
Ethical decision making

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Abstract

The present study examined 136 individuals' ethical decisions on 25 hypothetical business scenarios that can be grouped into four major areas: Opportunity within the organization, pressure from the organization, opportunity from other sources, and pressure from other sources. The results of this study may offer some insights regarding ethical behaviors. We also briefly discuss recent research on „the love of money is the root of evil” in an organizational setting and provided directions for future research.

Key words: *Business Ethics, Ethical Decision Making, the Love of Money, Evil*

Rezumat

Studiul de față investighează luarea etică de decizii în cazul a 136 de indivizi, pentru 25 de scenarii ipotetice de afaceri, care pot fi grupate în patru mari domenii: oportunități în cadrul organizației, presiune din partea organizației, oportunități din alte surse și presiuni din alte surse. Rezultatele acestui studiu ar putea oferi unele insight-uri în ceea ce privește comportamentele etice. De asemenea, discutăm pe scurt cercetări recente asupra temei „dragostea de bani e rădăcina răului” în context organizațional, și oferim sugestii pentru direcții viitoare de cercetare.

Cuvinte-cheie: *etica în afaceri, luare etică de decizii, dragostea de bani, răul.*

On June 15, 2002, emboldened by the criminal conviction of Arthur Anderson LLP for obstruction of justice, government lawyers are steaming ahead with the Enron Corp. investigation and are probing malfeasance at an ever-expanding list of large corporations, including Worldcom, Tyco International, Adelphia Communications, Computer Associates, Qwest Communications, Global Crossing, as well as Martha Stewart, among others. This may lead many citizens to believe that Americans' confidence in our largest corporations is at an all time low. Media pundits speak of the lack of business ethics and the lack of standards. "As more scandals come to light, the White House is growing increasingly enthusiastic about throwing corporate crooks in jail" according to France and Carney (2002: 35).

Adam Smith believed that the general welfare of the society was promoted as a side effect of people's self-interest. People are highly motivated if they are encouraged to pursue their own self-interests. "Adam Smith's

invisible hand of the market—which translated the pursuit of self-interest into public benefit—metastasized into a broad sense that our self-interest in the market's performance would benefit the public", according to Allan Sloan, **Newsweek's** Wall Street Editor. "Greed—defined as an inordinate desire for wealth—is not good, and it doesn't drive markets" (Sloan, 2002: 37).

When considering the consequences of greed at Andersen and Enron, however, the human toll is clear. Its partners and lower-level employees are finding out firsthand what greed can do: Many innocent bystanders' nest eggs have been wiped out. According to Allan Sloan, "Sure, Americans have always loved money". De Tocqueville traced love of wealth to the root of all that Americans do. But the important point he added is that this drive 'disciplines their lives'. That lesson was forgotten at Enron, and it was forgotten at Andersen. Greed replaced self-interest, which by definition has a long-term horizon, rather than gaming the system for a quick hit. Judge

Harmon may have thrown the dynamite charge last week, but it was Enron and Andersen that packed the explosives and lit the fuse” (Sloan, 2002: 37).

Citizens have many questions regarding these current events. Is money the measure of success? Do people focus on only maximizing shareholder wealth and forget their responsibilities? What went wrong? What was the source of the problem? How did it get started? Why did it happen? Did these business leaders and Wall Street analysts have proper training, in business ethics, in getting their MBA degrees? Is the next generation of MBAs doomed to repeat these same kind of scandals?

The fact is that former Enron Corp. Chief Financial Officer Andrew Fastow was a Kellogg graduate (Northwestern University), and former CEO Jeffrey Skilling earned his MBA from Harvard University. In 2002, Kellogg vaults to No. 1 of the Best B Schools and Harvard earns the third spot, according to the cover story of *Business Week* (October 21, 2002). It appears that these people have received their education from the top schools in the US. However, it is possible that there are some breakdowns when practicing business ethics in the competitive world market.

