use complex reasoning strategies and to consider multiple alternative actions during the decision-making process, thereby minimizing the negative impact of judgment.
bias (e.g., choosing an implicit favorite, satisficing or displaying overconfidence) (Frisch & Jones, 1993).

**Power and Ethical Decision-Making**

The psychological experience of power may decrease the quality of ethical decision-making because of the way power directs attention to the self, and impacts self-regulation and information processing. Research suggests that the psychological experience of power increases self-focus, causing people to value and pay attention to others less (Fiske, 1993; Goodwin, Operario, & Fiske, 1998; Keltner & Robinson, 1996, 1997; Kipnis, 1972, 1976; O’Neal, Kipnis, & Craig, 1994; Rind & Kipnis, 1999). High power appears to encourage the creation and execution of self-serving goals (Galinsky et al., 2008; Guinote, 2007), enhance self-perceptions, and increase confidence in one’s thoughts and perspectives (C. Anderson & Galinsky, 2006; Brinol, Petty, Valle, Rucker, & Becerra, 2007). High power also increases the tendency to perceive others based on their instrumentality (Gruenfeld, Inesi, Magee, & Galinsky, 2008; Overbeck & Park, 2006) and to treat others as a means to an end (Goodwin et al., 2000; Keltner et al., 2003). For example, Inesi, Gruenfeld and Galinsky (2012) found that high-power individuals were more likely to make instrumental attributions for why others do favors for them, reducing the likelihood of displaying moral acts such as reciprocity.

Self-focus associated with high power decreases the quality of ethical decision-making by restricting the decision-maker’s capacity to consider others, and to elucidate specific rules and principles that determine right and wrong for a specific situation (Crane & Matten, 2010). Shifting focus of attention to the self reduces the amount of finite cognitive resources available to process social information (e.g., societal codes and sanctions that articulate collective moral imperatives) and information regarding their relationship to others.
(e.g., the asymmetrical allocation of resources of the powerful, their possession of privileged knowledge, and its impact on people less powerful). Ethical decision-making is inherently contextual (Hannah et al., 2011). Moral values or moral standards differ between individuals, groups and cultures, and even when individuals agree on sets of values or moral standards, the meanings and applications of those standards (i.e., codes of ethical conduct) are often contentious (Sonenshein, 2007). Individuals with high power are therefore less likely than those with low power to perceive the moral cues in the environment, to think through the social consequences of various courses of action, and to consider how various actions may affect all relevant stakeholders.

A range of motivations have been posited to account for the impact of self-focus caused by power on ethical decision-making. Keltner, Gruenfeld and Anderson (2003) argue that high-power individuals are more self-focused because rewards are more readily available, thus increasing attention to potential gains. Trope and Liberman (2003) argue that these individuals are socially distant from others, thus increasing the perception of independence from, and control over, the reward or punishment of others. Other researchers point out that the powerful are subject to fewer threats (Keltner et al., 2003; Kipnis, 1976) and that this decreases the extent to which threatening or constraining information is incorporated into their thoughts and intentions (Anderson & Berdahl, 2002; Anderson & Galinsky, 2006).

The psychological experience of power also affects self-regulatory processes necessary for ethical decision-making. High-power individuals have been shown to be more attuned to their own internal states, thereby decreasing their sensitivity to others’ experiences and reactions, and reducing their concern for others’ needs, desires and rewards (Bargh, Raymond, Pryor, & Strack, 1995; Chen, Lee-Chai, & Bargh, 2001; Côté et al., 2011). As a
result, high power reduces empathy and impairs affective self-reactions, such as feelings of guilt or self-satisfaction, that serve to discourage unethical decision-making and encourage ethical decision-making.

In contrast, the impact of low power on information processing and self-regulation improves ethical decision-making. Systematic processing associated with low power results in greater moral awareness, a critical first step in a multi-stage ethical decision-making process relative to peripheral processing (Gino et al., 2011; Street, Douglas, Geiger, & Martinko, 2001). Close proximity of low-power individuals to others helps decision-makers contextualize moral issues and integrate situational details in the ethical decision-making process (Bargh et al., 1995; Chen et al., 2001; Côté et al., 2011).

To establish a relationship between power and moral imagination, and to test the model presented in Chapter 1, it is necessary to not only to discuss the relationship between power and general and ethical decision-making, but also to discuss power as an internal source of moral agency.

**Power and Moral Agency**

As discussed previously, agency is the capacity for self-influence (Bandura, 1986). In decision-making, agency serves an important function; that is, to regulate and control feelings, thoughts and behavior to achieve desirable outcomes and avoid undesirable outcomes. Moral agency is the capacity for self-influence in proactive forms of morality expressed in the power to behave ethically, and in inhibitory forms of morality expressed in the power to refrain from behaving unethically. At the core of moral agency is the capacity to control the nature and quality of the ethical decision-making. Through a range of moral self-
regulatory processes, moral agents are able to achieve outcomes consistent with ethical standards and avoid outcomes inconsistent with such standards (Bandura, 1986).

Agency and power are closely related constructs. In a recent review of the literature, Sturm and Antonakis (2014) argue that power is about having discretion (agency) to act. For instance, Weber (1947) defines power as the ability to carry out his or her own will, and Galinsky, Gruenfeld, and Magee (2003) define power as the ability to control one’s own and others’ resources. However, high power deactivates the behavioral inhibition system, which is linked to self-control (Bandura, 1999). Self-control enables individuals to override unethical responses and to resist the temptation to act unethically for self-gain in favor of ethical responses. Depletion of self-control leads to unethical decision-making. Thus, the relationship between high power and moral agency is established. Counterintuitively, based on the effect of power on the behavioral inhibition system, low power increases moral agency whereas high power decreases it.

Research investing approach-related tendencies of high-power individuals and inhibition-related tendencies of low-power individuals provides insight into the differential effect of power on moral agency. Following the proposition put forward by Keltner et al. (2003) that power differentially affects cognitive processing of constraining versus facilitating information in goal pursuit, and, in particular, that elevated power deactivates the behavioral inhibition system, Whitson et al. (2013) showed that power leads to a differential focus on goal-constraining information. Specifically, the authors showed that the powerful are more likely to act on self-serving goals because the constraints that normally inhibit action are less psychologically present for them. Across a series of experiments, when compared to low-power individuals, high-power individuals recalled less goal-constraining information and generated fewer potential constraints that would prevent an agent from
completing his or her goal (Whitson et al., 2013). The link between power and the 
deactivation of behavioral inhibition suggests that high power decreases moral agency.

High power appears to activate the behavioral approach system, a self-regulatory 
system that directs attention towards rewarding information in the environment. A 
consequence of the behavioral approach system is disinhibited (i.e., impulsive) behavior (e.g., 
taking a second cookie and leaving others with none). The link between disinhibited behavior 
and power was highlighted by Ward and Keltner (1998). Their research suggests that high 
power decreases moral agency by decreasing the self-control necessary to refrain from 
pursuing self-serving goals at the expense of others (Bandura, 1986). Since self-control 
depletion prevents decision-makers from overriding unethical choices (Mead, Baumeister, 
Gino, Schweitzer, & Ariely, 2009), high power decreases moral agency.

The deactivation of the behavioral inhibition system and the activation of the 
behavioral approach system is associated with self-control resource depletion. Research 
investigating the impact of self-control resource depletion on unethical decision-making 
provides additional evidence to suggest that high power decreases moral agency. Mead, 
Baumeister, Gino, Schweitzer and Ariely (2009) hypothesized and showed that unethical 
behavior (e.g., dishonesty) increases when the self-control resources of decision-makers are 
depleted by an initial act of self-control. Depleted decision-makers misrepresented choices 
for self-gain to a greater extent than did non-depleted decision-makers, and were more likely 
to expose themselves to the temptation to act unethically for selfish gain, thereby aggravating 
the effects of depletion on unethical decision-making. Gino, Schweitzer, Mead and Ariely 
(2011) provided further evidence to support the proposition that high power decreases moral 
agency. Their research suggested that self-control depletion promotes unethical behavior by 
reducing the extent to which people can and do recognize the unethicality of a situation.
Depletion of cognitive resources reduced people’s moral awareness when they faced the opportunity to cheat, which in turn was responsible for heightened cheating (Gino et al., 2011).

Although power may increase agency by increasing individuals’ tendency to act on their goals (Galinsky et al., 2003; Guinote, 2007; Magee, Galinsky, & Gruenfeld, 2007), high power reduces moral agency by priming self-focus and the pursuit of self-serving goals, and by reducing attention to others and to social consequences. High power appears to reduce a person’s capacity to exercise moral agency. Pitesa and Thau (2013) found that high power primes self-focus, causing individuals to act on their own preferences at the expense of the effect of social influences. In contrast, low power primes attention to others and greater awareness of the social consequences of action. High power inhibits moral self-regulatory processes necessary for ethical decision-making and problem solving. By shifting attention away from contextual features of the situation to the self, the decision-maker is less likely to become aware of the ethical features of the situation and less likely to anticipate the consequences of various course of action for all affected stakeholders.

Finally, since high power primes automatic processing and low power primes systematic processing, low power increases moral agency by increasing moral awareness and the capacity to deliberate on a wide range of judgment factors such as moral standards (e.g., goals or rules based on normatively appropriate behavior), principles and values.

Based on the argument that high power is associated with low moral agency, and that low power is associated with high moral agency, I expect that low-power individuals, in comparison with high-power individuals, when confronted with an ethical dilemma, will display higher levels of moral imagination. In particular, I expect that low-power individuals
will generate a greater number of alternate courses of action, use a greater number of reasoning strategies, and consider the consequences for a greater number of stakeholders than high-power individuals, because high power decreases attention to others and to social consequences. Accordingly, I propose the following hypothesis:

**Hypothesis 3.1.** In response to an ethical dilemma, individuals with low power will display higher levels of moral imagination. Specifically, individuals with low power will (a) generate more initial courses of action, (b) generate more novel courses of action, (c) use a greater number of moral reasoning strategies to determine the most likely action, (d) use a greater number of moral reasoning strategies to determine the most likely action, and (e) consider the consequences for a greater number of stakeholders, than individuals with high power.

**Power and Moral Identity**

The psychological experience of power as an internal source of moral agency is likely to affect different people in different ways. As discussed previously, ethical decision-making is a complex task that involves multiple judgment factors and thus is influenced by a number of individual difference factors (Bandura, 1986; 1991). In parallel with previous discussions, people’s ethical decision-making process is likely to be influenced by the importance of moral identity to their self-concept (Aquino & Reed, 2002). Moral identity is positively associated with ethical decision-making because individuals high in moral identity develop rich moral schemas that help in processing social information, and because such individuals have a desire to maintain a consistent sense of self and avoid cognitive dissonance.

I propose that moral identity will interact with an individual’s level of power (e.g. high power vs. low power) to influence ethical decision-making processes such as moral
imagination. In particular, although I expect that people with a high moral identity will display higher levels of moral imagination than people with low moral identity, I predict that low moral identity will be more strongly influenced by the moral agency experience than high moral identity experience. I reason that the moral agency experience power (high vs. low power) and its impact on the behavioral inhibition system and focus of attention is more likely to affect low moral identity individuals. Because such individuals do not define themselves in moral terms or possess a well-developed moral schema to help process social information, their moral self-regulatory processes will not already be activated, and thus are more likely to be affected by the moral agency experience.

In contrast, moral agency experience of power (high vs. low) is less likely to affect high moral identity individuals. Because such individuals already define themselves in moral terms and possess a well-developed moral schema, their moral self-regulatory processes are already likely to be activated, and thus are less likely to be affected by power when making ethical decisions. I therefore predict that a person’s moral identity will moderate the relationship between moral agency and moral imagination, such that the relationship will be stronger for people with a relatively low moral identity than people with a relatively high moral identity.

Evidence supports the interaction between power (high vs. low) and moral identity to affect ethical decision-making processes. DeCelles et al. (2012) found the psychological experience of power to be associated with greater (or lesser) self-interest only in the presence of a low (or high) moral identity. In other words, in combination with power, individuals with high moral identity demonstrated less self-interest (i.e., displayed more ethical decisions) than individuals with low moral identity. DeCelles et al. (2012) further explain that this effect
occurred through moral awareness; that is, low moral identity decreased moral awareness, which in turn facilitated self-interested behavior.

Research based on the link between moral agency and power based on the relationship between self-control and the behavioral inhibition system provides additional insight into the moderating effect of moral identity on the relationship between power and ethical decision-making processes Gino et al., (2011). The authors found that depletion of self-regulatory resource control increased unethical decision-making. As discussed previously, high power deactivates the behavioral inhibition system and therefore also depletes self-regulatory resources. The authors also found that individuals high in moral identity were less affected by self-regulatory resource depletion than were individuals low in moral identity. They argued that individuals high in moral identity did not need the executive resources necessary to resist unethical decision-making and to engage in ethical decision-making. This is consistent with the argument proposed in this thesis that high moral identity individuals are less affected by the moral agency experience because they already possess a moral self-schema that helps them to process moral information, and are already motivated to display ethical decision-making and activate moral self-regulatory processes (e.g., positive or negative self-evaluation) to help keep their behavior consistent with valued moral traits.

Based on the preceding argument, I propose the following hypothesis:

**Hypothesis 3.2** In response to an ethical dilemma, moral identity will moderate the relationship between power and moral imagination, Specifically, the relationship between power and (a) the number of initial courses of action, (b) the number of novel actions, (c) the number of moral reasoning strategies used to determine the most likely action, (d) the number of reasoning strategies used to determine the least likely action, and (e) the number of
stakeholders considered will be stronger for individuals with low as opposed to high levels of moral identity.

