

**COMPENSATORY ETHICS**

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In Press at *Journal of Business Ethics*

**ABSTRACT**

Several theories, both ancient and recent, suggest that having the time to contemplate a decision should increase moral awareness and the likelihood of ethical choices. Our findings indicated just the opposite: greater time for deliberation led to less ethical decisions. Post-hoc analyses and a followup experiment suggested that decision-makers act as if their previous choices have created or lost moral credentials: after an ethical first choice, people acted significantly less ethically in their subsequent choice but after an unethical first choice, people acted significantly more ethically in their subsequent choice. These findings provide the basis for a model of compensatory ethics.

**Key Words:** Moral Awareness, Ethics, Decision Making, Compensatory, Equilibrium

The everyday life of business managers is hectic and pressured, often pushing them to make swift decisions with little deliberation (Mintzberg, 1990). This reality has led organizational scholars to suggest that, under certain circumstances, action should precede careful thinking (Mintzberg & Westley, 2001). Although the ability to make speedy decisions increases operational efficiency, it can also introduce ethical hazards as managers may not be able to carefully consider the consequences of their decisions. This is particularly problematic when decisions involve subtle and often ambiguous ethical implications. In contrast, having time to ponder a decision can give decision makers the opportunity to consider the full ramifications of their decisions and to act ethically.

In the current study, we gave managers the opportunity to think about and respond to a series of ethical dilemmas. Contrary to our expectations, more opportunity to deliberate resulted in less ethical decisions. In exploring this unexpected finding, we discovered a recurring pattern in participants' choices, with early ethical decisions leading to less ethical choices and early unethical decisions leading to more ethical choices. These observations led us to create a "compensatory ethics" model which we tested in a second experiment.

### **ETHICS AND REASONING**

Having time to recognize and consider all sides of an ethical dilemma and to ponder the merits of alternative solutions is intuitively important in arriving at ethical choices. The role of conscious reasoning has long been associated with superior ethics: many early philosophers, including Plato and the Stoics in ancient times and Cudworth, Cumberland, and Clarke in the 17<sup>th</sup> and early 18<sup>th</sup> centuries, agreed that moral decisions were the work of reason (Rashdall, 1914). Contemporary moral theorists inherited this philosophical perspective. Kohlberg, for instance, suggested that conscious, language-based thinking ultimately determines ethical

choices (Haidt, 2001), partly because it increases moral awareness, or the extent to which individuals recognize the moral aspects (e.g., moral consequences, norms, etc.) of a situation (Jones, 1991). Moral awareness almost necessarily precedes moral decisions because people are not always explicitly conscious of the ethical consequences of their decisions (Messick & Sentis, 1983) and often make egocentric decisions that are skewed to benefit their self-interests. In addition, many actions and decisions have ambiguous ethical consequences: “This suggests that people will often act as if no ethical implications exist, and this automatic calculus lends itself to self-interested action” (Murnighan, Cantelon, & Elyashiv, 2001, p. 24). Thus, being able to ponder a decision may increase moral awareness by giving people the opportunity to recognize ethical values and consequences and to make ethical choices.

This critical role of reasoning and awareness is explicit in many theories of ethical decision making. Rest (1986), for instance, proposed a four-stage model in which a person who makes a moral decision must 1) recognize the moral issue, 2) make a moral judgment, 3) establish moral intent, and 4) make moral decisions. Similarly, Ferrell, Gresham, and Fraedrich’s (1989) five-stage model includes awareness, cognitions, evaluations, determination, and action, clearly emphasizing the need for the recognition of a moral dilemma and conscious reasoning.

Taken together, models of moral choice generally endorse a reflective, conscious reasoning process. The current research empirically tests whether extensive, reflective reasoning leads to superior ethical decisions. We predicted that ethical behavior would be more likely when individuals had more time to think carefully about ethical dilemmas (Jones, 1991; Murnighan et al., 2001). We investigated this prediction in a sequence of ethical decisions. In so doing, our research moves beyond the static consideration of a single ethical choice to understanding a sequence of ethical decision making.

## EXPERIMENT 1: THE EFFECTS OF DELIBERATION

To examine the effects of reasoning on ethical choices, we created 12 vignettes that covered a broad range of situations in which an individual's self interests conflicted with others' interests (see Appendix A). Some vignettes described situations in which individuals' omissions (i.e., to not say or do something) best served their interests at the cost of others; others depicted situations in which individuals could deliberately commit a self-interested act (e.g., lie). Some vignettes described situations in which an individual might take advantage of another person's benevolence without reciprocating; others focused on individuals' responses to adventitious gains or losses.<sup>1</sup> Overall, we investigated a variety of circumstances in which individuals could promote their own self interest at others' costs.

Each vignette included four behavioral choices that could be ranked according to how much they benefited the individual decision maker at others' costs, i.e., ethicality. We validated these rankings in a pretest that also provided average (normative) ethicality ratings for the behavioral options.

### *Pretest*

An independent sample of 24 MBA students from a major Midwest business school evaluated the ethicality of each of the four behavioral choices in each vignette. All of the participants were between the ages of 25 and 36 and 71% had not taken an ethics class.

Pretest participants rated the ethicality of four behavioral choices for each of 12 vignettes on a Likert scale ranging from 1 (most unethical) to 7 (most ethical).<sup>2</sup> RWG scores (James, Demaree, & Wolf, 1984) assessed the inter-rater reliability for each choice. The results showed that the 24 raters generally agreed with each other — the RWG scores ranged from .10 to .99, with a median of .68. Although some of the RWG scores were less than ideal, there was a

consensus among raters as well as between raters and the four authors, who independently rated the ethicality of these behavioral choices. The ratings are appended to each of the behavioral choices in Appendix A. They provide an independent evaluation of the choice options that we used to create ethicality scores in our larger experiment.

## **METHODS**

### **Participants**

One hundred and forty-one MBA and Executive MBA students volunteered. Fifty, forty, and ten percent of our respondents were from major business schools in the United States, Germany, and Canada, respectively. Among the 77 participants (53% of our sample) who completed the entire survey and provided demographic information<sup>3</sup>, 84% were male, 80% worked full time, 77% had annual incomes from US\$50,000 to \$175,000, and 53% were between the ages of 30 and 40.

### **Design and Procedure**

We manipulated deliberation time by varying the time intervals between introducing the vignette and requesting participants' responses. At phase 1, participants received instructions in a classroom from one of the authors. The participants began by reading all 12 vignettes.<sup>4</sup> We then asked them to respond to the first four vignettes, rank ordering the four behavioral choices (with 1 being their most likely action and 4 being their least likely action) for each vignette. Thus, participants indicated how they would behave in each vignette. As we ended phase 1, we asked participants to think about the other eight vignettes, which were presented without any behavioral choices. We sent reminder emails to prompt deliberation after a week. At phase 2, two weeks<sup>5</sup> after phase 1, we emailed the participants the remaining eight vignettes. Again, participants rank ordered four behavioral choices for each of four vignettes and were asked to

think about the remaining four vignettes, which did not have behavioral choices attached.<sup>6</sup>

Finally, after another two weeks (i.e., phase 3), we repeated the process, emailing participants the final four vignettes and associated behavioral choices, along with a series of demographic questions, including age, gender, occupation, and marital status. In addition to the three phases, the ordering of vignettes serves as another indicator of deliberation time because participants had more time to consider later rather than earlier vignettes within each phase.

We counterbalanced the 12 vignettes using a Latin-Square design so that vignette content was not confounded with order or time. This generated 12 different orderings of the 12 vignettes. We also counterbalanced the order of the behavioral choices that were attached to each vignette: the most ethical choice was first and the most unethical choice last in half of the vignettes; this order was reversed in the other half. This resulted in 96 different versions of the materials.