According to Jennifer Merritt (2002), many business schools also stepped up and reemphasized business ethics. Moreover, in evaluating the Best B (Business) Schools, *Business Week* blends in an “intellectual capital” component. In 2002, *Business Week* added five new journals including *Journal of Business Ethics* to the list, for a total of 18 journals. This shows that publishing papers in top journals by faculty (and students), including papers dealing with Business Ethics, is very important in evaluating the Best B Schools. In 2002, the following three schools topped the intellectual capital poll: Stanford, MIT, and UC-Berkeley’s Haas School of Business.

The public’s interest in business ethics and greed is not new. In fact, almost 20 years ago, the results of a 1983 Gallup poll showed that only 20% of the public expressed “a great deal of confidence” in big business. About 40% of executives reported that they were asked to behave unethically. In a study of 10 top Human Resources concerns, ethics was ranked number five. Moreover, the most desirable trait for the ideal CEO is a strong sense of personal ethics. Thus, business ethics is a major concern due to the lack of ethical behavior by some individuals and organizations in our

society. For the past several decades, business executives are increasingly concerned about business ethics. As a result, codes of ethics are now commonplace among America’s large corporations. Business ethics courses have become an integral part of business schools’ curriculums. Is it working, one may ask?

George Steiner (1972) defined business ethics as a behavior that is fair and just, over and above obedience to laws and regulations. Business ethics relates to law and to moral codes of conduct. Ethics is frequently used synonymously with the term morality. It refers to a system of principles or a code of behavior for an individual or society. Corporations have both internal moral responsibilities (e.g., related to stockholders, customers, employees, creditors, and officers) and external moral responsibilities (e.g., to communities, competitors, government, society, and the global community). Thus, corporations have to satisfy the needs of all stakeholders. No one group ought to benefit while the others suffer. Thus, business ethics must consist of a balance of interests.

Standards of conduct arise from the general norms and values of society; from an individual’s experiences within family, religious, educational, and other types of institutions; and from interpersonal interactions with others. Archie B. Carroll, an eminent researcher in the area of social responsibility, noted, in 1987, that there are three levels of moral, or ethical judgment: immoral management, amoral management, and moral management. Immoral and unethical are considered synonymous in business. Immoral management not only lacks ethical principles but also is actively opposed to ethical behavior. It implies that profit maximization is the main goal of organizations and other considerations matter little, if at all. Unethical behavior in a business setting often refers to behavior that is not necessarily illegal, but may be considered inappropriate by many people. Amoral management is neither immoral nor moral but, rather, ignores or is oblivious to ethical considerations. Finally, moral management operates well above what the law mandates and follows not only the letter but also the spirit of the law.

Ferrell and Fraedrich (1990) have argued that there are four types of pressures that may impact ethical decisions in business: (1) personal values, (2) organization, (3) competition, and (4) opportunity. Individual

values are learned from socialization through family, religion, school (formal and informal education), and business experiences. Many researchers assume that these values will remain relatively stable in work and non-work settings. People in our society may have two ethical dimensions: One deals with an ethical value system for home and the other for business. Personal values make up only one part of an organization's total value structure. Moreover, organizational value structure and corporate culture also have strong impacts on individuals' ethical behavior. Ethics reflects both the character of the individual and also the character of the business firm (organizational culture) that is a collection of individuals.

Competition creates pressure on individuals to perform and is also a key factor in influencing the ethical environment of the corporation. In the 1990s, organizations in the United States have tried to improve profits, efficiency, and competitiveness in world markets that may have created more organizational pressure for many managers. In the area of compensation, most researchers typically examine how well incentives and reward systems increase employees' productivity. Very little research examines the links between incentives and ethical behavior. In a survey of American business people, Lonkevich (1997) found that 56% felt pressure to behave unethically in order to achieve company goals. Another 48% admitted having engaged in unethical behavior while performing company work.

Opportunity to engage in unethical behavior provides another pressure. In one survey, 56% of the managers indicated that there were many opportunities for managers in their industry to engage in unethical behaviors. Opportunity to engage in unethical behavior has been found to be a better predictor of such behavior than personal beliefs. Rewards and the absence of punishment within the business environment also help create opportunities. In a 1995 survey, Gross found that 31% of employees polled had witnessed ethical misconduct. Further, 29% of those surveyed were forced to use unethical means to get promoted. It is plausible that there are many unethical decisions and actions that go on behind closed doors.