**Method**

**Participants**

Participants in this study were 99 working adults who were recruited through the Mechanical Turk job recruitment website. The sample consisted of 58 females and 41 males who ranged in age from 20 to 70 years ($M_{age} = 33, SD = 9.74$). The average level of education was a bachelor degree (44%). The average period of work experience was 14 years ($SD = 8.90$).

**Procedure**

This experiment followed the procedure set out in Chapter 4. Participants first completed a measure of moral identity (Aquino & Reed, 2002). The construct reliability measures for the internalization and symbolization of moral identity were $\alpha = .79$ and $\alpha = .86$, respectively. Participants completed a creativity measure. The construct reliability for creativity was $\alpha = 0.76$. The moral identity and creativity measure are shown in Appendix A and B, respectively. Participants then completed a filler task, and were then randomly assigned to one of the two experimental conditions. In this experiment, participants were primed with either low power or high power to establish high or low moral agency, respectively.

As shown in Appendix G, the manipulation required participants to write about a time when either they had power over others or others had power over them (Galinsky et al., 2003). Participants in the high (low) power prime condition read the following instructions: “Take some time now to recall a particular incident in which you had power over another
individual or individuals (someone else had power over you). By power, we mean a situation in which you controlled the ability of another person or persons to get something they wanted (someone had control over your ability to get something you wanted). Go back to that time and place and recapture how you felt. Relive it as if you were experiencing it all over again and then describe this situation in as much detail as possible—what happened, how you felt, etc”.

To check the effectiveness of the manipulation, participants were then asked to rate: “How difficult was it for you to remember the situation in which you felt powerful (powerless),” from 1 (not at all difficult) to 7 (extremely difficult), and “How powerful (powerless) do you feel at the moment?” from 1 (not at all) to 7 (extremely). Consistent with expectation, participants in the high-power condition rated themselves as significantly more powerful ($M = 5.13, SD = 1.04$) than participants exposed to the low-power manipulation ($M = 3.2, SD = 1.33$), $t(97) = 7.84, p < .001$.

Participants were then asked to read two business scenarios that involved an ethical dilemma, to envision that they were in a position to make a decision on the situation, and to respond to a series of questions in relation to each scenario. The questions were the same for each scenario, and were identical to those described in Chapter 4. The two scenarios and questions are shown in Appendix I and J, respectively.

As discussed in Chapter 4, coding of participants’ responses to the scenarios was necessary to transform open-ended questions into scores suitable for subsequent data analyses. To ensure the reliability of the coding, a second trained coder coded a subset of 25% of the sample. Interrater reliability was analysed. The degree of agreement between the two raters when assigning the data to categories reached an acceptable level ($\text{Kappa} = .86, p$
< 0.001). A score greater than .80 indicates almost perfect agreement among raters (Bakeman et al., 1992; Siegel & Castellan, 1988).

**Results**

A multivariate analysis of covariance MANCOVA power (low vs. high) was conducted with multiple dependent variables including five outcome variables for Scenarios 1 and 2 (number of initial actions generated; number of novel actions generated; number of reasoning strategies used to decide most likely action; number of reasoning strategies used to decide least likely action; and number of stakeholders considered), with Moral Identity Internalization and Moral Identity Symbolization as covariates. The model also included a test of Creativity as the control variable. No significant results were found for Creativity among the dependent variables; therefore, the effect of this variable is not discussed in any detail.

For each outcome, two hypotheses were tested. The first (H3.1) tests the main effect of Power (high vs. low) on five dimensions of Moral Imagination. The second (H3.2) tests whether the relationship between Power (high vs. low) and five dimensions of Moral Imagination is moderated by Moral Identity Internalization and Symbolization. Table 7.1 provides a summary of the statistically significant findings for Hypotheses 3.1 and 3.2 among the five outcomes of Moral Imagination in Scenarios 1 and 2.
Table 7.1
Overview of Significant Results for Hypothesis 3.1 and Hypothesis 3.2 in Scenarios 1 (S1) and 2 (S2)

<table>
<thead>
<tr>
<th></th>
<th>Initial Actions</th>
<th>Novel Actions</th>
<th>MLR strategies</th>
<th>LLR strategies</th>
<th>Stakeholders considered</th>
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<td></td>
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<td>S2</td>
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</tr>
<tr>
<td>S2</td>
<td></td>
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</table>

Note. MLR Strategies = Most likely reasoning strategies, LLR Strategies = Least likely reasoning strategies, P = Main effect of Power.

Table 7.2 summarizes the statistics, including the frequencies for each of the five outcomes of Moral Imagination for Scenarios 1 and 2, as well as correlation between the independent variables, covariate and dependent variables. As shown in Table 7.3 and Table 7.4, contrary to the expectations of H3.1 and H3.2, the main effect for Power (high vs. low) on Moral Imagination in both scenarios, and the interaction effect for Power (high vs. low) and Moral Identity on Moral Imagination across both scenarios were not significant.
## Table 7.2

**Experiment 3 Descriptive Statistics**

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<td>.31**</td>
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<td>.02</td>
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<td>.19</td>
<td>.31**</td>
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<td>-.01</td>
<td>.29**</td>
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<td>.35**</td>
<td>.32**</td>
<td>.36**</td>
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<td>.15</td>
<td>.26*</td>
<td>.26**</td>
<td>.19</td>
<td>.32**</td>
<td>.26*</td>
<td>.06</td>
<td>.28**</td>
<td>.08</td>
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<td>.25*</td>
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<td>.2</td>
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</table>

* *p < 0.05.
** **p < 0.01.
As shown in Table 7.3, examining the specific dimensions of Moral Imagination, the main effect of Power (high vs. low) on the number of moral reasoning strategies used to determine the least likely action (Outcome 4) was significant in Scenario 2, \( F (1,94) = 4.89, p = .029, \eta_p^2 = .05 \), but not in Scenario 1, \( F(1,94) = 2.44, p = .62\). In addition, the main effect of Power (high vs. low) on the number of stakeholders considered (Outcome 5) in Scenario 2 was also statistically significant, \( F (1,94) = 8.43, p = .005, \eta_p^2 = .08 \), but not in Scenario 1, \( F(1,94) = 1.22, p = .273\). Contrary to expectation, high power people used more moral reasoning strategies to determine the least likely action, and considered the consequences for more stakeholders than low power people. The relationship between Power and the number of moral reasoning strategies used to determine the least likely action in Scenario 2 and the number of stakeholders considered in Scenario 2 were both negative. The mean difference (low Power minus high Power) was -0.23 and -.51, respectively.

Although not predicted, a statistically significant main effect of Moral Identity Internalization was found in Scenario 1, \( F (1,94) = 7.72, p = .007, \eta_p^2 = .08 \), but not in Scenario 2, \( F(1,94) = 2.64, p = .108\), on the number of moral reasoning strategies used to determine the most likely action (Outcome 3). In Scenario 1, the regression slope was significantly different from zero; \( b = .45, \eta_p^2 = .08, t = 2.78, p = .007\), suggesting that Moral Identity Internalization was a positive predictor of the number of moral reasoning strategies used to determine the most likely action in Scenario 1.

A statistically significant main effect of Moral Identity Internalization was found in Scenario 2, \( F (1,94) = 6.35, p = .013, \eta_p^2 = .06 \), but not in Scenario 1, \( F(1,94) = 1.12, p = .292\), on the number of stakeholders considered (Outcome 5). In Scenario 2, the regression slope was significantly different from zero; \( b = .59, \eta_p^2 = .06, t = 2.52, p = .013\), suggesting
that Moral Identity Internalization was a positive predictor of the number of stakeholders considered in Scenario 2.

A statistically significant main effect of Moral Identity Symbolization was found in Scenario 2, $F(1,94) = 8.54, p = .004, \eta^2_p = .08$, but not in Scenario 1, $F(1,94) = 2.70, p = .104, \eta^2_p = .03$ on the number of stakeholders considered (Outcome 5). In Scenario 2, the regression slope was significantly different from zero; $b = -.33, \eta^2_p = .08, t = -2.92, p = .004$, suggesting that Moral Identity Symbolization was a negative predictor of the number of stakeholders considered in Scenario 2.

A statistically significant main effect of Creativity was found in Scenario 2, $F(1,94) = 5.34, p = .023, \eta^2_p = .05$, and a marginally statistically significant main effect in Scenario 1, $F(1,94) = 3.37, p = .069, \eta^2_p = .03$ on the number of stakeholders considered (Outcome 5). In Scenario 2, the regression slope was significantly different from zero; $b = .08, \eta^2_p = .54, t = 2.31, p = .023$, suggesting that Creativity was a positive predictor of the number of stakeholders considered in Scenario 2.

All other main effects or interactions for each of the five outcome variables were not significant.
Table 7.3

Test Results: The Main Effect of Power, Moral Identity Internalization, Moral Identity Symbolization and Creativity on Multiple Dimensions of Moral Imagination in Scenarios 1 and 2

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<thead>
<tr>
<th>Outcome</th>
<th>Explanatory variable</th>
<th>Scenario 1 n = 99</th>
<th>Scenario 2 n = 99</th>
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<td></td>
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<td>Estimate*</td>
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<tr>
<td>Stakeholders considered</td>
<td>Power</td>
<td>-.10</td>
<td>1.22</td>
</tr>
<tr>
<td></td>
<td>Internalization</td>
<td>.19</td>
<td>1.12</td>
</tr>
<tr>
<td></td>
<td>Symbolization</td>
<td>-.14</td>
<td>2.70</td>
</tr>
<tr>
<td></td>
<td>Creativity</td>
<td>.05</td>
<td>3.37</td>
</tr>
</tbody>
</table>

Note. * The estimate for Power is the difference between means (low Power – high Power), for all other explanatory variables the estimate is the value of raw unstandardized regression analyses.
Table 7.4  
Test Results: The Interaction between Power and Moral Identity Internalization and Moral Identity Symbolization on Multiple Dimensions of Moral Imagination in Scenario 1 and Scenario 2

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Interaction</th>
<th>Scenario 1</th>
<th></th>
<th></th>
<th>Scenario 2</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>F</td>
<td>b</td>
<td>p</td>
<td>F</td>
<td>b</td>
<td>p</td>
</tr>
<tr>
<td>Initial actions</td>
<td>Power × Internalization</td>
<td>0.23</td>
<td>.36</td>
<td>.633</td>
<td>0.01</td>
<td>.07</td>
<td>.932</td>
</tr>
<tr>
<td></td>
<td>Power × Symbolization</td>
<td>0.04</td>
<td>.08</td>
<td>.838</td>
<td>0.38</td>
<td>-.23</td>
<td>.538</td>
</tr>
<tr>
<td>Novel actions</td>
<td>Power × Internalization</td>
<td>1.99</td>
<td>-.54</td>
<td>.162</td>
<td>1.96</td>
<td>-.56</td>
<td>.165</td>
</tr>
<tr>
<td></td>
<td>Power × Symbolization</td>
<td>1.17</td>
<td>.20</td>
<td>.283</td>
<td>0.01</td>
<td>.02</td>
<td>.936</td>
</tr>
<tr>
<td>Most likely reasoning strategies</td>
<td>Power × Internalization</td>
<td>0.13</td>
<td>-.12</td>
<td>.719</td>
<td>0.82</td>
<td>-.30</td>
<td>.368</td>
</tr>
<tr>
<td></td>
<td>Power × Symbolization</td>
<td>2.87</td>
<td>-.26</td>
<td>.094</td>
<td>1.30</td>
<td>.18</td>
<td>.257</td>
</tr>
<tr>
<td>Least likely reasoning strategies</td>
<td>Power × Internalization</td>
<td>0.00</td>
<td>.01</td>
<td>.980</td>
<td>0.28</td>
<td>.12</td>
<td>.597</td>
</tr>
<tr>
<td></td>
<td>Power × Symbolization</td>
<td>0.00</td>
<td>-.01</td>
<td>.964</td>
<td>1.30</td>
<td>-.12</td>
<td>.258</td>
</tr>
<tr>
<td>Stakeholders considered</td>
<td>Power × Internalization</td>
<td>0.35</td>
<td>-.22</td>
<td>.554</td>
<td>0.43</td>
<td>-.31</td>
<td>.514</td>
</tr>
<tr>
<td></td>
<td>Power × Symbolization</td>
<td>0.01</td>
<td>.02</td>
<td>.905</td>
<td>0.01</td>
<td>-.03</td>
<td>.906</td>
</tr>
</tbody>
</table>
Discussion

Although hypothesis 1 and hypothesis 2 were not supported, results showed that power directly affected two dimensions of moral imagination, namely the number of reasoning strategies used to determine the least likely action and the number of stakeholders considered. However, contrary to expectations, high power (a source of low moral agency) increased the number of moral reasoning strategies used to determine the least likely action, and increased the number of stakeholders considered.

These findings appear to be inconsistent with research suggesting that high-power individuals place greater importance on their own interests and subordinate the interests of others (Anderson & Galinsky, 2006; Keltner et al., 2003; Whitson et al., 2013). However, the effect of power on social cognition and self-regulation is complex. High power encourages the creation and execution of self-serving goals (Galinsky et al., 2008; Guinote, 2007), enhances self-perceptions, and increases confidence in one’s thoughts and perspectives (Anderson & Galinsky, 2006; Brinol et al., 2007). Moreover, high power increases the tendency to perceive others based on their instrumentality (Gruenfeld et al., 2008; Overbeck & Park, 2006) and the tendency to treat others as a means to their own end.