## Measures

We used a scaling method developed by Wang and Thurstone (1930) to create a continuous measure of ethicality.<sup>7</sup> We operationally defined ethicality as the sum of the products of the independent, pretest ethicality ratings multiplied by the inverse of the rank orders for each participant and each vignette. The greater the sum, the more ethical was a participant's response to that vignette (see Table 1 for an illustration). We standardized the sums to eliminate any scaling differences across the 12 vignettes. We also constructed an overall ethicality score for each participant as the sum of their standardized ethicality scores across the 12 vignettes.

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Insert Table 1 about here

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## RESULTS

### **Preliminary Analyses**

Previous research has shown that age is positively associated with ethicality (Moberg, 2001). A regression with the individual's ethicality score as the dependent variable and age as the predictor led to a significant effect,  $\beta = .30, p = .01$ . As in past research, older participants made more ethical decisions than younger participants. Gender, however, did not have a significant effect [ $M = .05, SD = .93$ , females versus  $M = -.02, SD = .1.03$ , males,  $F(1, 804) = .10, p = .75$ ].

Presenting the most ethical choice or the most unethical choice first had no impact on actual decisions ( $M = .01, SD = .50$  and  $M = .01, SD = .42$ ). We also found no effects on overall ethicality for the participants' countries of origin [ $M = .01, SD = .44$ ;  $M = .00, SD = .45$ ; and  $M = .05, SD = .62$  for German, American, and Canadian participants, respectively;  $F(2, 137) = .07, p = .93$ ] or for their income,  $F(1, 72) = .17, p = .69$ .

### **Ethicality and Reasoning**

We tested the effects of deliberation time on ethical decision making with individual growth models that control for the correlation among multiple observations made over time by the same person. Because we did not have perfect control over the exact timing of participants' responses, individual growth models are particularly appropriate since they do not require fixed intervals between observations (Singer, 1998). We conducted separate analyses for phase (first, second, or third) and vignette order (coded from 0 through 11) as indicators of deliberation time.

We constructed a two-level model: level-1 is a linear individual growth model with phase as the independent variable; level-2 expresses variations in parameters from the growth model as random effects unrelated to any individual-level covariates (Singer, 1998). Thus, the dependent variable  $Y_{ij}$  – ethicality at the  $i^{\text{th}}$  time for the  $j^{\text{th}}$  person – could be expressed as a linear combination of:



Level 1:  $Y_{ij} = \pi_{0j} + \pi_{1j} (\text{TIME})_{ij} + r_{ij}$ , and

Level 2:  $\pi_{0j} = \beta_{00} + u_{0j}$ ,

$\pi_{1j} = \beta_{10} + u_{1j}$ ,

The dependent variable is expressed as the sum of a fixed variable, which contains two fixed effects (for the intercept,  $\pi_{0j}$ , and for the effect of time,  $\pi_{1j}$ ) and a random variable, which contains three random effects (for the intercept,  $u_{0j}$ , the time slope,  $u_{1j}$ , and the within person residual,  $r_{ij}$ ).

Contrary to our prediction, the results showed *decreasing* ethicality with each phase ( $\beta_{10} = -.05, p = .11$ )<sup>8</sup>, indicating that our participants made less ethical choices when they had more time to think about these dilemmas. Further, this pattern was even stronger when vignette order was used as the measure of deliberation time ( $\beta_{10} = -.02, p = .02$ ; see Figure 1).

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Insert Figure 1 about here

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### Post-hoc analyses

These unexpected findings, although contradictory to our prediction, may be consistent with previous research on how choices and decisions can suffer from too much thinking. Ample evidence suggests that thinking too much can lead to suboptimal decisions (e.g., Wilson & Schooler, 1991). For example, when selecting a fruit jam, consumers may form preferences for different jams very quickly based on flavor and texture; having more time to think about why they like the jam, however, may focus them on the color, which is not initially weighted heavily, leading to suboptimal choices and reduced post-choice satisfaction (Wilson, Lisle, Schooler, Hodges, Klaaren, & LaFleur, 1993).

Such suboptimal decision making induced by over-thinking is particularly important for ethical decisions given that people often make quick moral judgments based on their affective reactions (see Haidt, 2001). Wheatly and Haidt (2005), for example, conducted small group-hypnosis sessions that included a posthypnotic suggestion to experience disgust when reading a particular word (e.g., take), but to have no memory of this instruction until cued to remember. After participants were brought out of the hypnotic state, they were asked to evaluate whether certain moral transgressions (e.g., bribery) were morally wrong. Participants evaluated moral transgressions to be more wrong when their hypnotic disgust word was embedded within the vignettes than when this word was absent. Thus, it is possible that people initially find immoral acts to be emotionally unacceptable (e.g., disgust, guilt), but more time to deliberate focuses their attention on other salient factors, leading to ethically questionable behaviors.

Although interesting, this interpretation of our data deserves closer inspection because of the relationship between deliberation time and the order of vignettes. At least two alternative explanations are possible: First, ethicality may decrease from phase 1 to 3 simply because participants have expended less cognitive effort on later vignettes. However, participants' post-experimental self reports on how much time they spent thinking about the situations and what they might do did not correlate with ethicality (responses ranged from 0 to 10 hours with a mean of 1.28;  $r = -.11$ , *ns*). Although we cannot completely rule out this explanation, the post-hoc data seem to suggest that decreased cognitive effort cannot explain the pattern of decrease ethicality.

A second explanation is related to Monin and Miller's (2001) moral credential hypothesis, which argues that people more freely express prejudicial attitudes after they have established their own moral credentials. Monin and Miller (2001) conducted three scenario studies that asked participants to judge whether particular demographic groups (men versus women or people of a

particular ethnicity) were better suited for a job after they had an opportunity to demonstrate that they were neither sexists nor racists. In all three studies, they found that participants who had just established some moral credentials (e.g., they could point to recent evidence that they were not a racist) were more likely to make stereotypic (biased) rather than category-neutral recommendations. Thus, it is possible that ethicality decreased over time not because participants had more time to think about the dilemmas in later vignettes but because they were less concerned about acting ethically after having already acted ethically in earlier vignettes. Like Hollander's (1984) notion that leaders and organizational members establish idiosyncrasy credits that they can later draw on for favors, early ethical decisions can establish *moral credits* that allow people to act less ethically later. We conducted a series of post-hoc analyses to assess the validity of this explanation.

If a buildup of moral credits affects subsequent choices, we would expect that ethicality will decrease over time, but only for individuals who have previously made ethical choices. Thus, we split the sample at the mean ethicality score for participants' first vignette and plotted the ethicality scores for their subsequent vignettes. The mean split created two groups, which we call ethical and unethical first choosers. Figure 2 displays the results.

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 Insert Figure 2 about here  
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Consistent with the moral credential hypothesis, ethical first choosers' second choices fell sharply in ethicality. Additionally, unethical first choosers' second choices increased sharply. Subsequent decisions bounced up and down, revealing small increases and decreases in ethicality. We also looked for this pattern in phases 2 and 3 by splitting the sample at the mean

ethicality scores of the 5<sup>th</sup> (the first choice in phase 2) and 9<sup>th</sup> (the first choice in phase 3) vignettes and plotting the ethicality scores for the subsequent vignettes. The data are clear and consistent: as in phase 1, people who were ethical choosers at the start of the 2<sup>nd</sup> and 3<sup>rd</sup> phases were immediately less ethical, and unethical first choosers' next choices were much more ethical (see Figures 3 and 4).<sup>9</sup> Consistently, then, ethical first choosers became less ethical in subsequent choices whereas unethical first choosers became more ethical. These changes were most notable with the immediate subsequent choice.