For organizations in business and industry, corporate ethics and corporate profits are not necessarily mutually exclusive. The marketplace has forced organizations to be

ethical. A good reputation counts for more than just good business strategy or clever business tactics. When a reputation of fair and honest treatment has been created and established, consumers will want to do repeat business with the organization. Thus, it may be non-tangible in origin, but it may lead to many tangible benefits.

In a study of unethical behavior and stock value, researchers Reichert, Lockett, and Rao (1996) gathered data from the *Wall Street Journal* from 1980-1990 and tracked the stock prices of major corporations that were formally indicted on unethical and illegal behavior for a 21-day period (10 days before and 10 days after the exact date of the announcement) The major impact can be observed over a four-day period, i.e., two days prior to the indictment notification and one day after the notification. When corporations were formally indicted, the stock value declined an amazing mean of \$16.5 million with a median of \$1.4 million. Corporations paid the average fine of \$7.4 million. The aggregated decline of the market value of all the stock was \$2.4 billion.

In a similar study, Rao and Hamilton (1996) have discovered that the average drop in stock prices for corporations indicted on unethical behavior was 5.6%. Results of a study involving *Fortune* 500 companies between 1968 and 1972 suggested that 105 corporations that were guilty of unethical conduct performed poorly in terms of mean return on equity and mean return on sales when compared to other *Fortune* 500 companies.

On the other hand, the benefits of moral management can be best explained by the following story. In the fall of 1982, seven Chicago-area residents died after taking Extra-Strength Tylenol capsules contaminated with cyanide. The managers of Johnson & Johnson took the unprecedented step of recalling 31 million bottles of Extra-Strength Tylenol on drugstore shelves costing the firm \$100 million. Three months later, 93% of the public felt that Johnson & Johnson had done a good job of handling its social responsibilities. In 1986, a 23-year-old woman died after taking a cyanide-laced Tylenol capsule. Johnson & Johnson quickly replaced all capsules with caplets (tablets in the shape of capsules) costing the firm \$150 million. These two incidents earned the company widespread praise. Johnson & Johnson was rated number one on community and environmental responsibility and continues to be on the *Fortune* magazine's list of most

admired companies. This sound business management philosophy is embodied in the Johnson & Johnson's Credo, originally drafted by General Robert Wood Johnson in the 1940s.

Counterproductive work behaviors (CWB) may include workplace deviance, theft at work, white-collar crime, corruption, bullying, absenteeism and tardiness, substance abuse, workplace violence, and sexual harassment. There are many different forms of counterproductive work behaviors. For example, in a recent article that appeared in *Business Week* (September 9, 2002), Ernst & Young had conducted a survey involving 617 employees (on June 3-6, 2002). Participants could choose more than one answer. Results suggested that one in five employees had witnessed fraud, counterproductive work behaviors, or unethical behaviors in the work place. For example, 37 percent of these surveyed had witnessed people taking office supplies and shoplifting. Moreover, 25 percent observed others stealing product or cash. Additional counterproductive work behaviors may also include claiming extra hours worked (18%), accepting kickbacks from suppliers (8%), and phony bookkeeping (3%).

Such counterproductive behavior costs employers billions of dollars annually worldwide. For example, a large percentage of financial loss, according to loss-prevention executives, is attributed to employee theft (38.4%), shoplifting (35.6%), administrative error (19.4%), and vendor theft (6.4%). Firms reported an average loss of US \$142.49 per shoplifting incident, \$737.31 per employee theft, and \$2,410 per armed robbery. Thus, counterproductive work behaviors may cause many business failures.

Kumar (1995) employed cluster analysis to examine 231 undergraduate and graduate business students' six dominant values (theoretical, economic, aesthetic, social, political, and religious) measured by the Study of Values. Through cluster analysis (which is a common technique for grouping people based on certain shared characteristics), Kumar identified three groups: (1) institutional citizens, (2) rational utilitarians, and (3) wheeler-dealers.