Although this research suggests that the psychological experience of high power inhibits ethical decision-making, high power has also been found to increase the psychological distance one feels from objects people or events, which in turn helps decision-makers to extract the gist from data, and to focus on central aspects of the situation rather than on the contextual details or nuances of the situation (Trope & Liberman, 2010). The implication for decision-making is that high power increases the ability to see the bigger picture, to plan ahead, and to keep an eye on higher goals during decision-making. From a strategic perspective, particularly in organizations where politics plays a role in
organizational decision-making, the impact of power on complex decision-making and problem solving may be advantageous, and help the decision-maker achieve self-interested goals. For example, it may be in one’s self-interest to consider the interests of multiple stakeholders in order to negate, pacify, or neutralise others’ interests in order to achieve one’s own interests. Similarly, the use of multiple moral reasoning strategies to determine the least likely action may also assist high power people in pursuit of self-interested goals, by helping to justify less ethical courses of action. Having reasons to argue why one should not pursue the right course of action will be important if one is motivated to achieve self-interested goals.
CHAPTER 8

As shown in Figure 8.1, the experiment reported in this chapter will test a section of the theoretical model presented in Chapter 1, and will use the methodology outlined in Chapter 4. Participants will be primed with either low moral agency (low moral efficacy) or high moral agency (high moral efficacy) before reasoning through two business-related scenarios that involve an ethical dilemma.

The objective of this chapter is to investigate and test how an internal source of agency, namely moral efficacy affects ethical decision-making, and to determine whether moral identity moderates this relationship. First, I will explore and evaluate the effect of self-efficacy on general decision-making processes and on ethical decision-making, with a special focus on moral imagination. Second, I will discuss moral efficacy as an internal source of moral agency in organizations, and ask whether moral efficacy differentially affects moral imagination. Third, I will discuss the interactive effect of moral efficacy and moral identity on moral imagination, and ask whether moral efficacy interacts with high and low moral identity to differentially affect moral imagination.
Figure 8.1. The section of the theoretical model tested in Chapter 8.

Self-Efficacy and General Decision-Making

Self-efficacy is the belief an individual adopts about his or her capability to exercise control over their own functioning and over environmental events (Bandura, 1997). It describes the level of confidence a person has in their ability to achieve desired results and avoid undesirable results, and thus provides the incentive motivation necessary to act and the self-control not to act when necessary. In decision-making, self-efficacy is the belief about one’s capacity to organize and execute courses of action required to attain designated types of performance (Bandura, 1986). Self-efficacy involves judgments about the magnitude of the task (e.g., the level of difficulty to complete a given level of attainment on the task), as well as judgments about their strength or capability given the magnitude of the task (e.g., the amount of certainty one has in one’s ability to perform at that level of difficulty). Thus, self-efficacy is not only an assessment of one’s skills, but also an assessment about what one can do with those skills in a specific situation (Bandura, 1986).

Efficacy beliefs influence multiple aspects of the decision-making process, such as the goals a person sets, how much effort they expend and how long they persevere (Hollenbeck & Brief, 1987), the strategies and courses of action they chose to achieve their ends (Bandura,
1986; 1997; Bandura & Locke, 2003), and the actual performance attainments of the individual with respect to the decision (Collins, 1985; Locke, Frederick, Lee, & Bobko, 1984; Wood & Bandura, 1989). The reason why efficacy beliefs influence so many aspects of the decision-making process is because self-efficacy operates through a variety of mechanisms, including cognitive processes that influence the types of goals decision-makers set (Bandura & Wood, 1989); motivational processes that influence whether positive or negative outcomes are expected, and the perceived causes of success and failure (Bandura & Dweck, 1988); and affective processes that influence the nature and intensity of emotional experiences such as stress and anxiety in carrying out decisions (Bandura, 1997; Compeau & Higgins, 1995), and the level of self-satisfaction resulting from completing the decisions (Bandura & Jurden, 1991).

High levels of self-efficacy in decision-making appear to encourage the pursuit of challenging goals, because individuals high in self-efficacy perceive such goals as achievable and therefore worth pursuing. Such individuals are likely to gather more information and generate a greater number of alternatives because they are sufficiently secure in their efficacy to remain task focused in spite of potential difficulties (Bandura & Locke, 2003. Effective analytic thinking in decision-making requires control over one’s thought processes, and confidence in ones capabilities to continue systematic testing of options when selected courses of action produce inadequate results. For example, high self-efficacy decision-makers are more likely to become task diagnostic than self-diagnostic under adversity, helping them to remain task focused under adversity (Bandura & Dweck, 1988). In addition, high self-efficacy individuals discover effective strategies for decision-making by testing varying factors systematically rather than varying many facets concurrently. The latter is an ineffective strategy that makes performance feedback less informative, because decision-makers are uncertain about what produced its effects (Bruner, Goodnow, & Austin, 1956).
In contrast, low self-efficacy individuals set lower organizational goals, experience lower levels of motivation and give up tasks more easily in difficult domains. They hold lower aspirations and demonstrate weaker commitment to the goals they pursue. In challenging situations, low self-efficacy individuals become more erratic in their analytic thinking and shift their focus of attention away from the task and from questions about how best to solve the problem, and onto the self and concerns of personal deficiencies, thus experiencing self-doubt (Bandura & Dweck, 1988). Low levels of self-efficacy make individuals slow to recover from failure and more prone to stress (Bandura, 1997; Compeau & Higgins, 1995).

Research also suggests that self-efficacy has a positive impact on decisions related to organizational functioning, such as attendance (Latham & Frayne, 1989), career choice and development (Jones, 1986), research productivity (Taylor et al., 1984), sales performance (Barling & Beattie, 1983), academic achievement (Bouffard-Bouchard, 1990), and problem solving (Jacobs, Prentice-Dunn, & Rogers, 1984) and managerial performance; that is, the ability to persuade others, to manage power conflicts and to build coalitions (Gist, 1987).

The positive effect of efficacy beliefs on the levels of motivation and performance (Bandura & Locke, 2003) has been demonstrated across nine meta-analyses (Holden, Moncher, Schinke, & Barker, 1990; Multon et al., 1991; Stajkovic & Luthans, 1998). This effect has been shown across various spheres of functioning, such as work performance (Sadri & Robertson, 1993; Stajkovic & Luthans, 1998), academic achievement and persistence (Multon et al., 1991), involving diverse populations of varying ages and sociodemographic characteristics. Various methodological and analytical approaches, including inter- and intra-individual designs, have also been used to demonstrate the positive effect of efficacy. Theory and research investigating reasoned action provides further support

**Moral Self-Efficacy and Ethical Decision-Making**

Self-efficacy beliefs appear to be linked to specific domains of functioning rather than operating as a generalized belief about one’s capability to achieve performance outcomes across different spheres. However, co-variation of some efficacy beliefs such as self-regulatory efficacy, or social and empathic efficacy, occurs in areas where functional skills overlap. A person’s belief in their capacity to use meta-cognitive skills to self-regulate, to socialize and empathize may assist in ethical decision-making. For example, meta-cognitive self-regulatory skills improve general decision-making as well as ethical decision-making; such skills include evaluating task demands, constructing alternative courses of action, setting proximal and distal goals to guide effort expenditure, and managing stress.

Findings support this prediction that self-efficacy beliefs in functionally relevant skills improve ethical decision-making. Bandura and colleagues (2003) hypothesized and showed that high levels of self-regulatory efficacy decreased unethical decision-making (e.g., lying, cheating and stealing). They reasoned that self-reactions to moral violations (e.g., disgust and shame) would serve as important cognitive and motivational regulators of moral action (Bandura, Caprara, Barbaranelli, Gerbino, & Pastorelli, 2003). Also, self-regulatory efficacy reduced a person’s propensity to disengage from moral sanctions when behavior was inconsistent with personal or social moral standards, and countered negative rumination and harmful or vengeful decisions (Bandura et al., 2001). In addition, social and empathic self-efficacy increased prosocial behavior including helpfulness, cooperation and sharing (Bandura, 2002).
Research in computer self-efficacy and ethical computer self-efficacy provides further insight into the role of self-efficacy in ethical decision-making. Computer self-efficacy is defined as an individual’s judgment of one’s capability to use a computer (Compeau & Higgins, 1995, p. 192). People high in computer self-efficacy are more likely to use computers and perform better on computers than people low in computer self-efficacy (Markus et al., 1998). Kuo and Hsu (2001) define ethical computer self-efficacy as an individual’s judgment about their ability to sanction their conduct while using computers. Their research focuses specifically on software piracy, and measures an individual’s judgment in their ability not to use and keep pirated software, not to distribute pirated software, and to persuade others not to commit piracy. Empirical studies showed that ethical computer self-efficacy was negatively related to ethical intentions. In response to a scenario that involved an ethical dilemma, individuals high in ethical computer self-efficacy were less willing to pirate computer software than individuals low in ethical computer self-efficacy (Kuo & Hsu, 2001).

Hannah and Avolio (2010) developed and validated a moral efficacy scale that measures an individual’s judgment of his or her ability to act as a moral agent. Specifically, their moral efficacy scale measures an individual’s judgment of their ability to confront others who behave unethically to resolve the issue, to readily see the ethical implications in the challenges, to work with others to settle ethical disputes, to take decisive action when addressing an ethical decision, and to determine what needs to be done when faced with an ethical dilemma. Moral efficacy was found to be positively related to ethical decision-making. Specifically, in a military setting, soldiers with high moral efficacy were more likely to adhere to army values and to report unethical action of soldiers in their unit, and were less likely to be tolerant of mistreating combatants and non-combatants, or of torture (Hannah & Avolio, 2010).
**Moral Efficacy and Moral Agency**

In social cognitive theory, Bandura (1997) argues that self-efficacy constitutes the key factor in human agency. Efficacy beliefs foster a “can do” attitude, providing the incentive and motivation for agentic action and the power to persevere in difficult situations. The mechanisms through which efficacy beliefs enhance personal agency provide insight into the mechanisms through which moral efficacy enhances moral agency. An individual’s early mastery experiences of personal causality (i.e., recognizing that one is responsible for the effects one’s actions cause) helps to develop self-knowledge about that person’s capabilities when carrying out a task. Through a process of planning, intentional action and reflection, an agent develops the ability to appraise his or her own capabilities, and therefore build confidence in his or her ability; that is, efficacy beliefs about the skills the person possesses and what he or she “can do” with the skills.

At the core of moral agency is the capacity to control the nature and quality of ethical decision-making. The belief that one is capable of acting effectively as a moral agent supports a range of self-regulatory processes necessary for ethical decision-making. High levels of moral efficacy helps decision-makers deliberate on a wide range of judgment factors (e.g., principles, values, consequences and intuitions) that arise in ethical decision-making. Also, because the outcomes of ethical decisions often have material consequences for the self and others, moral efficacy helps decision-makers manage the stronger affective responses in response to ethical issues.

Moral efficacy gives people a sense of power necessary to act as moral agents. High moral efficacy helps individuals aspire to higher moral standards. It also helps them to remain task focused under challenging conditions, making them better able to understand the various dimensions of an ethical dilemma and to manage trade-offs that may arise, such as the
competing interests of affected parties, or competing personal and organizational values. High moral efficacy also gives a moral agent the capacity for self-influence by increasing the motivation required to generate a wide range of alternative courses of action, and apply a wide range of reasoning strategies. In addition, it provides the moral agent with the perseverance necessary to create imaginative solutions and to find the right course of action when confronted with a complex and ambiguous situations.

Based on the preceding argument I propose the following hypothesis:

**Hypothesis 4.1.** In response to an ethical dilemma, individuals with high moral efficacy will display higher levels of moral imagination. Specifically, individuals with high moral efficacy will (a) generate more initial courses of action, (b) generate more novel courses of action, (c) use a greater number of moral reasoning strategies to determine the most likely action, (d) use a greater number of moral reasoning strategies to determine the most likely action, and (e) consider the consequences for a greater number of stakeholders, than individuals with low moral efficacy.

**Moral Efficacy and Moral Identity**

As a complex task that involves multiple judgment factors (Bandura, 1986) and stages (Rest, 1986), ethical decision-making is often viewed as a product of a range of moral capabilities (Hannah, Avolio, & May, 2011). Hannah, Avolio and May (2011) argue that ethical decision-making requires the capacity to elaborate and effectively attend to, store, retrieve, process and make meaning of morally relevant information (i.e., moral maturation) and the capacity to generate responsibility and motivation to take moral action in the face of adversity and persevere through challenges (i.e., moral conation). The authors identify moral efficacy and moral identity as two individual characteristics that provide such capabilities during the ethical decision-making process. As discussed previously, moral identity is
defined as the importance of moral traits to one’s self-concept, and has been shown to be positively associated with ethical decision-making because individuals high in moral identity develop rich moral schemas that help process social information, and because they desire to maintain a consistent sense of self and avoid the cognitive dissonance associated with inconsistent action.