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Insert Figure 3 and 4 about here  
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It is also noteworthy that, over the final 11 choices, ethical first choosers made significantly more ethical choices ( $M = .10$ ,  $SD = .42$ ) than unethical first choosers [ $M = -.18$ ,  $SD = .46$ ;  $F(1,134) = 14.34$ ,  $p < .001$ ]. This might suggest a consistent individual difference in ethicality. Ethical first choosers' choices, however, were less consistent than unethical choosers' choices. This might suggest that unethical first choosers may be more consistent than ethical first choosers. We investigated this observation further by examining participants' ethical consistency across their 1<sup>st</sup>, 5<sup>th</sup>, and 9<sup>th</sup> choices [i.e., whether participants were consistently (un)ethical first choosers at each phase]. Results showed that many individuals (43.4%) were inconsistent (see Table 2). In addition, across these three choices, only 7 people were consistently ethical first choosers and 18 were consistently unethical first choosers. Thus, over a series of ethical dilemmas, our participants were not particularly consistent in the ethicality of their choices. In addition, the ethicality of early decisions seems to be predictive of the general direction of later

choices, with those who are immediately inclined toward ethical decisions exhibiting similar general inclinations over time.

In sum, the data suggest a complex relationship between the timing of a decision and its ethicality. It is possible, however, that these post-hoc results are a function of regression to the mean, which would lead initial, extreme deviations (e.g., those created by a mean split) to gravitate toward an overall mean in subsequent choices.

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Insert Table 2 about here

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## **DISCUSSION**

The original purpose of this paper was to investigate the relationship between time to deliberate and ethical decision-making. Theoretical models (e.g., Jones, 1991; Murnighan et al., 2001) led us to predict that individuals would make more ethical decisions if they had more time to think about their decisions. Our findings, however, suggested that the reverse may be true. Instead of making more ethical decisions, participants who had more time to think about ethical dilemmas actually made less ethical choices. This finding, however, may be due to a connection between the manipulation of deliberation time and the order of vignettes. Indeed, our post-hoc analyses demonstrated that the process of sequential ethical decision making is consistent with a moral credits hypothesis. Early ethical decisions seem to have created positive moral credits that allowed for subsequent relaxation of an individual's moral standards. Similarly, early unethical choices seem to have created pressure to increase moral action, as if early unethical choices had depleted a person's moral credits. Thus, the data suggest that people take into consideration the

morality of their previous choices, especially their immediately preceding choice, as part of their decision-making calculus.

Even though Experiment 1's results did not support our initial hypothesis and theory on the effect of deliberation time on ethical decision making, it provided some provocative findings about sequences of ethical decision making and suggests the possibility of a new model of ethical decision making. In Experiment 2, we present a model of compensatory ethics, based on the concept of moral credentials, and a preliminary test of the model. Experiment 2 also manipulated participants' initial choices to avoid the potential regression to the mean problem in Experiment 1's post-hoc analyses.

### **EXPERIMENT 2: A COMPENSATORY ETHICS MODEL**

The post-hoc analyses from Experiment 1 suggested that ethical decision making may involve a dynamic rather than a static equilibrium, i.e., ethical decisions might proceed in an up-and-down pattern, with subsequent ethical choices reversing the ethical stance of previous choices. This notion of alternating ethicality suggests the possibility of a "compensatory ethics" model (see Figures 5a and 5b).

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 Insert Figures 5a and 5b about here  
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The initial forces that contribute to an ethical decision are likely to be both personal and situational. Once a decision is made, the ethicality of this choice will contribute to subsequent, intra-personal dynamics to be ethical, or not, in subsequent decisions (Figure 5a). In a stylized sense, these dynamics will influence a decision maker to alternate between more and less ethical decisions over time (Figure 5b).

This systematically varying process may reflect the intra-personal, conflictual interplay of two age-old factors, self-interest and the desire to portray a moral self-image. Discussions in Plato's *Republic*, for instance, noted that action is particularly attractive and opportune when a person can appear ethical without losing personal benefits. More current research indicates that self-interest influences behavior consciously and non-consciously (Epley & Caruso, 2004; Moore & Loewenstein, 2004) and that internal moral value systems are important parts of individuals' self-concepts and impression management efforts (Batson, Kobrynowicz, Dinnerstein, Kampf, & Wilson, 1997). Batson and his colleagues' work on moral hypocrisy (Batson et al., 1997; Batson, Thompson, Seufferling, Whitney, & Strongman, 1999), for instance, showed that people cheat more when they can simultaneously preserve a positive moral image. In an isolated decision, the conflict between these two forces can result in one of three outcomes: 1) self-interest dominates and a person's moral self-image is at risk; 2) self-interest dominates and individuals distort their perceptions to maintain a moral self-image, e.g., via self deception or avoiding comparisons with moral standards (see Bandura, Barbaranelli, Caprara, & Pastorelli, 1996); or 3) a moral self-image dominates and the person sacrifices personal benefits.

A series of ethical decisions, however, allows individuals to allot some of their decisions to maintaining a positive self-image and others to self-interest. Thus, individuals may be more likely to act selfishly or unethically after having just engaged in moral actions as the latter may help protect them from self-image threats. Individuals can tell themselves (and others), "Although I've just chosen the self-interested action, I was very ethical previously, so I am not a horrible person." This licensing process is consistent with Monin and Miller's (2001) findings, Weber and Murnighan's (2008) observations of inconsistent cooperation, Chugh, Bazerman, and Banaji's (2005) arguments about the inconsistency of ethical choices, and Bolton, Katok, and

Zwick's (1998) economic model of dictator giving (the "I'm no saint" model). More recently, Sachdeva, Iliev, and Medin (2009) and Jordan and Murnighan (2009) independently provided direct evidence for this licensing hypothesis: they found that priming participants with previous good deeds or positive traits increased their willingness to cheat and reduced the likelihood of altruistic behaviors in subsequent decisions. Sachdeva et al. (2009) have also shown that this licensing effect was due to short-term changes in an individual's moral self-image.

In the same vein, when people's own actions implicate a negative moral self-image, we expect them to be particularly motivated to engage in ethical behaviors to compensate for the threatened image. Tetlock, Kristel, Elson, Green, and Lerner (2000) suggest that when individuals violate their own values, they are more likely to engage in behaviors that affirm core values and loyalties as compared to behaviors which directly repair the damage caused by the transgression. Similarly, Zhong and Liljenquist (2006) found that people who experienced threats to moral self-image (e.g., lied) tended to engage in physical cleansing activities such as washing their hands or taking a shower, presumably in an attempt to psychologically re-achieve a clean slate. Finally, Carlsmith and Gross (1969) showed that compliance with requests for help increases after moral values have been violated, even when such compliance in no way rectifies the previous damage. The compensatory mechanism documented in these studies again predicts a fluctuating pattern of sequential ethical decision making – that an initial unethical behavior may induce subsequent ethical behavior to restore a moral self-image.

This combination of licensing and compensatory mechanisms produces a dynamic equilibrium pattern (see Figure 5b). Specifically, a compensatory ethics model suggests that initial ethical choices give individuals' moral credits, allowing them to make subsequent self-interested choices. When their credits are depleted, they will be motivated to re-establish them.



The model also predicts the converse, that initial unethical choices reduce moral credits, encouraging individuals to make subsequent ethical choices – until they establish enough credits that they can start to “spend” them again. Following the research on availability in memory (Tversky & Kahneman, 1974), our model assumes that people’s ethical memories are short and that immediately proximal decisions will influence current decisions much more than distant decisions (e.g., Loewenstein & Elster, 1992). Thus, we expect to find a sequence of decisions that bounce back and forth, from more to less to more to less ethical action, although the exact pattern of this up-and-down action may be neither regular nor stable.