Kumar found that 42% of the students belong to the institutional citizens group that had the highest score on aesthetic, social, and religious attitudes and the lowest score on economic values. These students tend to show their strong civic orientation, their concern for

experiences that go beyond the normal routines of life, and low importance placed on utilitarian, cost-benefit approaches to decision-making. Further, 34% of the students are rational utilitarians due to their high score on the theoretical values and medium score on the economic, social, and religious components. These students appear to be intellectual, rational, and critical, yet practical and socially sensitive in the decision-making process. Wheeler-dealers endorse strong economic and political values and weak theoretical, social, aesthetic, and religious orientations. They tend to view issues from a utilitarian perspective and evoke the image of a "shrewd operator". Only 24% of the students, the smallest group of the three, are classified as wheeler-dealers. These variables are not examined in the present study.

The present study examines secondary vocational business students' ethical decision-making in 25 hypothetical business scenarios. This study may offer some insights regarding ethical orientations of future American business people. The rationale for studying high school students is that they are the source of future business students in college and business executives in the society.

In the 1950s, 43% of high school graduates pursued college and 6% of the population in our society were college graduates in the US. In 1992, 66% of high school graduates entered college and 21% of a much larger population were college graduates. Recently, about 17 million students are going to classes taught by 762,000 professors on 3,400 campuses. According to Herbert London of New York University, the college experience has gone from a rite of passage to a right of passage.

In 1992-1993, 89,390 bachelor's degrees in business administration and management were awarded making it the most popular undergraduate major in college. Derek Bok (1993), former president of Harvard University, asserts in his book, *The Cost of Talent*, that the lucrative rewards of Wall Street and the high compensation paid to top executives act as a magnet to attract the most talented people to the business field. For the year 2000 and beyond, business will continue to be one of the most popular majors on numerous campuses in the US and around the world. Many business graduates are being released into the world of work with technical skills but not enough critical thinking skills in ethical issues. Some argue that the American

workplace is in a state of moral chaos. Most workers will face tremendous ethical dilemmas and do not have sufficient framework and help to make ethical decisions. Some graduates will become future American business executives.

The results of a back-to-school survey of students in 1992 by **USA Weekend** indicated that some decisions made by students concerning ethics were less than desirable. Surprisingly though, 65% of students responding to the survey felt that public schools should teach basic values such as honesty, fairness, and responsibility.

Personnel at Martin Marietta Corporation realized that inculcating ethics in education was not a simple task so they developed a board game titled **Gray Matters**. As a major contributor to the project, George Sammet chose the name because he felt the ethical decisions often involved a gray area. The game includes a process for making the most ethical choice with points assigned accordingly. In this study, we will examine high school students' responses to 25 hypothetical business scenarios involving business ethics.

Participants were high school students (Grades 9-12) enrolled in seven "Introduction to Business" classes from six high schools in Rapides Parish, LA, the USA. Permission to conduct this study was granted by the superintendent of the Rapides Parish School Board. Students' participation in this research was completely voluntary. They answered the survey anonymously to protect their confidentiality. Completed surveys from 136 students (48% male and 52% female) were obtained which represented the response rate of 77.8%. The participants' age and the percentage of this age group in the sample were presented as follows: 14 years (12.6%), 15 years (25.7%), 16 years (30.2%), 17 years (16.2%), 18 years (13.2%), and 19 years (2.2%). Further, 47.1% of these students were employed, whereas 52.9% were never employed.

The survey questionnaire consists of 25 short scenarios. Participants were asked to indicate either (1) yes, they would, or (2) no, they would not take a specific action in a given situation. These items were developed based on scenarios and situations from the following three sources: (1) a discontinued commercial game, **A Question of Scruples** (Milton Bradley, 1987), (2) "Test IV: Are you an honest worker?" (Patterson & Kim, 1991), and (3) "Do you do the right thing" (Bullard, 1992)? These

items were presented to participants in random order. The content of this questionnaire was tested in a pilot study using a group of high school students and a panel of high school teachers for clarity. All these items are presented in Table 1.