Following the argument put forward by Hannah, Avolio and May (2011), I propose that moral identity will interact with an individual’s level of moral efficacy (e.g. high vs. low) to influence ethical decision-making. In particular, although I expect that people with a high moral identity will display higher levels of moral imagination than people with low moral identity, I predict that low moral identity will be more strongly influenced by the moral agency experience of moral efficacy than high moral identity individuals. I reason that the moral agency experience of moral efficacy (high vs. low) is more likely to affect low moral identity individuals. Such individuals do not already possess a well-developed moral schema to help process social information and are not already motivated to consistently demonstrate high moral standards to avoid negative self-evaluations, because moral traits are not self-defining; thus, they are more likely to be affected by the moral agency experience than high moral identity individuals.

In contrast, the experience of moral efficacy (high vs. low) is less likely to affect high moral identity individuals. Such individuals already define themselves in moral terms and possess a well-developed moral schema; thus, their moral self-regulatory processes are already likely to be activated, and are therefore less likely to be affected by moral efficacy when making ethical decisions. I therefore predict that a person’s moral identity will moderate the relationship between moral efficacy and moral imagination, such that the
relationship will be stronger for people with a relatively low moral identity than people with a relatively high moral identity.

Evidence supports the interaction between self-regulatory processes such as moral identity and moral efficacy in ethical decision-making. Research conducted by Reynolds and Ceranic (2007) suggests that, when someone is working through an ethical dilemma, moral identity moderates the relationship between moral judgment (consequentialism and formalism) and behavior.

Accordingly, I propose the following hypothesis:

**Hypothesis 4.2** In response to an ethical dilemma, moral identity will moderate the relationship between moral efficacy and moral imagination. Specifically, the relationship between moral efficacy and (a) the number of initial courses of action, (b) the number of novel actions, (c) the number of moral reasoning strategies used to determine the most likely action, (d) the number of reasoning strategies used to determine the least likely action, and (e) the number of stakeholders considered, will be stronger for individuals with low as opposed to high levels of moral identity.

**Method**

**Participants**

Participants in this study were 100 working adults who were recruited through the Mechanical Turk job recruitment website. The sample consisted of 50 females and 50 males who ranged in age from 21 to 62 years \( (M_{age} = 33, SD = 9.01) \). The average period of work experience was 14 years \( (SD = 9.01) \). The average level of education was a bachelor degree (43.6%).
Procedure

This experiment follows the procedure set out in Chapter 4. Participants first completed a measure of moral identity (Aquino & Reed, 2002). The construct reliability measures for the internalization and symbolization of moral identity were $\alpha = 0.82$ and $\alpha = 0.89$, respectively. Participants then completed a measure of moral efficacy (Hannah & Avolio, 2010). The construct reliability measures for the moral efficacy was $\alpha = 0.79$. Participants completed a creativity measure. The construct reliability for creativity was $\alpha = 0.77$. The moral identity, creativity, and moral efficacy measure are shown in Appendix A and B, respectively. Participants completed a filler task, and then were randomly assigned to one of the two experimental conditions. In this experiment, participants were primed with either high or low moral efficacy to establish high or low moral agency, respectively.

The manipulation of moral efficacy was adapted from experimental research in the functional properties of self-efficacy. Research suggests that providing participants with fake normative feedback concerning their performance persuades individuals to regulate their behavior through normative comparison (Bandura, 1989). For example, giving positive normative feedback during an experimental task was found to increase perseverant motivation and subsequent performance standard, while negative normative feedback lowered perseverant motivation and subsequent performance standard (Litt, 1988).

Participants in the high moral agency condition received fake positive feedback, and participants in the low moral agency condition received fake negative feedback. To improve the effectiveness of the feedback, all participants were asked to read a business scenario that involved an ethical dilemma, to envision that they were in a position to make a decision on the situation, and to respond to a series of questions in relation to each scenario. All
participants were told they would receive feedback about the quality of their response to the dilemma.

As shown in Appendix H, the feedback involved the following preamble: “The Institute for Practical Ethics recently conducted a survey of US workers to assess their knowledge, skills and abilities in resolving ethical issues in the workplace. The purpose of the survey was to assess worker’s capability to work with others to settle moral / ethical disputes and to take decisive action when addressing a moral / ethical issue. The survey involved participants reading and responding to scenarios including the one you just completed. Responses were coded using word recognition technology and the results standardized to fit a normal distribution. Based on results of the survey we are able to instantaneously provide you with comparative feedback on your response to the scenario you have just read. Please go to the next screen to receive your feedback.”

Participants in the high (low) moral efficacy condition were primed with the following feedback: “The list of possible actions you generated is (not) consistent with someone who is highly capable of working with others to settle moral / ethical disputes and therefore you are likely (unlikely) to take decisive action when addressing a moral / ethical issue. You (did not) consider the consequences to all affected parties indicating that you (do not) readily see the moral/ethical implications in the challenges you face.”

To test the effectiveness of the manipulation, participants then answered the following questions “Please indicate your level of confidence in your ability to think about what needs to be done when facing this next dilemma,” using a scale from 1 (not at all confident) to 7 (totally confident). As expected, participants exposed to the high moral efficacy manipulation indicated a higher level of confidence ($M = 5.70, SD = 1.02$) than participants exposed to the low moral efficacy manipulation ($M = 4.68, SD = 1.53$), $t (98) = – 3.93, p < .0001$. 
Participants were then asked to read two business scenarios that involved an ethical dilemma, to envision that they were in a position to make a decision on the situation, and to respond to a series of questions in relation to each scenario. The questions were the same for each scenario, and were identical to those described in Chapter 4. The two scenarios and questions are shown in Appendix I and J, respectively.

As discussed in Chapter 3, coding of participants’ responses to the scenarios was necessary to transform open-ended questions into scores suitable for subsequent data analyses. To ensure the reliability of the coding, a second trained coder coded a subset of 25% of the sample. Interrater reliability was analysed. The degree of agreement between the two raters when assigning the data to categories reached an acceptable level (Kappa = .88, \( p < 0.001 \)). A score greater than .80 indicates almost perfect agreement among raters (Bakeman et al., 1992; Siegel & Castellan, 1988).

**Results**

Table 8.2 provides a summary of the statistics, including the frequencies for each of the five outcomes of moral imagination for Scenarios 1 and 2, as well as correlation between the independent variables, covariate and dependent variables. The multivariate analysis of covariance (MANCOVA) included independent variables including high Role Autonomy, low Role Autonomy, Moral Identity Internalization, and Moral Identity Symbolization, with Creativity and Moral Efficacy as covariates, and multiple dependent variables including five moral imagination outcomes for Scenarios 1 and 2 (number of initial actions generated; number of novel actions generated; number of reasoning strategies used to decide most likely action; number of reasoning strategies used to decide least likely action; and number of stakeholders considered). The model also included a test of the control variables (Creativity and Moral Efficacy). No significant results were found for Creativity and Moral Efficacy.
among the dependent variables; therefore, the effect of these variables is not discussed in any detail.

For each outcome, two hypotheses were tested. The first (H4.1) tests the main effect of Moral Efficacy (high vs. low) on five dimensions of Moral Imagination. The second (H4.2) tests whether the relationship between Moral Efficacy (low vs. high) and five dimensions of Moral Imagination is moderated by Moral Identity Internalization and Symbolization. Table 8.1 summarizes the statistically significant findings among the five outcomes of Moral Imagination in Scenarios 1 and 2.

Table 8.1
Overview of Significant Results for Hypothesis 1.1 and Hypothesis 1.2 in Scenarios 1 (S1) and 2 (S2)

<table>
<thead>
<tr>
<th>Moral Imagination</th>
<th>Initial Actions</th>
<th>Novel Actions</th>
<th>MLR strategies</th>
<th>LLR strategies</th>
<th>Stakeholders considered</th>
</tr>
</thead>
<tbody>
<tr>
<td>H4.1</td>
<td>S1</td>
<td>✓ (ME)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>S2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H4.2</td>
<td>S1</td>
<td></td>
<td>✓ (ME × I)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>S2</td>
<td></td>
<td>✓ (ME × I)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note. MLR Strategies = Most likely reasoning strategies, LLR Strategies = Least likely reasoning strategies, ME = Main effect of Moral Efficacy, ME × I = Interaction between Moral Efficacy and Internalization.*

As shown in Table 8.3 and Table 8.4, contrary to the expectations of H4.1 and H4.2, the main effect for Moral Efficacy (low vs. high) on Moral Imagination in both scenarios, and the interaction effect for Moral Efficacy (low vs. high) and Moral Identity on Moral Imagination across both scenarios were not significant.
### Table 8.2

**Experiment 4 Descriptive Statistics**

<table>
<thead>
<tr>
<th></th>
<th>M</th>
<th>SD</th>
<th>1</th>
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<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Condition</td>
<td>1.5</td>
<td>.51</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Internalization</td>
<td>6.27</td>
<td>.81</td>
<td>.07</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Symbolization</td>
<td>3.82</td>
<td>1.04</td>
<td>-.14</td>
<td>.14</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>4. Creativity</td>
<td>4.35</td>
<td>3.38</td>
<td>-.05</td>
<td>.01</td>
<td>-.03</td>
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<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
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<tr>
<td>5. Moral Efficacy</td>
<td>3.77</td>
<td>.71</td>
<td>-.06</td>
<td>.29**</td>
<td>.31**</td>
<td>.14</td>
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<tr>
<td>6. Initial actions S1</td>
<td>4.78</td>
<td>2.06</td>
<td>.23**</td>
<td>.09</td>
<td>-.03</td>
<td>-.01</td>
<td>.03</td>
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<tr>
<td>7. Initial actions S2</td>
<td>4.58</td>
<td>1.87</td>
<td>.03</td>
<td>.02</td>
<td>-.03</td>
<td>-.1</td>
<td>-.15</td>
<td>.66**</td>
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<td></td>
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<tr>
<td>8. Novel actions S1</td>
<td>1.52</td>
<td>1.21</td>
<td>.18</td>
<td>.09</td>
<td>-.13</td>
<td>.02</td>
<td>.03</td>
<td>.58**</td>
<td>.44**</td>
<td></td>
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<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>9. Novel actions S2</td>
<td>1.44</td>
<td>.89</td>
<td>.16</td>
<td>.11</td>
<td>-.09</td>
<td>-.08</td>
<td>-.04</td>
<td>.46**</td>
<td>.44**</td>
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<tr>
<td>10. Most likely reasoning strategies S1</td>
<td>1.75</td>
<td>.88</td>
<td>-.08</td>
<td>.08</td>
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<td>11. Most likely reasoning strategies S2</td>
<td>1.87</td>
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<td>.08</td>
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<td>-.12</td>
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<td>12. Least likely reasoning strategies S1</td>
<td>1.54</td>
<td>.72</td>
<td>.03</td>
<td>-.03</td>
<td>.06</td>
<td>-.12</td>
<td>.15</td>
<td>.27**</td>
<td>.21**</td>
<td>.42**</td>
<td>.43**</td>
<td>.26**</td>
<td>.30**</td>
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<td></td>
<td></td>
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<tr>
<td>13. Least likely reasoning strategies S2</td>
<td>1.41</td>
<td>.67</td>
<td>.14</td>
<td>.01</td>
<td>-.13</td>
<td>-.1</td>
<td>-.1</td>
<td>.38**</td>
<td>.35**</td>
<td>.36**</td>
<td>.49**</td>
<td>.29**</td>
<td>.15</td>
<td>.39**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Stakeholders considered S1</td>
<td>2.21</td>
<td>1.17</td>
<td>.11</td>
<td>.15</td>
<td>-.04</td>
<td>-.01</td>
<td>-.02</td>
<td>.22**</td>
<td>.19</td>
<td>.24**</td>
<td>.23**</td>
<td>.03</td>
<td>.20**</td>
<td>.12</td>
<td>.31**</td>
<td></td>
</tr>
<tr>
<td>15. Stakeholders considered S2</td>
<td>2.36</td>
<td>1.24</td>
<td>.19</td>
<td>.26**</td>
<td>-.06</td>
<td>-.01</td>
<td>-.04</td>
<td>.31**</td>
<td>.22**</td>
<td>.32**</td>
<td>.19</td>
<td>.01</td>
<td>.41**</td>
<td>.18</td>
<td>.21**</td>
<td>.59**</td>
</tr>
</tbody>
</table>

**p < 0.01.**

* **p < 0.05.**
As shown in Table 8.3, examining the specific dimensions of Moral Imagination, the main effect for Moral Efficacy (low vs. high) on the number of initial actions (Outcome 1) was significant in Scenario 1, $F(1,92) = 4.52, p = .036, \eta_p^2 = .08$, and marginally significant in Scenario 2 $F(1,92) = 2.83, p = .096$. In Scenario 1, the mean difference (high minus low) was .98, and in Scenario 2, .96, indicating that the relationship between Moral Efficacy and the number of initial actions generated was positive.