Experiment 2 is a first, preliminary test of this model. Instead of splitting the sample into artificial groups like we did in Experiment 1 with the post-hoc analyses, we primed participants’ initial ethical positions: after reading the first vignette, half of the participants were instructed to imagine themselves making the most ethical choice, whereas the other half imagined making the most unethical choice. Zhong and Liljenquist (2006) have shown that recalling past unethical behaviors or even hand-copying a story about an unethical worker was sufficient in changing moral perceptions of the self; we expected that imagined initial choices would prime similar psychological states, i.e., moral credit or its depletion. To support our model, the data in this experiment needed to exhibit the same kinds of changes that we observed in Experiment 1, i.e., less ethical behavior by those who imagined a first ethical action and more ethical behavior by those who imagined a first unethical action.

This manipulation of initial (un)ethical behavior serves as a guard against regression to the mean, which was a potential problem when we split the sample according to participants’ scores on the first choice. By assigning participants randomly to the two conditions with different imagined first choices, regression to the mean can no longer explain the results.

## METHODS

### Sample

In total, 71 MBA students from a major business school in the United States volunteered for this experiment. Among the 40% who provided us with demographic data, 63% were male.

### Procedure

Participants considered four vignettes from Experiment 1 that had generated the greatest variance - Vignettes 2, 3, 8, and 9 (see the Appendix). We told participants to imagine that they had made a choice on the first vignette, randomly asking half to imagine an ethical first choice and half an unethical first choice. For instance, if participants read Vignette 9 first, in which they discovered a ticket that would let them avoid waiting in a long line, half were told to imagine that they had decided to throw the ticket away (the ethical choice) and half to imagine that they had used it (the unethical choice). Participants then responded freely to three additional vignettes, all in the same experimental session (i.e., there were no delays to increase contemplation time). We counterbalanced the order of the vignettes to control for order effects.

## RESULTS

Experiment 1 showed that, after splitting the sample based on the ethicality of their first choice, immediately subsequent decisions converged. Figure 6 displays the data from Experiment 2. As before, ethical first choosers (now a misnomer, as they were randomly selected to imagine having made the ethical choice) made substantially less ethical choices on their immediately subsequent decision. Similarly, unethical first choosers (randomly selected to imagine having made the unethical choice) made substantially more ethical choices on their immediately subsequent decision. Thus, Experiment 2 replicates the reversal of initial (imagined) ethical decisions in subsequent choices.

Although Figure 6 suggests additional ethicality reversals in the 3<sup>rd</sup> and 4<sup>th</sup> decisions, these changes are not statistically significant. [A mixed-design ANOVA with the 2<sup>nd</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> vignettes as the within-participant factor and imagined first choices as the between-participant factor led to a non-significant vignette by first choice interaction of  $F(2, 67) = 1.89, p < .16$ .] Thus, Experiment 2 supports the initial prediction of the compensatory ethics model, that ethicality is likely to change after an initial decision, even an imagined initial decision. It only suggests the possibility of additional reversals in subsequent decisions.

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Insert Figure 6 about here

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## **GENERAL DISCUSSION**

We began this research by investigating the impact of time for deliberation on ethical choices, expecting to find that more time would help people make more ethical choices, presumably because it helps people become more morally aware. Instead, Experiment 1 showed that more time led to less ethical choices. In exploring this unexpected finding, we discovered that many individuals did not consistently behave ethically or unethically and that their choices in sequential, ethical decision making seemed to be primarily influenced by their immediately prior choice. This led us to create a myopic, compensatory ethics model, in which early ethical choices beget unethical choices and vice versa.

### **Ethical decision making and deliberation time**

In a traditional view of ethical decision making, individuals are like scientists searching for the truth (Kohlberg, 1981; Jones 1991). If this assumption is true, we would expect that the more time people have to make ethical decisions, the more likely they will be to discover the truth and

be ethical. Instead, we found in Experiment 1 that people tended to make less ethical choices when they had more deliberation time. Although a possible confound prevented us from drawing definitive conclusions, this unexpected finding is consistent with recent research within the intuitionist approach (e.g., Haidt, 2001) to moral judgment that emphasizes the primacy of a quick, automatic, and intuitive evaluation process in moral judgment. Given this intuitionist approach, longer deliberation time may actually produce less desirable ethical consequences when extensive introspection distracts people from their initial affective and ethical reactions. It is important to note that we are not suggesting that extensive reasoning or longer deliberation time will always have negative consequences. Although previous research has focused on an extreme of either rational reasoning or intuition, it is likely that both play important roles in moral judgment and decision making (Pizarro & Bloom, 2003). Thus, the consequences of deliberation time may depend on when individuals are more likely to approach decisions rationally or intuitively.

### **The Compensatory Ethics Model**

In addition to shedding light on the relationship between reasoning and ethics, our findings also provide a theoretical foundation for understanding ethical decision making over time. Because previous decisions necessarily create the context for subsequent decisions, investigating a series of ethical decisions provides a more comprehensive picture of ethical decision processes than research on single ethical decisions. The current findings and conceptual analyses suggest that people establish and use moral credits to buffer their moral self-images against subsequent immoral acts; they also act to rebuild their moral credits after unethical acts. Combining moral credits and deficits results in our compensatory ethics model - an equilibrium approach that elucidates the role of reasoning and justification in sequential ethical decision making. The

model suggests that people are particularly short-sighted, as they seem to react most to their own immediately previous decisions.

The model complements and extends early work on moral regulation. Muraven, Tice, and Baumeister (1998), for example, suggest that moral self regulation consumes psychological resources. People who have exerted self-control and made ethical choices will feel personally depleted and less able to exert additional self-control. Consequently, they will have a more difficult time retaining their strong ethical stance and the likelihood of less ethical actions will increase (Muraven, Tice, & Baumeister 1998; Muraven & Baumeister, 2000). Unlike the depletion theory, our compensatory model suggests that ethical behaviors are partly determined by one's moral self-image. Previous ethical behaviors can boost one's moral self-image and this secured self view allowed people to make more unethical choices later on. Indeed, when participants were primed of good actions (thus without depleting resources), they acted less ethically in subsequent choices. The compensatory model also extends previous research by suggesting the converse of the licensing effect: when individuals make a relatively unethical decision, they will lose or consume some of their moral, personal credentials, and will be motivated to reassert and display them, thus leading them to act more ethically on their next ethical choice.

At a first glance, our model stands in contrast to the stability of Kohlbergian theories that predict moral judgments that are, implicitly, based on stable stages of intrapersonal moral maturity. Although fodder for future research, a potential reconciliation of our findings with Kohlbergian theories is that the stability of moral judgments may depend on how morally mature a person is or how much he or she considers morality as central to self identity. It is reasonable to expect that individuals whose first self-definition emphasizes their high moral standards will not

succumb to the temptation of self-interest even when their previous actions signal great virtue; for such individuals, any single moral act should have little additive impact on their perceptions of their self-identity. Similarly, an individual who cares little about morality may be unlikely to engage in compensatory behaviors. Most people, however, fall between these extremes, i.e., they care about moral self-image but are subject to temptation (Batson et al., 1997). People also may not be particularly careful examiners of the moral implications of their behaviors, especially if their cognitive resources and motivation are depleted (Murnighan et al., 2001). We suspect that these non-extreme situations may be fertile ground for the dynamic equilibrium of our model.