Table 1 shows the percentages of secondary vocational business students' "yes" and "no" responses for each item. In order to facilitate the presentation of results, the authors re-arranged these 25 items into four major categories: (1) opportunity within the organization, (2) pressure from the organization, (3) opportunity from other sources, and (4) pressure from other sources.

Opportunity Within The Organization.

In terms of opportunity within the organization, there are five sub-categories: attendance, effort, job search, misuse of resources (time, materials, and money) from work, and disgruntled worker. Results of these sub-categories will be discussed as follows: Table 1 shows that the majority of these students may go to work if they are required to work on that day. However, they may call in sick if given the opportunity to use their sick leave. The majority of them will give their total effort on the job (90.4%) and will not take credits for work done by others.

Most of them will not lie on their resume and will hire someone like them. It is interesting to know that they felt that it is not appropriate to look for another job on company time, whereas the majority of them felt that they would use office supplies, make personal calls, and give away free fries to a friend, and borrow money overnight if they were given the opportunity. Even if they were not happy with their jobs, they would continue to do a good job and would not sabotage the company.

Pressure From The Organization.

Under pressure, the majority of them would give in to protect themselves. However, they would not do illegal things and would tell the truth.

Opportunity From Other Sources.

When opportunity was available, these students tended to take the advantage of the situation. In three scenarios, their gains were results of someone else's mistakes. When the payoff is great (several million dollars for company secrets), it appears that a larger percentage of these students (73.5%) tended to take advantage of it (under opportunity pressure) (see Item 21).

Table 1
Participants' Responses on the Ethical Questionnaire

Question	Yes	No	N/A
I. Opportunity Within The Organization			
<u>A. Attendance</u>			
1. You and a friend have been planning to go on a short trip over the Labor Day weekend. Your boss tells you Labor Day will not be a company holiday this year. Would you go to work?	55.1	44.8	
2. You have accumulated sick leave. You have used all of your vacation days. You have a unique opportunity to go on a special trip. Would you call in sick?	73.5	25.8	.7
<u>B. Effort</u>			
3. Would you give your total effort on the job?	90.4	9.6	
4. Would you take the credit for work done by someone else?	18.4	81.6	
<u>C. Job Search</u>			
5. Would you tell little white lies on a resume to get a job?	28.3	71.0	.7
6. If you were the boss, would you hire someone like you?	75.4	23.9	.7
<u>D. Misuse of Resources (Time, Materials, and Money) From Work</u>			
7. Do you think that looking for another job on company time is OK?	22.1	77.2	.7
8. Would you use office supplies (paper, pen, white-out, paper clips, etc.) from your company for personal use?	77.9	22.1	
9. Would you make personal calls on your company phone?	72.8	26.5	.7
10. You have a summer job at a fast food restaurant. Would you consider giving free fries to a friend?	59.6	40.4	
11. You have a job in a small business. Do you think borrowing \$20 overnight would be dishonest?	65.4	33.9	.7
<u>E. Disgruntled Worker</u>			
12. You have been passed over for a promotion and feel that the person promoted is not worthy. Would you continue to do as good a job as you have been doing?	79.8	20.2	
13. You feel that your company has taken advantage of you. You could easily sabotage the computer system. Would you consider doing it?	36.8	63.2	
II. Pressure From The Organization			
14. Recently your company has been accused of discriminating against women. When the next position opens would you hire the first qualified woman that applies?	62.5	36.8	.7
15. Your boss asks you to do something that involves breaking the law. Would you consider doing it if you thought you wouldn't get caught.	15.4	84.6	
16. You are a reporter. Someone has confided in you and asked that their name should not be revealed. You are facing the possibility of being sent to prison if you do not reveal your source. Would you reveal the source's name?	79.8	20.2	
17. Would you tell the truth even if it meant losing your job?	62.9	36.4	.7
III. Opportunity From Other Sources			
18. When you return from the bank, you realize that the teller gave you too much money. Would you consider keeping the money?	62.5	37.5	
19. When you receive your paycheck you see that your boss has paid you for 40 hours even though you have only worked 35 hours. Would you consider keeping the money?	65.4	34.6	