Despite the overall non-significant findings of the interaction between Moral Efficacy and Moral Identity on Moral Imagination, investigating the specific dimensions of moral, as shown in Table 8.3, a statistically significant interaction between Moral Efficacy (low vs. high) × Moral Identity Internalization on the number of initial actions (Outcome 1) was found in Scenario 1, $F(1,92) = 4.34, p = 0.040, \eta_p^2 = .05$, and in Scenario 2, $F(1,92) = 4.96, p = .028, \eta_p^2 = .05$. Consistent with expectation of H4.2, the interaction effect was stronger for people low in Moral Identity Internalization than people high Moral Identity Internalization people. Figure 8.2 illustrates the nature of the significant interaction. Figure 8.2 shows that the difference in the number of initial actions generated in Scenario 1 and 2 for low and high Moral Efficacy is greater when Moral Identity Internalization is low than when Moral Identity Internalization is high. This result suggests that people with low Moral Identity Internalization are more likely to benefit from the experience of an Ethical Organizational Culture than people with high Moral Identity Internalization.
Figure 8.2. Interaction effect of Moral Efficacy and Moral Identity Internalization on the number of initial actions in Scenarios 1 and 2.
Demonstrating a trend in the findings, as shown in Table 8.4, a marginally statistically significant interaction between Moral Efficacy (low vs. high) $\times$ Moral Identity Internalization on the number of moral reasoning strategies used to determine the most likely action (Outcome 3) was found in Scenario 1, $F(1,92) = 2.88, p = 0.093, \eta^2_p = .03$, but not in Scenario 2, $F(1,92) = 0.01, p = .932$. In addition, a marginally statistically significant interaction between Moral Efficacy (low vs. high) $\times$ Moral Identity Internalization on the number of moral reasoning strategies used to determine the most likely action (Outcome 4) was found in Scenario 2, $F(1,92) = 3.64, p = .060$, $\eta^2_p = .03$, but not in Scenario 1, $F(1,92) = 0.17, p = .410$. In both cases, the marginally statistically significant interaction effect was stronger for low Moral Identity individuals than high Moral Identity individuals.

Although not predicted, a statistically significant main effect of Moral Identity Internalization was found in Scenario 2, $F(1,93) = 7.76, p = .006, \eta^2_p = .08$, and marginally significant main effect was found in Scenario 1, $F(1,93) = 2.92, p = .081, \eta^2_p = .08$, on the number of stakeholders considered (Outcome 5). In Scenario 2, the regression slope was $b = .46, \eta^2_p = .06, t = 2.52, p = .006$, and in Scenario 1, $b = .28, \eta^2_p = .03, t = 1.71, p = .081$, suggesting that Moral Identity Internalization was a positive predictor of the number of stakeholders considered in both scenarios.

All other main effects or interactions for each of the five outcome variables were not statistically significant.
### Table 8.3

**Test Results: The Main Effect of Moral Efficacy, Moral Identity Internalization, Moral Identity Symbolization and Creativity on Multiple Dimensions of Moral Imagination in Scenarios 1 and 2**

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Scenario 1 n = 100</th>
<th>Scenario 2 n = 100</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Explanatory variable</td>
<td>Estimate*</td>
</tr>
<tr>
<td>Initial actions</td>
<td>Moral efficacy</td>
<td>0.12</td>
</tr>
<tr>
<td></td>
<td>Internalization</td>
<td>0.32</td>
</tr>
<tr>
<td></td>
<td>Symbolization</td>
<td>0.01</td>
</tr>
<tr>
<td></td>
<td>Creativity</td>
<td>0.01</td>
</tr>
<tr>
<td></td>
<td>Moral efficacy baseline</td>
<td>0.26</td>
</tr>
<tr>
<td>Novel actions</td>
<td>Moral efficacy</td>
<td>0.44</td>
</tr>
<tr>
<td></td>
<td>Internalization</td>
<td>0.11</td>
</tr>
<tr>
<td></td>
<td>Symbolization</td>
<td>-0.16</td>
</tr>
<tr>
<td></td>
<td>Creativity</td>
<td>0.01</td>
</tr>
<tr>
<td></td>
<td>Moral efficacy baseline</td>
<td>0.07</td>
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<tr>
<td>Most likely reasoning strategies</td>
<td>Moral efficacy</td>
<td>0.44</td>
</tr>
<tr>
<td></td>
<td>Internalization</td>
<td>0.12</td>
</tr>
<tr>
<td></td>
<td>Symbolization</td>
<td>0.15</td>
</tr>
<tr>
<td></td>
<td>Creativity</td>
<td>0.04</td>
</tr>
<tr>
<td></td>
<td>Moral efficacy baseline</td>
<td>-0.20</td>
</tr>
<tr>
<td>Least likely reasoning strategies</td>
<td>Moral efficacy</td>
<td>0.04</td>
</tr>
<tr>
<td></td>
<td>Internalization</td>
<td>-0.09</td>
</tr>
<tr>
<td></td>
<td>Symbolization</td>
<td>0.01</td>
</tr>
<tr>
<td></td>
<td>Creativity</td>
<td>-0.03</td>
</tr>
<tr>
<td></td>
<td>Moral efficacy baseline</td>
<td>0.19</td>
</tr>
<tr>
<td>Stakeholders considered</td>
<td>Moral efficacy</td>
<td>0.26</td>
</tr>
<tr>
<td></td>
<td>Internalization</td>
<td>0.28</td>
</tr>
<tr>
<td></td>
<td>Symbolization</td>
<td>-0.02</td>
</tr>
<tr>
<td></td>
<td>Creativity</td>
<td>0.01</td>
</tr>
<tr>
<td></td>
<td>Moral efficacy baseline</td>
<td>-0.01</td>
</tr>
</tbody>
</table>

*Note.* * The estimate for Moral Efficacy is the difference between means (High Moral Efficacy – Low Moral Efficacy). For all other explanatory variables the estimate is the value of raw unstandardized regression analyses.
### Table 8.4

**Test Results: The Interaction between Moral Efficacy and Moral Identity Internalization and Moral Identity Symbolization on Multiple Dimensions of Moral Imagination in Scenario 1 and Scenario 2**

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Interaction</th>
<th>Scenario 1 n = 100</th>
<th>Scenario 2 n = 100</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>F</td>
<td>b</td>
</tr>
<tr>
<td>Initial actions</td>
<td>Moral Efficacy × Internalization</td>
<td>4.34</td>
<td>-1.14</td>
</tr>
<tr>
<td></td>
<td>Moral Efficacy × Symbolization</td>
<td>0.30</td>
<td>0.14</td>
</tr>
<tr>
<td>Novel actions</td>
<td>Moral Efficacy × Internalization</td>
<td>1.44</td>
<td>-0.40</td>
</tr>
<tr>
<td></td>
<td>Moral Efficacy × Symbolization</td>
<td>0.51</td>
<td>-0.16</td>
</tr>
<tr>
<td>Most likely reasoning strategies</td>
<td>Moral Efficacy × Internalization</td>
<td>2.88</td>
<td>-0.40</td>
</tr>
<tr>
<td></td>
<td>Moral Efficacy × Symbolization</td>
<td>0.15</td>
<td>-0.16</td>
</tr>
<tr>
<td>Least likely reasoning strategies</td>
<td>Moral Efficacy × Internalization</td>
<td>0.68</td>
<td>-0.17</td>
</tr>
<tr>
<td></td>
<td>Moral Efficacy × Symbolization</td>
<td>0.78</td>
<td>0.14</td>
</tr>
<tr>
<td>Stakeholders considered</td>
<td>Moral Efficacy × Internalization</td>
<td>0.02</td>
<td>-0.02</td>
</tr>
<tr>
<td></td>
<td>Moral Efficacy × Symbolization</td>
<td>0.48</td>
<td>0.11</td>
</tr>
</tbody>
</table>
Discussion

Although hypothesis 1 was not supported, moral efficacy increased two dimensions of moral imagination: the number of initial actions generated and the number of stakeholders considered. This hypothesis was based on the proposition that moral efficacy increases moral agency. Research supports the argument that moral efficacy increases an individual’s moral agency by building confidence in the skills they possess and knowledge they have about what they “can do” with the skills. With higher levels of moral efficacy, decision-makers have greater confidence in their ability to work effectively through an ethical dilemma and are therefore better equipped to generate a greater number of alternative courses of action, and to consider the consequences for a greater number of stakeholders, than individuals with lower levels of moral efficacy.

Results showed that moral efficacy was not directly related to three dimensions of moral imagination, namely, the number of novel actions generated, and the number of moral reasoning strategies used to determine the most likely or least likely course of action. A possible explanation for this finding is that high levels of moral efficacy increased the amount of effort and persistence rather than increasing the creativity and complexity of moral reasoning. Research supports the suggestion that efficacy increases effort and persistence on cognitive tasks (Multon et al., 1991). Increasing the level of effort and persistence in decision-making may assist in generating more actions and considering more stakeholders, but it may not assist in the creative process of ethical decision-making such as forming novel ideas or using multiple moral reasoning strategies to determine the morality of novel courses of action.

Although hypothesis 2 was not supported moral efficacy interacted with moral identity internalization to affect one dimension of moral imagination: the number of initial
actions generated in Scenarios 1 and 2. Consistent with expectation, the moderating effect was stronger for people with a relatively low moral identity than people with a relatively high moral identity. As expected, for people low in moral identity positive normative feedback on their ability to resolve an ethical dilemma, that enhanced moral efficacy, provided a boost to the process of ethical decision-making, whereas for individuals high in moral identity, such feedback did not have an effect.

This result is consistent with the argument that the moral agency experience is more likely to benefit people with low as opposed to high moral identity because individuals with low moral identity do not possess a well-developed moral schema to help process social information, and are not motivated to consistently demonstrate high moral standards to avoid cognitive dissonance. As a result the moral agency experience (in this case high moral efficacy) activates self-regulatory processes that assist the ethical decision-making process. In particular, moral efficacy increases the decision-makers confidence to represent higher moral standards as potential courses of action, and to evaluate the morality of future courses of action by activating positive and negative self-evaluations when imagining ethical or unethical courses of action and their impact on a variety of stakeholders. In contrast, individuals with high moral identity are less likely to benefit from the moral agency experience because they already define themselves in moral terms, possess a well-developed moral schema, and are already highly motivated to act in a manner consistent with self-defining moral traits.

Contrary to expectation, moral identity symbolization did not interact with moral agency to influence any dimension of moral imagination suggesting that moral identity symbolization does not always facilitate ethical decision-making.
CHAPTER 9

The theoretical model tested in thesis proposed that a person’s moral agency (i.e., the ability to think and act on one’s own volition for a given moral purpose) can enhance moral imagination, a creative form of ethical decision-making. The model specified four kinds of moral agency derived from either external sources (role autonomy and ethical organisational culture) or internal sources (power and moral efficacy). It also proposed that moral identity moderates the relationship between moral agency and moral imagination. Four experiments focused on decision-makers’ use of moral imagination to solve an ethical dilemma; that is, the ability to a) generate multiple alternate courses of action, b) generate novel courses of action, c) apply multiple moral reasoning strategies to determine the most likely course of action, d) apply multiple moral reasoning strategies to determine the least likely course of action, and e) to consider the consequences for multiple stakeholders when responding to an ethical dilemma.

In each experiment, two hypotheses were tested. The first (Hypothesis 1) was that individuals with high moral agency would display higher levels of moral imagination than individuals with low moral agency. The second (Hypothesis 2) was that moral identity would moderate the relationship between moral agency and moral imagination, and that this relationship would be more effective (stronger) for individuals with low moral identity. Across four experiments, Hypotheses 1 and 2 were not supported. The multidimensional nature of the dependent variable (moral imagination) combined with the multivariate analysis of variance used to test both hypotheses made it possible to investigate whether some dimensions of moral imagination were consistent with the hypotheses proposed in this thesis.

Investigating the specific dimensions of moral imagination, the following significant relationships emerged. Consistent with the expectation of Hypothesis 1 that moral agency
would increase dimensions of moral imagination, compared with decision-makers with low levels of moral efficacy, decision-makers with high levels of moral efficacy generated a greater number of initial actions, and considered the consequences for a greater number of stakeholders. Contrary to expectation, decision-makers in an unethical organizational culture (i.e., low moral agency) generated a greater number of novel courses of action in response to an ethical dilemma than did decision-makers in an ethical organizational culture. Similarly, decision-makers experiencing high power (i.e., low moral agency) used a greater number of moral reasoning strategies to determine the least likely course of action, and considered the consequences for a greater number of stakeholders than did decision-makers experiencing low power.

Consistent with the expectation of Hypothesis 2, moral identity symbolization moderated the relationship between role autonomy and the number of moral reasoning strategies used to determine the most likely course of action. In addition, moral identity internalization moderated the relationship between organizational culture and two dimensions of moral imagination; namely, the number of novel actions generated, and the number of stakeholders considered. Moral identity internalization also moderated the relationship between moral efficacy and the number of initial actions generated in response to an ethical dilemma.

Although not hypothesized, the results suggested a pattern in the relationship between moral identity internalization and the multiple dimensions of moral imagination. People high in moral identity internalization generated a greater number of initial actions (E2), used more moral reasoning strategies to determine the most likely action (E2 and E3), used more moral reasoning strategies to determine the least likely action (E2), and considered a greater number of stakeholders (E2, E3 and E4) than did people low in moral identity internalization. In
contrast, people high in moral identity symbolization considered the consequences for fewer stakeholders (E3) than did people low in moral identity symbolization.

Theoretical Implications

The results of this thesis have implications for theory. The theoretical model investigated here tested the impact of four sources of moral agency on ethical decision-making. The results suggest that only certain sources of moral agency influence the multiple dimensions of moral imagination. Based on the assumption that moral agency functions through a range of self-regulatory mechanisms, it may be the case that there is a boundary condition on the effect of moral agency on ethical decision-making processes. To activate the self-regulatory processes necessary for moral agency – in particular, the ability to represent moral standards as concrete actions and to anticipate the consequences of various courses of action – it is necessary to provide information about moral standards (i.e., moral content) and about the agent’s behavior in relation to expected moral standards (i.e., feedback mechanism).