### ***Implications, Limitations, and Future Research***

The model and our findings have important implications for organizations, which have grown increasingly complex and dynamic, with individuals often facing multiple, sequential decisions that can have important ethical implications. Little research exists, however, on sequential ethical decision making. Most previous studies have focused on solitary ethical decisions, isolated from behavioral history and the decision-maker's context. This paper represents an initial attempt to model the dynamics of repeated ethical decision making. As such, our work should be viewed as preliminary and in need of replication, revision, and extension. At the same time, the data are clearly provocative: the notion that people are significantly influenced by their immediately previous ethical decision, even when they themselves have not made that decision, paints a new picture of the apparently myopic dynamics of ethical decision making.

Our results also provide insights into the reasons why organizational codes of conduct may be ineffective. A straightforward implication of our findings suggests that contemplation and cognition may not increase the ethicality of organizational decision making, but may actual

decrease it! The findings seem to suggest that managers should *not* tell people to think about the ethical implications of their choices. The extremity of this recommendation clearly needs independent investigation. At the least, however, the current research might make managers pause if they were inclined to encourage people to take the time to consult their consciences before they made any significant organizational decisions.

Ironically, knowledge of the current research might also lead readers to think more about ethics and, as a result, become less ethical in their next decisions. This suggests that structural solutions will be more effective than cognitive solutions. Thus, managers and executives might need to make the negative outcomes of unethical action completely clear and vivid. A no tolerance policy, with strict and swift objective consequences, may be necessary to blunt the potential for future unethical choices.

The current results also suggest that managers should not flatter their co-workers: telling people that they are ethical might give them moral credits that they can use to justify subsequent unethical decisions. Instead, questioning individuals' moral credentials might encourage them to work on moral restoration, increasing ethical action.

Like any empirical research, our project has limitations. For instance, all of our vignettes involved moderately serious ethical choices. We did not present opportunities to cheat a retiree out of their life savings, to baldly lie, or to act illegally. Our vignettes could all be read as situations that impinged on a person's conception of themselves, i.e., the kinds of temptations that can occur in everyday life. In other words, these were not extremely momentous events. Future research should certainly investigate more minor and particularly more major ethical choices, and the forces that influence them. The establishment of tremendous moral credits or deficits, for instance, would provide an important test of our compensatory ethics model. In

addition, our sequencing of these decisions, in three 4-decision blocks, could easily be varied. For instance, single decisions, separated in time, might lead to results that more closely resemble Figure 5b.

Finally, the issue of social desirability may be a concern in this study because our participants might have made ethical choices because they thought these choices were socially correct. Nevertheless, it was unlikely to be a strong motive in our study since our data indicate that, across a series of decisions, individuals did not always choose the socially correct choices. Most importantly, we investigated differences in people's decisions across conditions and manipulations. Hence, even if there are social desirability issues, they should have been held even across conditions by random assignment.

## CONCLUSION

This research started by examining the effects of time for deliberation on ethical decision making. We argued that having enough time before making decisions should allow for deliberation that would increase individuals' moral awareness, increasing the likelihood that they would make ethical decisions. Counter to our predictions, our participants made less ethical decisions over time. We investigated several alternative explanations for this effect, and formulated a compensatory ethics model to explain it. We suggest that individuals' choices in ethical dilemmas are determined both by self-interest and a concern for a positive moral image, and their interplay in sequential ethical decisions leads to a dynamic, compensatory equilibrium in which subsequent ethical choices embody the opposite ethical position of previous, especially immediately previous, choices. Clearly, our model and our findings only begin to scratch the surface of the dynamic forces that contribute to sequential ethical decision making. At a



minimum, we hope that the current research stimulates further research, as well as increasing the likelihood of more ethical organizational decision making.

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TABLE 1.

An example of ethicality score calculation for a vignette with choice 4 being most ethical and choice 1 being least ethical. (Rank order: 1= most likely, 4 = most unlikely)

|  | Choice 1 | Choice 2 | Choice 3 | Choice 4 |
|--|----------|----------|----------|----------|
| <i>Example of mean pretest ethicality scores (1-least ethical, 7-most ethical)</i> | 1.5      | 3.2      | 5.1      | 6.9      |
| <b>Person A's Ranking</b>  | 4        | 3        | 2        | 1        |
| <b>Person B's Ranking</b>  | 1        | 2        | 3        | 4        |

Rankings are inverted prior to multiplication by the mean ratings and summing:

Person A's total ethicality =  $1.5 \times 1 + 3.2 \times 2 + 5.1 \times 3 + 6.9 \times 4 = 50.8$

Person B's total ethicality =  $1.5 \times 4 + 3.2 \times 3 + 5.1 \times 2 + 6.9 \times 1 = 32.7$

TABLE 2

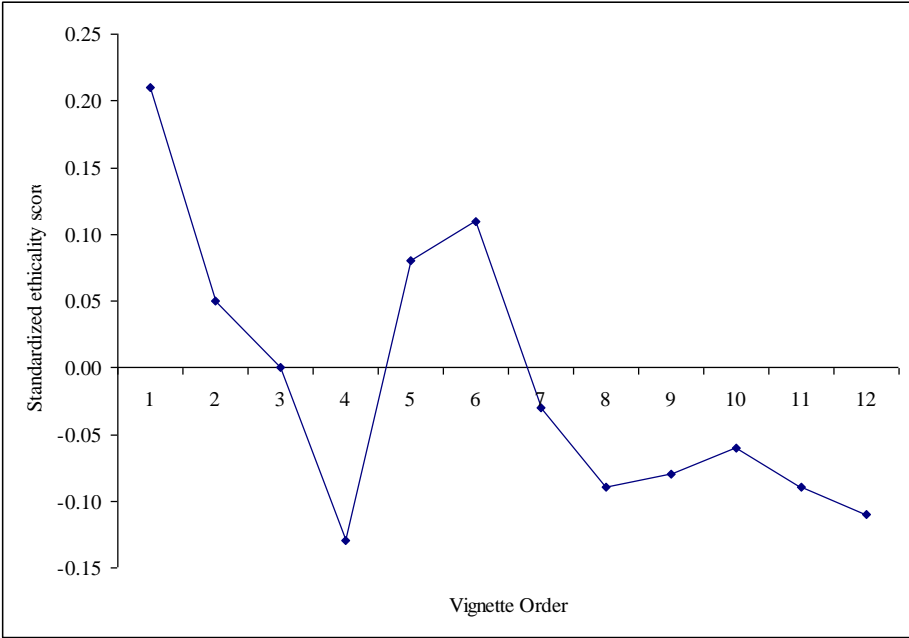
The frequencies of participants who were consistent or inconsistent first choosers for their 1st, 5th, and 9th decisions

| Vignettes                           | Consistently | Consistently | Consistent | Inconsistent |
|-------------------------------------|--------------|--------------|------------|--------------|
|                                     | Ethical      | Unethical    | total      |              |
| 1 <sup>st</sup> and 5 <sup>th</sup> | 22           | 32           | 54         | 44           |
| 1 <sup>st</sup> and 9 <sup>th</sup> | 14           | 28           | 42         | 33           |
| 5 <sup>th</sup> and 9 <sup>th</sup> | 19           | 27           | 46         | 30           |
| <b>Totals</b>                       | 55           | 87           | 142        | 107          |

Note: the overall N for each pair of choices differs because some participants did not complete vignettes from phase 2 and/or phase 3.