Question	Yes	No	N/A
20. You receive your bank statement. You have \$700 more than you should have in your account. Would you consider keeping the money?	61.8	38.2	
21. If you were offered several million dollars to reveal company secrets would you consider doing it?	73.5	25.8	.7
22. You are going on a business trip. Your company purchased the ticket. The airline offers to refund \$500 of your ticket purchase if you give up your seat and take a later flight. You would still be able to keep your business appointment. Would you consider giving up your seat and keeping the \$500?	70.6	29.4	
IV. Pressure From Other Sources			
23. An employee that causes problems in your company applies for a job with another company. When you are asked for a reference would you give a wonderful recommendation in hopes that someone else will hire them?	26.8	73.2	
24. Your best friend is stealing money from your place of employment. Would you say anything?	59.6	40.4	
25. Would you talk about your boss to others?	65.8	32.7	1.5

Note. N/A: No Answer.

Total Score of Unethical Behavior Tendency may be calculated by adding all "Yes" items (2, 4, 5, 7, 8, 9, 10, 13, 15, 16, 18, 19, 20, 21, and 23) and all "No" items (1, 3, 11, 12, 14, 17, and 24). Three items (6, 22, and 25) may be deleted due to ambiguous wording of the statement.

Pressure From Other Sources. Students tended to offer truth to a company regarding references and regarding theft. They were also willing to talk about their boss to others.

The results of this study reveal the possible ethical decisions these students may make in their real life in the not-so-distant future. Their responses are not all that desirable. There is room for improvement. Business teachers, professors, and managers need to consider these issues very seriously and carefully.

However, it should be pointed out that all these participants are high school students from Grades 9 to 12. It is plausible that this is their first formal exposure to ethical issues in a high school class: Introduction to Business. They still have a long way to go in becoming business executives in the society and have many more opportunities to study these issues in the future.

Students should be guided by proper ethical decision-making principles so that they will be able to advance to the highest stage of moral development. Morality is based on principled personal conviction. It is plausible that ethical thinking patterns may be formed early in life (a deep-rooted value system) which

may be difficult to unlearn or change later in career.

According to Kumar, 24% of the students are classified as wheeler-dealers. To them, the end often justifies the means. This study show that 73.5% of students would reveal company secrets if they were offered several million dollars. It is possible that we may find all three types of people identified by Kumar in this sample (a less selective group than college students), wheeler-dealers, in particular.

An important factor here is that money talks. Money has a significant impact on people's behavior, performance, and effectiveness in organizations. People's attitudes toward money may also serve as their frame of reference when they face their everyday life. Given a large amount of money, those who value economic values and political values may have a strong tendency to capture the opportunity and take the advantage of it when it is presented. Future studies may want to examine the possible differences between those who value money and those who do not when ethical decision-making behaviors are examined.

It appears that many of these scenarios offer either opportunity or pressure within the organization or outside the organization.

Employees will also encounter these opportunities and pressures in their everyday life. Corporations need an agreed-upon standard for ethical behavior. All business managers need to combine a code of ethics with ethics training. Managers should also evaluate current ethics training programs to ensure correct ethical behavior is taught and rewarded. Further, it is also necessary to create an ethical organizational culture. Corporations need workers with good ethical decision-making skills. These skills may have a major impact on their careers and also the bottom line of the organization. Many people caught in ethical dilemmas feel that they just haven't asked the questions and they haven't had time to think about these issues. Most people only think about ethical issues when they're in the frying pan. When making ethical decisions, there are three important questions: First, is it legal? Does it violate civil law or company policy? Second, is it fair to everyone concerned (both short and long term)? Third, will I feel proud of myself? If my decision were known publicly, how would I feel? How would I feel if my family knew it?