Specifically, the results in relation to Hypothesis 1 show that high moral efficacy, conceptualized here as high moral agency, increased the level of two dimensions of moral imagination. In E4, moral efficacy was increased by providing positive evaluative normative feedback, thus meeting the boundary condition required for moral agency to increase levels of moral imagination in the ethical decision-making process. Decision-makers were provided with information about expected moral standards and any discrepancy between the agent’s ethical decision-making capability and expected standards of ethical decision-making.

The results also showed that the psychological experience of high power, conceptualized here as low moral agency, decreased the level of two dimensions of moral
imagination. Similarly, an unethical organizational culture, conceptualized here as low moral agency, decreased the level of one dimension of moral imagination. In E3, high power was primed by recalling the experience of having power over another individual; whereas, in an unethical organizational culture, it was primed by reading a series of cultural artefacts indicating that the organization prioritized competition and high performance standards. Thus, the experience of high power and an unethical organizational culture failed to meet the boundary condition. In addition, role autonomy was not found to affect any dimension of moral imagination. In E1, role autonomy was primed by describing the level of autonomy and discretion available to the incumbent to make a decision on a hypothetical business-related ethical dilemma, thus also failing to meet the boundary condition. Although the experience of power, an unethical organizational culture, and role autonomy provide the motivation to think and act with volition by encouraging goal-directed behavior and making salient the opportunity for self-gain, they do not provide information about expected moral standards or the quality of ethical decision-making in relation to such standards. Without clarity about expected standards of ethical decision-making and knowledge about one’s performance in relation to ethical norms and moral standards, the motivation to act with volition may be directed toward unethical goals.

The results in relation to Hypothesis 2 suggested a pattern in the moderating effect of moral identity internalization on the relationship between some sources of moral agency and some dimensions of moral imagination. The effect of an organization’s ethical culture on the number of novel actions generated and the number of stakeholders considered in response to an ethical dilemma was stronger for people with low as opposed to high moral identity. Similarly, the effect of moral efficacy on the number of initial actions generated in response to the ethical dilemma described in Scenarios 1 and 2 was stronger for people with low as opposed to high moral identity.
These findings provide some support for the interaction between moral identity and moral agency on moral imagination. They also provide some support for the argument that people low in moral identity are more susceptible to, and more likely to benefit from, the moral agency experience, in particular because such people do not define themselves in moral terms, have not developed a rich moral self-schema to help process social information, and are not motivated to act in a manner consistent with moral traits to avoid cognitive dissonance. For people low in moral identity, the moral agency experience of an ethical organizational culture and high moral efficacy activates a range of self-regulatory processes that enable the decision-maker to represent higher moral standards as concrete actions, and to imagine the consequence of various courses of action by experiencing positive or negative self-evaluations in response to past, current or imagined future courses of action. In contrast, people high in moral identity are less likely to benefit from the moral agency experience and the activation of self-regulatory processes, because they already define themselves in moral terms, have rich moral self-schemas that help to process social information, and are already motivated to act in a manner consistent with moral traits to avoid cognitive dissonance.

The interaction effect corroborates with the argument put forward by Moberg and Seabright (2000) that moral agency and moral identity are important antecedents for moral imagination. The effect is also consistent with the proposition that a high level of moral identity represents the maximal functioning of moral agency, whereas a low level of moral identity represents the minimal functioning of moral agency, relative to way moral agency is commonly practiced (Rottshaefer, 1998). Furthermore, the interaction effect supports the personality trait-based interactionist model of job performance (Tett & Burnett, 2003), that argues that a situational cue not relevant to the identity of the decision-maker is more likely to have an impact on behavior than a cue that is already relevant to the identity of the decision-maker.
A possible explanation as to why an ethical organizational culture and moral efficacy interact with moral identity internalization to affect some dimensions of moral imagination, whereas role autonomy and power do not, is that the former meet the boundary condition proposed in relation to the results of Hypothesis 1, whereas the latter do not. In an ethical organizational culture, cultural artefacts inform the decision-maker of the ethical norms and moral standards. Cultural artefacts also provide the agent with information about the quality of their ethical decision-making through various formal and informal systems of behavioral control, such as performance evaluations and contingent consequences (e.g. reward for action that is consistent with ethical norms or moral standards, and sanctions for action that is inconsistent with the norms and standards). Similarly, moral efficacy provides decision-makers with evaluative normative feedback on their knowledge, skills and ability to resolve an ethical dilemma. The evaluative normative feedback provides the agent with information about the quality of their ethical decision-making in comparison to the relevant group standard. Role autonomy delegates authority to the incumbent, and gives that person managerial discretion to make decisions freely. Power primes the decision-maker with the feeling of control over other individuals. However, neither role autonomy nor power provide direction about the purpose to which such discretionary control should be channelled, nor do they provide feedback on the impact the use of their discretion or control over others; that is, they do not provide information to the agent about the quality of their decision-making in relation to ethical norms or moral standards.

Results show that moral identity internalization did not moderate the relationship between two sources of moral agency (organizational culture and moral efficacy) and the two dimensions of moral imagination that relate to the use of multiple moral reasoning strategies to decide the most and least likely course of action. Nevertheless moral identity symbolization did moderate the relationship between one source of moral agency (role
autonomy) and the number of moral reasoning strategies used to determine the most likely course of action. In this thesis, I argued that the flexible application of moral reasoning strategies when determining the morality of alternative courses of action (including the most likely and least likely courses) was a manifestation of the pluralist nature of moral imagination. Pluralism argues that no single ethical theory or moral reasoning strategy is the true, or best, view of an ethical issue; however, it also argues that a consensus on specific rules under certain contexts can and should be achieved (Crane & Matten, 2010). The pluralist nature of moral imagination is articulated by Werhane (1999) in her description of moral imagination as the “ability in particular circumstances to discover and evaluate possibilities not merely determined by the circumstance, or merely framed by a set of rules or rules-governed concerns” (Werhane, 1999: p. 93).

A possible explanation as to why moral identity internalization did not moderate the relationship between moral agency and the two dimensions of moral imagination that relate the use of multiple moral reasoning strategies is that a high level moral identity internalization may inhibit the flexible application of ethical criteria when judging the morality of alternative courses of action. Research suggests that developing a preference for a particular moral framework (i.e., consequentialism) influences moral decisions (Brady & Wheeler, 1996) and perceptions of justice (Schminke, Ambrose, & Noel, 1997). Based on this research, Reynolds and Ceranic (2007) hypothesized and showed that judgments about the morality of various courses of action are made on the basis of pre-existing moral frameworks (i.e., ethical ideology), and that people high in moral identity internalization are more likely to choose a course of action that is consistent with their pre-existing moral framework or ethical ideology. For example, individuals with a dispositional tendency to determine right and wrong based on the consequences would be more likely to choose the most consequentialist, as opposed to the most formalist, outcome of an ethical dilemma. In
contrast, individuals with a dispositional tendency to determine right and wrong based on rules would be most likely to choose the most formalist, as opposed to the most consequentialist, outcome of an ethical dilemma (Reynolds & Ceranic, 2007). This finding demonstrates the idiosyncratic nature of a person’s moral self-schema (particularly in someone with high moral identity internalization) and its effect on ethical decision-making; for example, the tendency to apply a limited number of moral reasoning strategies when evaluating the morality of alternative courses of action.

The psychologically distinct properties of the internalization and symbolization of moral identity described by Aquino and Reed (2002) may explain why moral identity symbolization was found to moderate the relationship between role autonomy and the number of moral reasoning strategies used to determine the most likely action. As previously discussed, the symbolization of moral identity is concerned with the presentation of moral traits to others (i.e., the demonstration of moral traits through symbolic public acts), whereas the internalization of moral identity is concerned with the private aspects of morality. It may be that decision-makers with high autonomy applied a greater number of moral reasoning strategies to symbolize their moral identity and to preserve a moral self-image. The results indicated that the moderating effect was stronger for individuals low in moral identity symbolization. This finding is consistent with the argument presented in the theoretical model that individuals low in moral identity are more susceptible to, and likely to benefit from, the moral agency experience (in this case, because they do not already possess a moral self-schema and are not motivated to act in a manner consistent with pre-existing moral frameworks to avoid cognitive dissonance), and as a result are more likely to use a greater number of moral reasoning strategies when experiencing high role autonomy.
The internalization of moral identity appears to have a more robust moderating effect than symbolization of moral identity, and to be more representative of concepts generally associated with moral motivation (e.g., fortitude and courage) (Reynolds & Ceranic, 2007). This may explain why moral identity symbolization was found here to interact with role autonomy, but not with organizational culture, power or moral efficacy, to affect only one dimension of moral imagination.

Although not hypothesized, the results of this thesis found that people high in moral identity internalization were more likely to display high levels of each dimension of moral imagination than people low in moral identity internalization. These results are consistent with a large body of research suggesting that people high in moral identity internalization are more likely than those low in moral identity internalization to display ethical judgment (Reed & Aquino, 2003), reasoning (Aquino, Reed, Thau, & Freeman, 2007; Detert, Treviño, & Sweitzer, 2008; McFerran, Aquino, & Duffy, 2010; Moore, Detert, Treviño, Baker, & Mayer, 2012), intention (Aquino, McFerran, & Laven, 2011) and ethical behavior at work (Reynolds & Ceranic, 2007). In contrast to the positive relationship between moral identity internalization and the five dimensions of moral imagination, results showed that people high in moral identity symbolization considered fewer stakeholders than people low in moral identity symbolization. This result is consistent with findings showing that people high in moral identity symbolization are less likely to display ethical behavior at work than people low in moral identity symbolization, and the observation that the two subdimensions of moral identity have unique properties (Reynolds & Ceranic, 2007).
Limitations and Future Directions

The limitations of the research conducted in this thesis point to possible directions for future research. The future directions discussed here are: a) integration of research in cognitive complexity, to determine whether a moderate level of moral imagination improves ethical decision-making; b) consideration of additional measures of moral identity, to test alternative assumptions about the structure of moral identity across social roles such as leadership; c) investigation of the role of intuition in moral imagination and of how it is measured; d) exploration of additional moral issue characteristics (e.g., moral foundations), to explain the variability in results between scenarios; e) inclusion of additional sources of moral agency in the theoretical model that meet the boundary condition by providing information about moral standards and moral performance relative to the standard; f) consideration of the impact of moral imagination on group-level ethical decision-making processes; and g) the use of alternative methods to investigate moral imagination.

Research in cognitive complexity may help to explain why moral agency and moral identity influenced only certain dimensions of moral imagination. The theory of cognitive complexity underpins the central proposition in this thesis (i.e., that moral imagination improves the ethical decision-making process). Cognitive complexity is the formation of highly differentiated and richly connected mental representations to process information in greater depth and with greater elaboration (Rafaeli-Mor & Steinberg, 2002). As a result, the capacity for cognitive complexity increases the extent of deliberation and degree of reasoning sophistication (Colby, Kohlberg, & Speicher, 1987; Stanovich & West, 2000; Moore & Loewenstein, 2004). Consistent with the theory of cognitive complexity, I argued that higher levels of moral imagination (i.e., generating more initial actions and novel actions, using more moral reasoning strategies to determine the most likely and least likely action, and
considering *more* stakeholders) would improve the process of ethical decision-making and problem solving.

Recent research investigating cognitive complexity in ethical decision-making suggests that a moderate level of cognitive complexity improves ethical decision-making because the added complexity can be selectively recruited to justify less moral courses of action or to find loopholes to solve ethical dilemmas, even if that entails crossing ethical boundaries (Gino & Ariely, 2012; Moore & Tenbrunsel, 2014). In three studies, Moore and Tenbrunsel (2014) found that decisions made after reasoning at low levels of complexity and high levels of cognitive complexity were less moral than those made after reasoning at moderate levels of complexity. Moore and Tenbrunsel (2014) concluded that the best moral decisions are those that have been reasoned through “just enough”.

The conclusion that “just enough” reasoning improves ethical decision-making is consistent with research in bounded rationality conduct by Simon (1956). Research conducted by Simon (1956) suggests that decision-makers do not search for the optimal outcome by considering the full range of consequences, but rather choose the first option that is satisfactory or “good enough” and that meets the individual’s minimal requirements. Simon (1956) called this process “satisficing”, a type of cognitive shortcut in the form of a heuristic or rule of thumb (March & Simon, 1958; Simon, 1957). Gigerenzer and Goldstein (1996) argued that satisficing enables the decision-maker to solve problems efficiently, helping to simplify situations without sacrificing quality, and to manage time pressure by improving efficiency. The authors argued that heuristics can match or outperform rational processes when making inferences about the real world, because heuristics are “designed to be fast and frugal without a significant loss of inferential accuracy” (Gigerenzer & Goldstein, 1996, p. 651). Following the logic of Moore and Tenbrunsel (2014), and drawing on research
conducted by Simon (Simon, 1956, 1957; March & Simon, 1958) that accounts for bounded rationality of the decision-maker, it may be that a moderate level (i.e., just enough) moral imagination may be the optimal level to improve the ethical decision-making and problem solving process.