**FIGURE 1**

**The impact of vignette order on ethical decisions**



**FIGURE 2**

**Mean ethicality of participants who were split at the mean ethicality score for vignette 1, creating groups of ethical and less ethical first choosers**

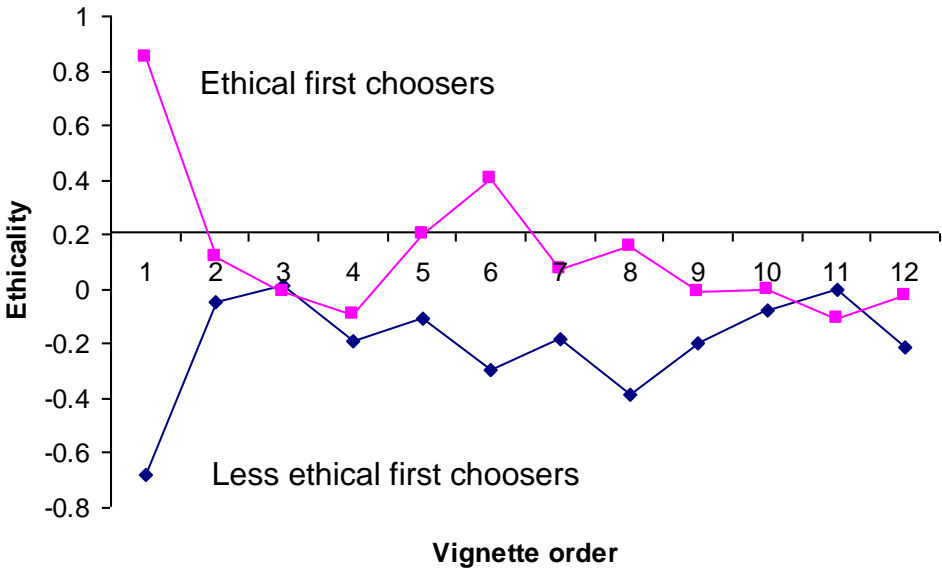


FIGURE 3

Mean ethicality of participants who were split at the mean ethicality score for vignette 5, creating groups of ethical and less ethical first choosers

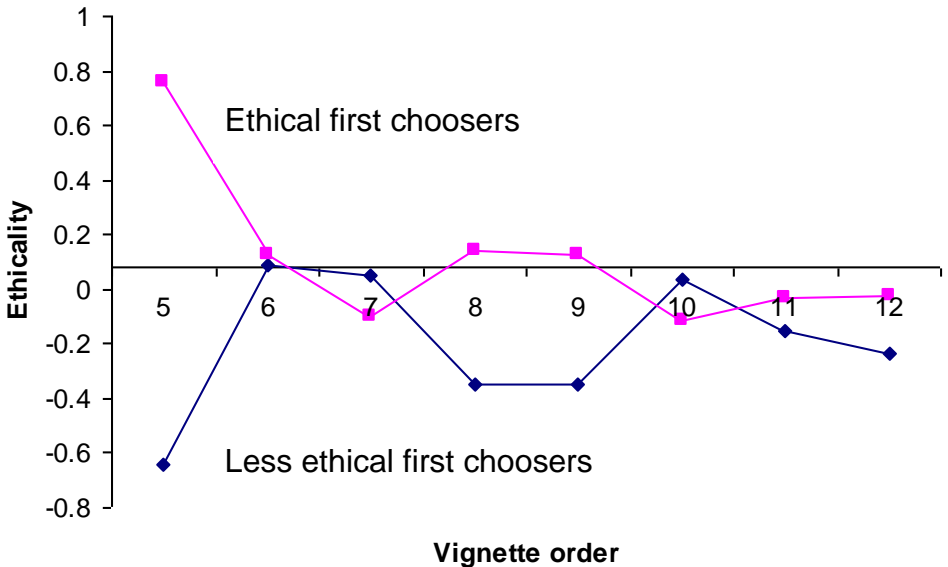


FIGURE 4

Mean ethicality of participants who were split at the mean ethicality score for vignette 9, creating groups of ethical and less ethical first choosers