Even though there are no easy answers to common ethical dilemmas, students should become aware of some of the types of dilemmas they may face in life. Ethical reasoning is a necessary life skill. Many students in the present study only consider their personal gains when opportunity is presented. They have surely failed to realize the other parties involved in the scenarios. Students are entering the American marketplace at a time of moral chaos. They are facing a dizzying array of ethical issues and dilemmas and are held personally and legally responsible for the choices they make. Yet, they have been given very little guidance in how that decision-making process should work.

Education in moral responsibility is just as imperative as training in math and science. Though ideally, society as a whole is responsible for the ethical conduct of its constituents, education sometimes has to come forward and address social issues. Business communication teachers can and should have an influence on students and help them establish appropriate business ethics. Statements by the Policies Commission for Business and Economic Education encourage students to use practical learning experiences and critical thinking skills to analyze ethical issues. The goal is to empower students with

the necessary skills to transfer ethical decision-making and problem-solving skills from the classroom to the workplace.

Research indicates that ethical conflicts arise when the beliefs or attitudes of workers do not match the beliefs or attitudes of the workplace. It is suggested that vocational ethics should provide workers with a means of identifying and resolving ethical conflicts within the work environment. Doing so could prevent them from making gross ethical misjudgments. Ethics education should be an on-going process throughout the formal education of business students. Conducting ethical studies in the classroom allows students to communicate with each other and view things from many perspectives. The experience of simply taking a stand and justifying that stand is an excellent way to increase self-esteem, thereby, giving students an opportunity to support their positions with sound, rational thinking.

We hope that this article will remind faculty, students, and business managers to re-focus on ethical decision-making in education and practice so that our future business leaders will benefit the general public and all the stakeholders in our society.

DIRECTIONS FOR FUTURE RESEARCH

The real root cause of the corporate scandals and crisis in confidence in corporations is "the overemphasis American corporations have been forced to give in recent years to **maximizing shareholder value** without regard for the effect of their actions on other stakeholders" (Kochan, 2002: 139, emphasis added). In plain English, it is related to "money" and "the love of money". This appears to be an important and interesting topic for researchers and practitioners.

Recently, Tang and his associated have examined the love of money in the literature. The inspiration to study "the love of money" comes from a "Western" and religious expression: "The love of money is the root of evil" (Bible: 1 Timothy, 6: 10). Those who want to be "rich" are falling into temptation (Bible: 1 Timothy, 6: 9). Although the love of money (an unobservable construct) has been used in everyday expression and popular literature, there is no measurement of the love of money, operationalized empirically, in the management and compensation literature. The love of money is a "neglected" construct in management and in "management spirituality

and religion”, in particular. It should be noted that there is a division within the Academy of Management in the US: Management Spirituality and Religion Division. This signifies the importance of studying religious beliefs, religions, and behaviors in organizations for both practitioners and managers because religions often have much to say about ethical behavior in business organizations, either directly or by implication.

According to Locke (1969), the first question a scientific investigator must ask is not “How can I measure it?” but rather, “What is it?” (p. 334). So, what is the love of money? Tang asked 100 undergraduate and 25 graduate MBA students. In summary, the love of money construct is related to greed, desire (lust) for more money, never have enough money, and wanting to be rich and wealthy. Some describe the love of money as a miser who accumulates materialistic possessions. Still others mention materialism. Further, the love of money reflects money is the most important (number one) goal in life. One puts the highest “value” on money that is more important than God, family, people, or anything else. One will do whatever it takes to make money. To paraphrase Sloan’s (2002) statement: The love of money is an inordinate desire for money. It should be pointed out however, that the love of money differs from materialism that is a very well defined construct in the literature (e.g., Richins & Rudmin, 1994).