Future research could benefit from adapting the measurement and manipulation of cognitive complexity developed by Moore and Tenbrunsel (2014) to investigate whether the relationship between moral imagination and moral choice is linear or non-linear, and to determine whether a moderate level of moral imagination is the optimal level to improve the ethical decision-making process. For example, the measurement of cognitive complexity in research on ethical decision-making comprises two dimensions: differentiation and integration (Baker-Brown, Ballard, Bluck, de Vries, Suedfeld, & Tetlock, 1992). Future research could link the cognitive complexity dimension of differentiation to the dimensions of moral imagination that describes the breadth of factors or perspectives considered in the decision (e.g., the number of initial actions, novel actions and stakeholders considered). The cognitive complexity dimension of integration could be linked to the dimensions of moral imagination that describe the degree to which the differentiated perspectives are assimilated in the decision (e.g., the number of moral reasoning strategies used to determine the most likely and least likely actions). Research could also adapt the manipulation of cognitive complexity to the field of moral imagination. For example, after reading through an ethical dilemma, participants could be asked to do one of the following: identify one course of action (low moral imagination condition); identify three courses of action, choose the best course of action providing reasons, and identify affected stakeholders (moderate moral imagination condition); identify five courses of action, choose the best course of action providing reasons, and identify affected stakeholders (high moral imagination condition).
The second limitation of this thesis that points to future research relates to the use of one operationalization of the moral identity construct. Although Aquino and Reed’s (2002) self-importance of moral identity measure is the most widely used measure in the literature on behavioral ethics the results of these experiments might be specific to this operationalization. Future research should explore other means for measuring moral identity as additional tests of the underlying theoretical explanations. A specific limitation of Aquino and Reed’s (2002) measure is that it assumes that moral identity comprises moral traits. However, it is possible that moral identity includes not only traits but also dynamic structures such as roles, goals, motivation, affect and autobiographical narratives (Hill & Roberts, 2010; Lord, Hannah, & Jennings, 2011). The measure developed by Aquino and Reed (2002) also assumes that individuals possess a unified moral identity rather than a moral identity structured across other identities based on social roles or groups. Research suggests that a person can possess multiple identities (e.g., as a “daughter”, a “mother” and a “leader”), and that each identity can be composed of different forms or levels of moral content (Hannah, Avolio, & May, 2011). For example, a leader’s identity is complex and could be described as assemblage of identities rather than a global whole (Hannah, Woolfolk, & Lord, 2009). The consideration of the moral content of a leader’s identity is particularly relevant for high-level executives, because such individuals often function as a visible embodiment of an organization to external stakeholders, leading them to define their own identity in terms of the organization. For these individuals, their identity as the leader of an organization has the potential to be more salient than other identities, and the moral content of their leadership identity has the potential to be more influential in their ethical decision-making than a more generalized and global moral identity (Dutton et al., 1994). With increasing prevalence of flexible workplace arrangement, such as working from home, it would be useful to
investigate the moral content of multiple identities and its impact on ethical decision-making process.

Third, the measurement of moral imagination as a series of five outcome variables, and transformed from open-ended responses into scores for data analyses, may be limited in its capacity to accurately measure intuitive responses to ethical issues (i.e., Type 1 cognition). Cumulative data from a meta-analysis of the antecedents of unethical decision-making at work show that “agents work at least sometimes through more impulsive, automatic pathways than through calculated or deliberate ones” (Kish-Gephart, Harrison, & Treviño, 2010). It may be prudent for future research to consider how more impulsive responses to ethical dilemmas affect or contribute to moral imagination. In this thesis, seven distinct categories were created to code the various ethical criteria used to evaluate the most likely and least likely courses of action, with one category created to code for moral intuition. Considering that moral intuition is described as a sudden appearance in consciousness of a moral judgment, including an affective valence (good–bad, like–dislike), it may be appropriate to probe participants about their immediate feelings in response to an ethical dilemma, and to include these data in the measurement of moral imagination.

Forth, the variability in results between scenarios suggests that further research should be conducted to identify characteristics of the moral issue that influence the relationship between moral agency, moral identity, and moral imagination. Although the scenarios were matched in moral intensity, it may be useful to investigate whether the presence of different “moral foundations” can account for additional variability in the results. The theory of moral foundations assumes a pluralist perspective of morality; it proposes that several innate and universally available psychological systems are the foundations of “intuitive ethics,” and that different cultures establish moral virtues on top of particular selections of the moral
foundations (Haidt, Koleva, Motyl, Iyer, Wojcik, & Ditto, 2012). The five foundations of morality are care/harm, fairness/cheating, loyalty/betrayal, authority/subversion and sanctity/degradation (Haidt et al., 2012). To test whether the presence of particular sections of these moral foundations differentially affect moral imagination, the standardized stimulus database of scenarios based on moral foundations theory could be used in future research (Clifford, Iyengar, Cabeza, & Sinnott-Armstrong, 2015).

Fifth, the results of this thesis showed that some but not all sources of moral agency influenced aspects of moral imagination. Based on the insights gained in this research, it may be worthwhile investigating additional sources of moral agency that meet the boundary condition; that is, sources that provide information to the decision-maker about expected moral standards (i.e., moral content), and provide feedback about moral performance in relation to moral standards (i.e., feedback mechanism). Future research could also investigate sources of moral agency that involve the kind of practice modelling and feedback opportunities identified in social cognitive theory, such as acting as an ethical leader or moral manager (Bandura, 1986; Brown, Treviño, & Harrison, 2005).

In addition, future research may also benefit from reexamining power as a source of moral agency taking into consideration alternative conceptualizations of the construct. Power is a multifaceted construct that can be defined and operationalized in multiple ways. In this thesis the psychological experience of low power was conceptualized as a source of high moral agency. This was based on the association between power and the behavioral inhibition system. Research suggests that low power increases the behavioral inhibition providing the self-control necessary in the ethical decision-making. However, power is also associated with a person’s access to valuable resources. In an organizational context people with low power are less likely to have access to valuable resources. It may be the case that people with low
power are more likely to engage in unethical decision-making owing to need or desperation. Thus, future research may consider the social context of power and whether low power may be associated with low levels of moral agency.

Sixth, the investigation of moral imagination was conducted at an individual level, but ethical decision-making in organizations often occurs in groups. Future research could investigate the moral imagination of groups, and consider whether group decision-making and problem-solving processes such as brainstorming may facilitate moral imagination. Brainstorming is a team decision-making process whereby group members in a face-to-face meeting are encouraged to speak freely and withhold criticism, to generate as many ideas as possible, and to build on the ideas of others. Findings show that exposure to a high number of common ideas (i.e., brainstorming) increases the number of additional ideas than exposure to a low number of common ideas (Dugosh, Leggett & Paulus, 2005). This research suggests that moral imagination may increase the creative potential of groups, help groups to find novel solutions to ethical dilemmas, and facilitate greater perspective-taking among group members. Further studies could investigate whether moral imagination may help to overcome mechanisms of moral disengagement that occur in group ethical decision-making; for example, when responsibility is diffused (Bandura, Underwood, & Fromson, 1975; Diener, 1977; Milgram, 1992; Zimbardo, 1995).

A final limitation of the research relates to the choice to use only scenario experiments with an online sample. Scenario-based experimental methodologies are frequently used in behavioral ethics research because of their capacity to achieve a high level of internal validity and construct validity, relative to alternative methods (e.g., field studies). Despite its strengths, concerns are sometimes raised that scenario-based methodology do not accurately reflect real world phenomena thereby affecting the external validity of results and
conclusions of experiments (Evans, Roberts, Keeley, Blossom, Amaro, Garcia, Stough, Canter, Robles, & Reed, 2015). Specifically, the criticisms of scenario-based methods concern the manipulation of variables using written stimulus and whether the manipulation can accurately activate the psychological and behavioral processes in a manner similar to the way in which these processes are used in real life.

Following this logic, a limiting factor of the research conducted in this thesis concerns the experimental manipulation of moral agency. In particular, the ability of the written stimulus used in the manipulation to activate the psychological and behavioral processes associated with moral agency in a manner similar to what could be expected in an organizational setting. For example, in the case of experiment 2, a critical question is whether the written stimulus for the manipulation of an ethical organizational culture is sufficiently representative of the actual experience to activate the psychological and behavioral processes associated with making an ethical decision in an organization with an ethical culture. Future research may benefit from testing the theoretical model in an organizational setting involving participants who are a part of an organization with an ethical or an unethical organizational culture, or that are assigned high or low levels of role autonomy.

**Implications for practice**

The aim of this thesis was to gain insight into the factors that shape the ethical decision-making process, and to derive prescriptions to improve ethical decision-making in organizations. First, the results showed that organizations can improve the quality of ethical decision-making by their members by providing opportunities in the workplace to exercise moral agency and develop a moral identity. Second, the two sources of moral agency – an ethical organizational culture and moral efficacy – can increase the level of some dimensions of moral imagination; specifically, the number of initial and novel actions, and the number of
stakeholders considered in response to an ethical dilemma. Both sources of moral agency provide information about moral standards of behavior, and whether there is a discrepancy between actual and expected standards of behavior. Third, the positive influence of moral efficacy and an ethical organizational culture on some dimensions of moral imagination is most beneficial for people who do not define themselves as moral individuals (i.e., who rate themselves as having a low moral identity).

An ethical organizational culture appears to influence ethical decision-making processes by communicating, via cultural artefacts, the standards of expected ethical behavior; by reinforcing through sanctions the contingent consequences for failing to meet expected standards of ethical conduct; and by encouraging through rewards the benefits of meeting or exceeding expected standards of ethical conduct. Behavioral expectations can be reinforced by formal cultural artefacts such as policies, codes of conduct, selection processes and speeches, and by informal cultural artefacts such as interpersonal communication. Care may be needed when organizations establish cultural norms that encourage competition and a “winning” mindset. Although competitive cultural norms in organizations can increase goal-directed behavior and incentive motivation to act, they can also create moral hazard because decision-makers are likely to direct their motivation in the decision-making process to further self-interest or achieve an organization’s goals at the expense of other stakeholders.

Moral efficacy influences ethical decision-making by increasing the confidence in one’s knowledge, skills and ability to attain moral performance. In the moral domain, providing feedback on the quality of ethical decision-making and evaluating performance against a normative moral standard is an effective means of building moral efficacy (Litt, 1988). Although formal feedback processes such as performance reviews provide organizational members with information about the nature and quality of ethical decision-
making, informal feedback processes such as coaching or mentoring may be better suited to building moral-efficacy, by encouraging and supporting the individual through guided mastery experiences. The coach or mentor can also provide ongoing feedback about the person’s current ability to resolve ethical dilemmas, provide deliberate role modelling, and offer guidance about strategies the person could use to improve their ability if there are discrepancies between actual and expected moral standards.

Results from a recent study showing that moral efficacy can be developed through teaching and training has implications for practice in business education. Students completing an 8-week graduate-level course in business ethics developed higher levels of moral efficacy than students in a control group (May, Luth, & Schwoere, 2014). The overall aim of the graduate-level course in business ethics was to build ethical awareness, and to develop knowledge and the ability to solve ethical dilemmas. The course employed a range of instructional techniques such as case study analysis, interactive lectures and assessments. Organizations may consider the role of training in ethical decision-making, to ensure that people develop confidence in their knowledge, skills and ability to attain expected standards of moral performance.

The moderating effect of moral identity internalization on the relationship between moral agency and moral imagination suggests that an ethical organizational culture and moral efficacy experience may provide developmental opportunities to enhance an individual’s moral identity. An ethical organizational culture or high moral efficacy will have the greatest positive impact on individuals who have not already developed a high moral identity. When organizations create opportunities for their members to practice moral agency, individuals low in moral identity will apply higher moral standards in their decision-making and learn strategies to improve their ethical decision-making. Over time, individuals low in moral
identity may internalize or personalize moral standards, creating a virtuous circle of the exercise of moral agency and moral identity in organizations.

**Conclusion**

In this thesis I have developed and tested a theoretical model to guide research on the individual and situational factors that influence ethical decision-making. Specifically, in four experiments I tested the impact of four sources of moral agency and moral identity on five dimensions of moral imagination. The findings indicated that sources of moral agency that provide a person with information about the standards of ethical conduct, and provide feedback about the person’s behavior in relation to expected ethical standards (i.e., ethical organizational culture and moral efficacy) had the most potent influence on ethical decision-making processes, particularly for individuals who did not define themselves in terms of moral characteristics. In proposing and testing the theoretical model, I hope I have contributed to the field of behavioral ethics, and have promoted future research in individual and situational factors that improve ethical decision-making and problem solving processes.
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APPENDIX A

Self-Importance of Moral Identity (Aquino & Reed, 2002)

Listed below are some characteristics that might describe a person:

Caring, Compassionate, Fair, Friendly, Generous, Helpful, Hardworking, Honest, Kind

The person with these characteristics could be you or it could be someone else. For a moment, visualize in your mind the kind of person who has these characteristics. Imagine how that person would think, feel, and act. When you have a clear image of what this person would be like, answer the following questions.

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Moderately Disagree</th>
<th>Slightly Disagree</th>
<th>Neither Agree/Disagree</th>
<th>Slightly Agree</th>
<th>Moderately Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

1 I It would make me feel good to be a person who has these characteristics
2 S The kinds of books and magazines that I read identify me as having these characteristics
3 I Being someone who has these characteristics is an important part of who I am
4 I Having these characteristics is not really important to me (Reverse coded)
5 S The types of things I do in my spare time (e.g., hobbies) clearly identify me as having these characteristics
6 S I often wear clothes that identify me as having these characteristics
7 I I strongly desire to have these characteristics
8 S The fact that I have these characteristics is communicated to others by my membership in certain organizations
9 S I am actively involved in activities that communicate to others that I have these characteristics
10 I I would be ashamed to be a person who had these characteristics (Reverse coded)

I = Internalization, S = Symbolization
APPENDIX B

Gough Personality Scale (Gough, 1965)

Please indicate which of the following adjectives that best describe yourself.