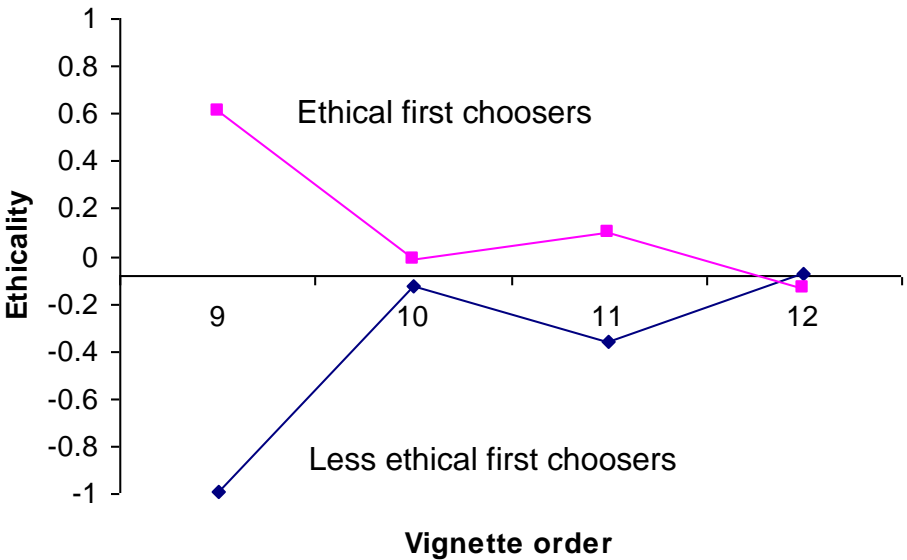




FIGURE 5A

A Compensatory Ethics Model

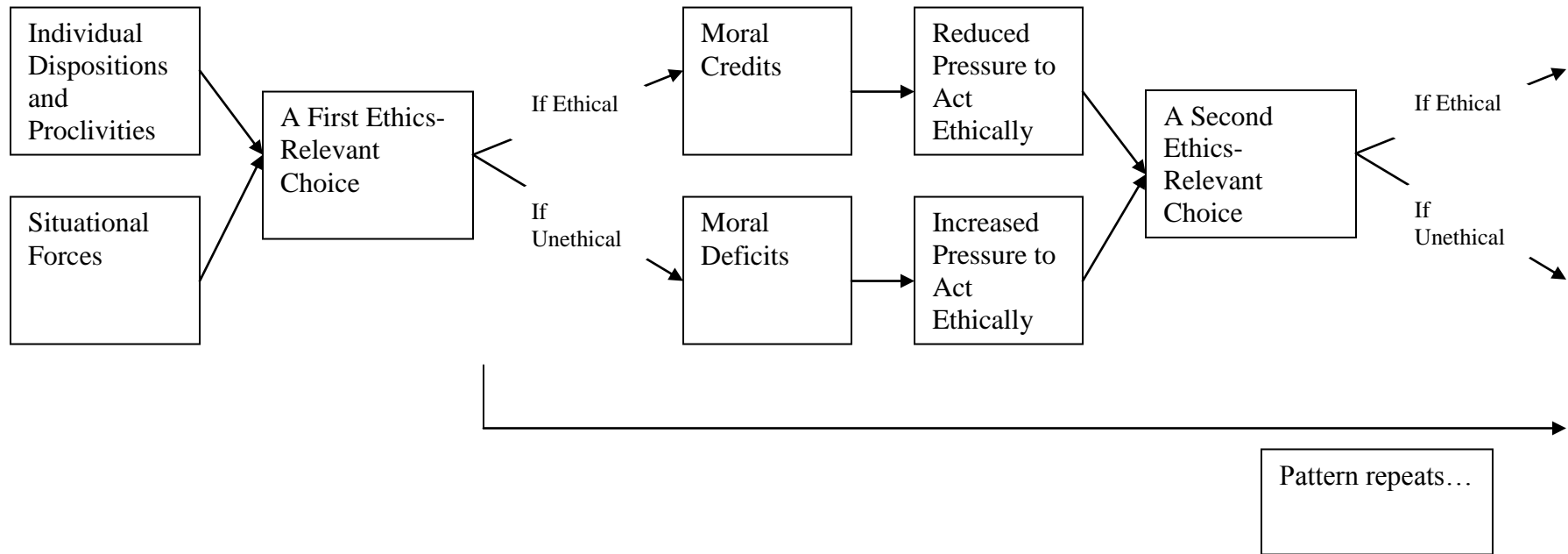


FIGURE 5B

The compensatory ethics model for sequential ethical decisions

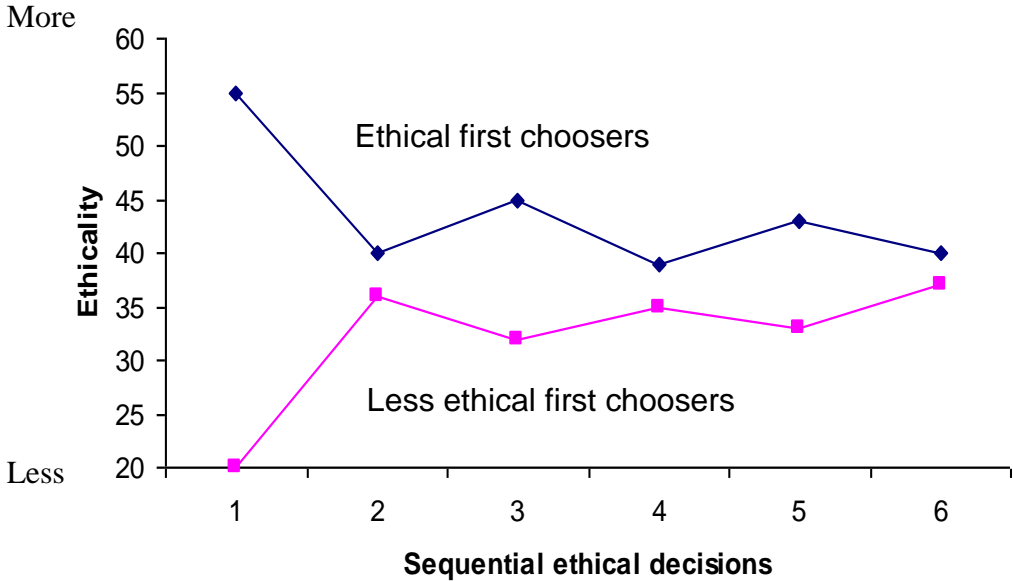
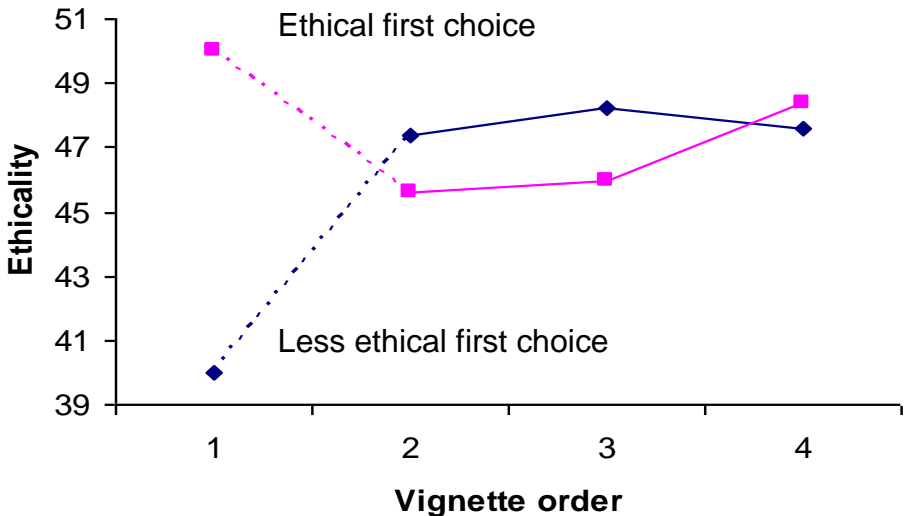


FIGURE 6

Mean ethicality scores of participants in the two conditions in which they were primed to imagine having made a more or a less ethical first choice in Experiment 2<sup>10</sup>



## APPENDIX A

### Vignettes of ethical dilemmas

#### Vignette 1

You are the CEO's top aide. Your boss is moving into an office space that the company has not used for a couple of years. You have no clear information as to who the previous owner of the office was. While cleaning things out and putting the CEO's stuff away, you notice a small envelope taped to the top shelf of a closet. Inside is \$5,000 in cash. What do you do?

- Keep the money (2.13)
- Donate the money to charity (4.17)
- Inform your space manager about the money (6.21)
- Inform the authorities and your space manager about the money (6.50)

#### Vignette 2

You work for a large corporation. Your company has recently hired a team of consultants to determine everyone's knowledge of the organization. You understand that it is for informational purposes only, so you don't bother preparing. On the scheduled morning, your boss tells you that the company will raise everyone's bonus by \$1,000 for achieving 85% correct or better. You spend the next two hours cramming, only to realize that you really don't know as much as you had hoped. As the exam is about to start, the consultant hands you your exam, but as he walks away, a piece of paper falls from his bag. It is the answer key for the exam. Nobody else saw the paper fall and no one knows that you can see it. What do you do?

- Pick up the answer key and copy almost all of it to get a very high score (1.04)
- Leave the answer key where it is but refer to it when you need an answer (1.92)
- Leave the answer key where it is and do not look at it (5.46)
- Immediately inform the consultant (7.00)

### **Vignette 3**

It has been a good year for your company and as the holiday season approaches, your boss has ordered hundreds of gift certificates for all of your company's top clients. Using their certificates, these preferred clients can choose among a wide array of fitness equipment – exercise machines, sports equipment, etc. The certificates can also be redeemed for cash (a couple hundred dollars). You stay after work to distribute the certificates in the company's secure mailroom. As you are finishing, you realize that there are ten extra certificates. You know that there is no way of tracing them; nobody is aware of these extra certificates except you. These certificates would be amazing gifts for your family and friends. What do you do?

- Keep the extra certificates and cash them in (1.39)
- Cash in some of the extra certificates and return the rest (2.04)
- Inform your boss (5.96)
- Inform both your boss and the company that supplied the certificates (6.60)

### **Vignette 4**

You will soon finish your MBA degree and have been actively seeking the “perfect” position. Interviews have been progressing well: you already have two offers and the company you really want to work for has expressed interest in you. For some reason, this company believes that you are at the very top of your class. You're not sure how they got this idea. You've done reasonably well, but you don't have straight A's. They call back and inform you that they will offer you the position and a signing bonus that's double what they would normally offer because of your exceptional record. What do you do?

- Accept the offer and say nothing about your record (2.75)
- Indicate tremendous interest and ask them if they are sure about all their information (5.58)
- Accept the offer, wait a few months, and then tell them about your record (3.33)
- Indicate tremendous interest and tell them that you do not have straight A's (6.90)

### **Vignette 5**

You work for a large high tech company that has been segmented into similar but competing departments. Two teams from your company are working independently on the same project. To motivate the teams, the CEO will give the team that finishes first a substantial monetary bonus. Your team is almost finished, but you've hit some programming difficulties and have made little progress for a week. While sitting at a nearby café, you overhear some people discussing your programming conundrum. It occurs to you that this is the other team and that they have just solved a similar problem. You realize that your team could really use what you are now hearing without the other team knowing. What do you do?