Tang and his associates argue that “the love of money” does not represent one’s “needs”, instead it reflects one’s “wants” and “values”. “Need” refers to “the objective requirements of an organism’s well-being”, whereas “value” is that which a person “actually seeks to gain and/or keep or considers beneficial” (Locke, 1969, p. 318). A value presupposes the awareness, at some level, of the object or condition sought, whereas a need does not. Moreover, “values” rather than expectations determine satisfaction. Locke (1969) did distinguish between (1) the value of money to a person and (2) the specific amount of pay an employee seeks at a given time on a given job (p. 327). If one who values money highly and who has just received a desired raise, one will be satisfied with one’s pay. However, one will not remain satisfied indefinitely with this amount of pay. It is very likely that one will soon set a minimal goal level that is higher

than one’s present salary. (Thus, the specific amount of pay may change over time.) Further, “a man might consider pay an important value up to a certain minimum, but further pay increments might be valued less than, say specific changes in the work content” (Locke, 1969, p. 330). (Thus, the value of money to a person may also change.)

The love of money is one’s inordinate desire for money. It reflects “the value of money to a person” that may also change over time (Locke, 1969), one’s extrinsic motivational orientation (cf. Amabile, Hill, Hennessey, & Tighe, 1994), an individual difference variable (Mitchell & Mickel, 1999). The love of money is highly related to but different from other constructs, e.g., the “meaning” of money (Barber & Bretz, 2000, p. 45) and the “importance” of money (Mitchell & Mickel, 1999, p. 569). Tang and his associates have developed several measures of the Money Ethic Scale (MES) that taps on individual’s money attitudes. The Love of Money Scale (LOMS) examines only several selected factors of the Money Ethic Scale (MES) and thus is a sub-scale of the Money Ethic Scale (Table 2).

In a large cross-cultural study involving full-time employees from 26 geopolitical entities in five continents ($N = 5,341$), Tang and his associates (2003) suggests that the 9-item-3-factor Love of Money Scale (LOMS) has achieved both configural (factor structures) and metric (factor loadings) invariance in 22 geopolitical entities. The three factors are: Factor Rich, Factor Motivator, and Factor Important. Among Hong Kong employees, the love of money is directly and indirectly related to unethical behavior in organizations but employee income is not. Thus, the love of money is the root of evil, but money is not (Tang & Chiu, 2003). Thus, the proposition that the love of money is the root of evil (Bible: 1 Timothy, 6: 10) has received some empirical support in the literature. This deserves researchers and practitioners attention in the future. To facilitate future research, we have included the 9-item-3-factor Love of Money Scale and the 11-item-4-factor Evil Behaviors in an Organizational Setting Scale in this paper (Tang, 2003). We hope future researchers will apply these measures in their research. More research is needed in this direction.

Table 2
Measurement Scales for Future Research

The Love of Money Scale (LOMS)	The Evil Behaviors in an Organizational Setting Scale
<p>Factor 1: Rich</p> <ol style="list-style-type: none"> 1. I want to be rich. 2. It would be nice to be rich. 3. Having a lot of money (being rich) is good. 	<p>Factor 1: Abuse Resources</p> <ol style="list-style-type: none"> 1. Make personal long-distance calls at work 2. Use office supplies, Xerox machine, and stamps for personal purpose 3. Waste company time surfing on the Internet, playing computer games, and socializing
<p>Factor 2: Motivator</p> <ol style="list-style-type: none"> 4. I am motivated to work hard for money. 5. Money reinforces me to work harder. 6. I am highly motivated by money. 	<p>Factor 2: Theft</p> <ol style="list-style-type: none"> 4. Take merchandise and/or cash home 5. Borrow \$20 from a register overnight without asking 6. Overcharge customers to increase sales and to earn higher bonus
<p>Factor 3: Important</p> <ol style="list-style-type: none"> 7. Money is good. 8. Money is important. 9. Money is valuable. 	<p>Factor 3: Corruption</p> <ol style="list-style-type: none"> 7. Abuse the company expense accounts and falsify accounting records 8. Accept money, gift, and kickback from others 9. Lay off 500 employees to save the company money and increase my personal bonus
	<p>Factor 4: Non-Whistleblower</p> <ol style="list-style-type: none"> 10. Take no action for shoplifting by customer 11. Take no action for employees who steal cash/merchandise

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