Check all that apply.

(+) Capable ___  (-) Honest ___
(-) Artificial ___  (+) Intelligent ___
(+) Clever ___  (-) Well-mannered ___
(-) Cautious ___  (+) Wide interests ___
(+) Confident ___  (+) Inventive ___
(+) Egotistical ___  (+) Original ___
(-) Commonplace ___  (-) Narrow interests ___
(+) Humorous ___  (+) Reflective ___
(-) Conservative ___  (-) Sincere ___
(+) Individualistic ___  (+) Resourceful ___
(-) Conventional ___  (+) Self-confident ___
(+) Informal ___  (+) Sexy ___
(-) Dissatisfied ___  (-) Submissive ___
(+) Insightful ___  (+) Snobbish ___
(-) Suspicious ___  (+) Unconventional ___

Scoring Key:

(+) Indicative of creative personality
(-) Contraindicative of creative personality
**APPENDIX C**

**Moral Efficacy Questionnaire (Hannah & Avolio, 2010).**

In answering questions 1 through 5, when you think of your knowledge, skills, and abilities, indicate your *level of confidence* in your ability to accomplish each item below. Use the following scale to rate your level of confidence. A score of 5 represents total confidence, whereas a score of 1 means no confidence at all.

<table>
<thead>
<tr>
<th>Not at all Confident</th>
<th>Moderately Confident</th>
<th>Totally Confident</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5</td>
</tr>
</tbody>
</table>

I am confident that I can…

1. Confront others who behave unethically to resolve the issue

2. Readily see the moral/ethical implications in the challenges I face

3. Work with others to settle moral/ethical disputes

4. Take decisive action when addressing a moral/ethical decision

5. Determine what needs to be done when I face moral/ethical dilemmas
APPENDIX D

Moral Intensity (Paolillo & Vitell, 2002)

Using the scale below rate your agreement or disagreement with each of the six statements.

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Moderately Disagree</th>
<th>Slightly Disagree</th>
<th>Neither Agree/Disagree</th>
<th>Slightly Agree</th>
<th>Moderately Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

1. The overall harm (if any) done as a result of the action would be very small. (Magnitude of consequences)

2. Most people would agree that the action is wrong. (R) (Social consensus)

3. There is a very small likelihood that the action will actually cause any harm. (Probability of effect)

4. The action will not cause any harm in the immediate future. (Temporal immediacy)

5. If one were a personal friend of the person(s) harmed the action would be wrong. (Proximity)

6. The action will harm very few people, if any. (Concentration of effect)

* (R) Indicates item was reversed score.
APPENDIX E

Low Role Autonomy Manipulation: Preamble to Scenario 1 and 2.

In this final task you are required to read and respond to two scenarios that take place in a business organization.

In order to make a decision on the scenario you will need to envision that you work as a manager in this organization and that you are closely monitored in this role (i.e. have low autonomy).

By low autonomy we mean that you must first seek approval from all senior managers before you take action on a situation. You do not have the discretionary power or authority to determine the procedures and actions that are necessary to carry out your work and achieve your work objectives.

Take a few moments to imagine how you would feel carrying out this type of role.

High Role Autonomy Manipulation: Preamble to Scenario 1 and 2.

In this final task you are required to read and respond to two scenarios that take place in a business organization.

In order to make a decision on the scenario you will need to envision that you work as a manager in this organization and in this role you have a high degree of autonomy.

By high autonomy we mean that you do not have to seek approval from senior management before you take action on a situation. You have the discretionary power to determine the procedures and actions that are necessary to carry out your work and achieve your work objectives.

Take a few moments to imagine how you would feel carrying out this type of role.
APPENDIX F

Ethical Organizational Culture Manipulation: Preamble

This final task has two parts. It will require you to:

1) Read three company documents. The documents include:

1. Company Code of Conduct
2. Information regarding the company's reward scheme
3. Email correspondence from the Director of Communication to staff.

2) Imagine what it would be like to work in this company, then read 2 scenarios which take place in this company. Envision that you are in a position to make a decision on the situation and answer the questions below each scenario.

Ethical Organizational Culture Manipulation: Cultural Artefact 1

Regional Community Bank

Code of Ethical Conduct: A Message from the Managing Director

At RCB we focus on our responsibilities to all our stakeholders and to each other. Our company has a reputation for integrity and ethical conduct, our business is built on trust and our reputation.

A fundamental principle at RCB is that we preserve our culture of ethics. Core to our business is that employees, led by senior management, at all times act in the best interests of RCB and at all times act ethically and with integrity.

When promoting a culture of ethics, managers at all times are required to model appropriate conduct. As a manager you should:

- Take appropriate care for the health and safety of others and yourself at work;
- Take opportunities to reinforce the importance of ethics;
- At no time encourage or direct employees to achieve business results at the expense of ethical conduct.

Together with our operational policies, this document sets standards to ensure we all do the right thing including Board members, employees or direct individual contractors.
Ethical Organizational Culture Manipulation: Cultural Artefact 2

**Regional Community Bank**

**Long-Term Bonus Scheme: Linking Reward to Business Ethics**

At RCB employees are awarded additional remuneration when key performance Indicators (KPI) are achieved. KPI's are reviewed and rewarded over a 3 year period.

In addition to standard salary components, the Long-Term Bonus Scheme at RCB is designed to reward ethical business practice and to focus our effort and hard work to achieve sustainable growth. This reward scheme is aligned to an uncompromising commitment to achieve high ethical standards in business, helping to ensure we maintain our valued reputation as a socially responsible corporate citizen.

Ethical Organizational Culture Manipulation: Cultural Artefact 3

**From:** Director of Communications [pbrennan@rcb.com]
**To:** All Staff
**Subject:** RCB wins community service award.

Dear Colleagues:

I’d like to announce that RCB is one of five companies to have won the highly regarded Community Services Award for its deep and long-term commitment to corporate social responsibility and the ethical practice of business.

We are extremely proud of RCB’s achievements. This award recognizes our mission of providing a valuable service to the community in which we operate.

Pat Brennan

**Regional Community Bank**
Regional Community Plaza
30 Pine Avenue
Ontario, CA 91764
Unethical Organizational Culture Manipulation: Preamble

This final task has two parts. It will require you to:

1) Read three company documents. The documents include:

   1. Company Code of Conduct
   2. Information regarding the company's reward scheme
   3. Email correspondence from the Director of Communication to staff.

2) Imagine what it would be like to work in this company, then read 2 scenarios which take place in this company. Envision that you are in a position to make a decision on the situation and answer the questions below each scenario.

Unethical Organizational Culture Manipulation: Cultural Artefact 1

City National Bank

Code of Business Conduct: A Message from the Managing Director

At CNB we focus on our responsibilities to our shareholders. Our company has a reputation for the quality of our business products and market growth. Our business is built on our reputation.

A fundamental principle at CNB is that we preserve our high performance culture. Core to our business is that employees, led by senior management, at all times act in the best interests of CNB.

When promoting a high performance culture, managers at all times are required to model appropriate conduct. As a manager you should:

1. Take appropriate care for the health and safety of yourself at work;
2. Take opportunities to reinforce the importance of performing at the highest standard with employees;
3. At no time encourage or direct employees to achieve business results at the expense of the quality of our products.

Together with our operational policies, this document sets standards to ensure we work to maintain our competitive advantage including Board members, employees or direct individual contractors.
Unethical Organizational Culture Manipulation: Cultural Artefact 2

Short-Term Bonus Scheme: Linking reward to winning performance

At CNB employees are awarded additional remuneration when key performance indicators (KPI) are achieved. KPI's are reviewed and rewarded quarterly.

In addition to standard salary components, the Short-Term Bonus Scheme is used to drive sales and ultimately increase market share. This reward structure is aligned to our uncompromising commitment to maintaining high performance and winning new business.

Unethical Organizational Culture Manipulation: Cultural Artefact 3

From: Director of Communications [pbrennan@cnb.com]
To: All Staff
Subject: CNB wins performance award.

Dear Colleagues:

I’d like to announce that CNB is one of five companies to have won the prestigious Financial Services award for its deep and long-term commitment to high performance and total quality.

We are extremely proud of CNB’s achievements. This award recognizes our mission of delivering high quality products to the market.

Pat Brennan

City National Bank

City National Bank
City National Plaza
792 William Street
Los Angeles, CA 90071
APPENDIX G

Low Power Manipulation: Task

Take some time now to recall a particular incident in which someone else had power over you.

By power, we mean a situation in which someone had control over your ability to get something you wanted.

Go back to that time and place and recapture how you felt. Relive it as if you were experiencing it all over again and then describe this situation in as much detail as possible—what happened, how you felt, etc.

High Power Manipulation: Task

Take some time now to recall a particular incident in which you had power over another individual or individuals.

By power, we mean a situation in which you controlled the ability of another person or persons to get something they wanted.

Go back to that time and place and recapture how you felt. Relive it as if you were experiencing it all over again and then describe this situation in as much detail as possible—what happened, how you felt, etc.
APPENDIX H

High Moral Efficacy Manipulation: Feedback Preamble

The Institute for Practical Ethics Feedback Report: Introduction

The Institute for Practical Ethics recently conducted a survey of US workers to assess their knowledge, skills and abilities in resolving ethical issues in the workplace. The results of the survey were recently published online.

Survey participants responded to business scenarios, including the one you just completed. Responses were coded using word recognition technology and results standardized to allow for meaningful comparisons between workers.

Please go to the next screen to receive feedback on your response to the scenario you just completed.

The Institute for Practical Ethics Feedback Report: Results

The Institute for Practical Ethics is able to provide you with comparative feedback on your response to the business scenario you have just completed. The feedback is designed to help respondents recognize their strengths and weakness when resolving ethical issues.

1. The list of actions you generated was consistent with someone who is highly capable of working with others to settle ethical disputes. This result is consistent with a person who is likely to take decisive action when confronted with an ethical issue.

2. You considered the consequences for all affected parties in the dilemma.

These results suggest that you were fully aware of the moral implications of the dilemma.
The Institute for Practical Ethics Feedback Report: Introduction

The Institute for Practical Ethics recently conducted a survey of US workers to assess their knowledge, skills and abilities in resolving ethical issues in the workplace. The results of the survey were recently published online.

Survey participants responded to business scenarios, including the one you just completed. Responses were coded using word recognition technology and results standardized to allow for meaningful comparisons between workers.

Please go to the next screen to receive feedback on your response to the scenario you just completed.

Low Moral Efficacy Manipulation: Feedback

The Institute for Practical Ethics Feedback Report: Results

The Institute for Practical Ethics is able to provide you with comparative feedback on your response to the business scenario you have just completed. The feedback is designed to help respondents recognize their strengths and weakness when resolving ethical issues.

1. The list of actions you generated was not consistent with someone who is highly capable of working with others to settle ethical disputes. This result is not consistent with a person who is likely to take decisive action when confronted with an ethical issue.

2. You did not consider the consequences for all affected parties in the dilemma.

These results suggest that you were not fully aware of the moral implications of the dilemma.
APPENDIX I

Scenario 1

You are a manager in a medium-sized branch of the company that is located in a small town. Unfortunately, due to departmental consolidation, you are forced to lay off a third of your workforce in six month time. You know that the discharge process will be unpleasant because many employees have worked with the company for a long time. You also know that as soon as you announce the layoffs property prices in the small town will fall off considerably, as will the effort and morale of the company’s employees.

One of your favorite employees, whom you admire very much, has been going through some hard times financially. You are also aware that he has been caring for his terminally ill wife and their two young children. You would like to give this employee some advance notice so that he could sell his house for a reasonable price. However, you know that if you tell him to sell the house there is a chance the rest of the company would read the sale as a sign that layoffs are imminent long before the planned announcement date. If this were to happen not only would property prices drop, so too would firm productivity.
Scenario 2

You are a manager in the IT department. One of your co-workers, whom you consider a friend, recently ran into hard times. His wife has lost her job, and his family (which includes four children) has been having considerable financial problems. For additional income he has started to develop websites. To promote his new business he has been using the company’s email account and telephone to schedule new jobs and communicate with customers. In addition, he has placed the company’s email address and telephone number on his personal business cards.

You know there is increasing pressure from management to cut costs and outsource the work done in your department. You are concerned about the security of your job. The tendering process has begun and one of the vendors is your colleague. You feel conflicted because this colleague has always made time to help you with the issues you encountered at work, however, a few times he has called in sick, and much of his work has not been completed. As a result, the team, including you, have had to step in to fulfil his job duties. You suspect that he has been using sick days to build websites, because he never appears to be unwell. Your boss is concerned with the declining performance of your team. He asks you if this colleague is using company time to pursue interests not related to the company.
APPENDIX J

Five Open-ended Questions in Response to Scenario 1 and 2.

Envision that you are in a position to make a decision on the situation and respond to the following questions.

1. a. List as many ways as you can think to take action on this situation.
   b. List any further ways you can think to take action on this situation.

2. In order to stretch your thinking, list any novel or alternative ways you can think to take action.

3. Which action are you most likely to take and why?

4. Which action are you least likely to take and why?

5. Identify who you think will be impacted by your decision and how they will be impacted.
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Title:

Date:
2015

Persistent Link:
http://hdl.handle.net/11343/56312

File Description:
Investigating the process of ethical decision-making: how moral agency and moral identity influence moral imagination