- Take notes and use them (2.46)
- Take no notes, but listen carefully and use what you remember (3.21)
- Ignore their conversation (6.17)
- Leave without listening any further (6.60)

### **Vignette 6**

You work for a biotech research company that has a separate laboratory for employees with certain credentials. These employees are paid almost double what you are earning. It's a very attractive place to work and a lot of employees are trying to get in. In a meeting with the program's director, she comments that your research has been excellent and there's a good chance that you could receive a position in her department, but you must be certified to use the latest biotech equipment. If you aren't certified, you'll have to pass a test in 9 months, as a single mistake in this lab could have serious consequences. You are not certified but are familiar with the equipment (from your reading). You've heard from several sources that you could learn everything that you need to know by yourself. If you tell the director that you are certified, you are sure that you will be given the position. What do you do?

- Tell the director that you are certified to use the equipment and accept the position (1.25)
- Tell the director that you can operate the equipment (3.50)
- Tell the director that you can operate the equipment but have not been certified (5.58)

- Tell the director that you are not certified (6.80)

### **Vignette 7**

You own a small business. You have been sharing an office with someone from another company in a different, yet related, business for several years. You get along with each other very well. Your share of the office expenses (electricity, telephone, Xeroxing, and other costs) usually runs about \$800 a month. However, there was a period of time when you were struggling to make a profit and your officemate covered these expenses for you. Recently, however, you decided to relocate your business to another city. As you bid each other farewell, it occurs to you that you never got around to repaying him for those office expenses. It doesn't seem like he remembers this and he doesn't know your new location. What do you do?

- Don't say anything about it (2.04)
- Don't do anything now but send money later (5.42)
- Give him back half of the money (4.00)
- Give him back all the money (6.70)

### **Vignette 8**

You are treating your boss to lunch to discuss an upcoming business trip at your country club. As you are eating, you bite into a hard object, causing you much pain. You and your boss are amazed as you take a white button out of your mouth. Half jokingly, you tell your boss that you don't really want to eat any more because your tooth now hurts too much. Your boss becomes very upset and complains to the maître d' who then insists that the meal is on the house (worth about a hundred dollars). As you and your boss leave the country club, you notice that your shirt is missing one of its buttons. You realize that your own button fell into your food! What do you do?

- Keep quiet about it (2.17)
- Apologize to your boss (3.63)
- Apologize to both your boss and the restaurant (5.33)

- Apologize to both your boss and the restaurant and pay the restaurant for the lunch (6.80)

### **Vignette 9**

It's Friday afternoon at 3pm and your boss has asked you to go to a government office to take care of some urgent paper work for your department. If things don't go smoothly, it will cost your department a lot of money. Upon arriving, you get a number from the ticket dispenser and sit down to wait. After ten minutes, you realize that the numbers are moving very slowly. You estimate having to wait over two hours for your turn. During the next ten minutes, you think about leaving so that you can get some other things done. Just then the person next to you answers her cell phone. Snippets of her conversation indicate that she has to leave for an office emergency. She hangs up and, as she leaves, her ticket stays on her chair. No one else can see her chair. You see that her number is way ahead of yours and will be called next (probably in less than five minutes). What do you do?

- Use her ticket (3.17)
- Take the ticket, wait for an hour, and announce that your number was skipped (2.75)
- Leave the ticket where it is and wait your turn (6.17)
- Take the ticket and throw it out (6.40)

### **Vignette 10**

You and three other officemates have borrowed a company car to drive to another city for a business meeting. Because it's a long trip, you alternate driving. You decide to stop at a restaurant during your shift. While pulling into a parking spot, you bump a nearby dumpster. All of your officemates are sleeping. You assume there is no damage and forget about the incident. The business trip goes well and you return the car when you get back. Within a few hours, the travel department calls and informs you and your officemates about a \$300 scratch on the car. Your officemates have no idea how, when, and where this happened. What do you do?

- Make up a story blaming a stranger (1.25)
- Say nothing and split the cost (1.92)

- Tell your officemates everything but ask them to share in the costs (4.71)
- Tell your officemates everything and pay the \$300 (6.80)

### **Vignette 11**

You work for a big consulting company and are responsible for recruiting new hires. You recently received two applications for the same position. After reviewing the résumés and talking to each applicant for about 40 minutes, you find both qualified even though one is slightly better qualified than the other. Later the same afternoon, you receive a call from an old friend telling you that one of his best friends is looking for a job. Your friend promises to send you more business to boost your commission if his best friend gets the job. It turns out that the best friend is the less qualified candidate you just interviewed.

What do you do?

- Hire your friend's best friend (2.38)
- Ask someone else to make the decision (5.75)
- Hire the more qualified candidate and tell your friend that you had no control over the hiring decision (3.33)
- Hire the more qualified candidate (6.50)

### **Vignette 12**

You are finishing your MBA. You are looking for your ideal job, but have yet to decide on whether you would like a job with a big or small company. A big company on the West Coast has invited you to interview with them. They have offered to pay for your lodging and airfare for up to a 3-day stay at the best hotel in town (which costs \$400 per night). A small company in the same town has also asked you to come and meet with them, but is unable to help with any sort of travel-related arrangements. You only really need to spend two days visiting the big company. You realize that you could tell the big company that you are using the third day to sightsee, but interview with the small company instead. What do you do?

- Stay the extra day and visit the small company without telling the big company (3.08)



- Ask the big company if you can stay the third day to visit the small company (5.79)
- Visit the small company and insist on reimbursing the big company for the last day's stay (6.04)
- Only visit the big company (6.00)

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<sup>1</sup> The story in each of the 12 basic vignettes was altered to represent a business or non-business context that involved or did not involve money, resulting in a final total of 48 vignettes. We initially expected that business and money vignettes would lead to less ethical choices than non-business and no money situations. The results, however, showed no effects for business vs. no business and, inexplicably, the money vignettes led to more ethical responses than the non-money vignettes.

<sup>2</sup> Participants received three of each of the four possible business-money vignettes.

<sup>3</sup> Only participants who completed the whole survey provided us with demographics since these questions came at the end of the experiment.

<sup>4</sup> Participants received one of each of the four possible business-money combinations in each of their 4-vignette sets in each phase. We counterbalanced the order of these four business/money contexts each week.

<sup>5</sup> Since some participants took longer than 2 weeks to respond, the actual time between phase 1 and phase 2 varied. This also occurred between phase 2 and 3.

<sup>6</sup> We sent another reminder after a week.

<sup>7</sup> Using only the rank orderings to assess ethicality presents some measurement problems. Assessing ethicality on the basis of the first ranked behavioral alternative, for instance, excludes important information: participants who ranked the most ethical choice highest and most unethical choice second highest would be considered to be as ethical as those who ranked the most ethical choice highest and most unethical choice lowest. The same logic applies when we focus on the most unethical choice. A continuous measure alleviates most of these problems.

<sup>8</sup> For both the vignette order and the phase analyses, we also constructed a quadratic growth model to

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detect curvilinearity. This model adds a quadratic time term in both level-1 (the quadratic time as a fixed effect) and level-2 (the slope of the quadratic time as a random effect) models. The results revealed no curvilinear pattern for either order ( $p = .46$ ) or phase ( $p = .38$ ).

<sup>9</sup> Note: The mean split at the 1<sup>st</sup> vignette did not lead to the same categorizations of participants, as ethical or unethical first choosers, at the 5<sup>th</sup> and 9<sup>th</sup> vignettes. In other words, those who made a relatively ethical choice at the first vignette were not necessarily the same people who made a relatively ethical choice at the 5<sup>th</sup> or 9<sup>th</sup> vignette.

<sup>10</sup> In Experiment 2, we only had responses from 3 vignettes because the decision for first vignette was imposed on participants as our manipulation. Across the 3 vignettes, participants' ethicality scores ranged from 28.33 to 55.50. For demonstration purposes in this figure, we selected moderately ethical and unethical scores for the first vignette (49.5 and 39.5, respectively) and used the dotted line between the first and second vignette to represent the manipulated ethicality at the first vignette (instead of participants' responses).