1990

What is the prevalent ethical managerial style of MBA students: Immoral amoral or moral?

William T. Rupp

The University of Montana

What is the Prevalent Ethical Managerial

Style of MBA Students: Immoral, Amoral or Moral?

By

William T. Rupp

B. A., Azusa Pacific University

Presented in partial fulfillment of the requirements

for the degree of

Master of Business Administration

University of Montana

1990

Approved by

Gerald E Evans

Chairman, Board of Examiners

Dean, Graduate School

July 18, 1990

Date

7-18-90

TABLE OF CONTENTS

From Congress to the pulpit, morality and ethics are a national issue. A recent poll of personnel executives suggests that the state of ethics is more of an "ethical malaise ...than a crisis," (Halcrow,1987). The respondents to this survey gave their reasons for unethical behavior as power (74%), money (73%), advancement (40%), and recognition (38%). (Percentages are of the total responding.) These responses point to problems involving morality and ethical behavior in significant arenas of business. Rosenberg's (1987) findings confirm that many managers do not make high moral standards and good ethical behavior a priority in the decision-making process when related to the business goals of sales and profit maximization. In order to gain a clear understanding of moral managerial styles and the process of moral decision making, Carroll (1987) defines three styles of managerial morality and moral decision making: 1. Moral decision making. 2. Immoral decision making. 3. Amoral decision making. This paper will address the question of which type of ethical managerial style is the most prevalent in MBA students? It is expected that the research would show todays MBAs and tomorrows managers have adopted a moral, immoral or amoral managerial style of decision making, and that the largest grouping will be in the amoral category.

Several studies have been done recently on students' ethical behaviors. Reichel and Neumann (1989) attempted to show ethical differences between business students and liberal arts students. Their findings concluded that liberal art students place a higher emphasis on business ethics than their management counter-parts. Stevens' (1984) study concluded that current executive management's ethical attitudes and behaviors exhibit a higher standard than those of current college students. Arlow and Ulrich (1985) bring disturbing news to the education community by stating, "Our findings suggest that there is no long term effect of teaching business ethics to undergraduate business students in a business and society course." Rosenberg's (1987) research centered on a business simulation to examine the values of managers and the question of payments to foreign officials to assure future business. The findings concluded that, "Economic goal achievement took precedence over personal morality; and perceptions of prevailing business practice or pragmatic assessment of risk and benefit, were the principal elements in arriving at a decision recognized by most as a departure from traditional business ethics. Although previous research appears to confirm the presence of an ethical malaise, the consequences of ignoring moral and ethical concerns in business are illustrated in the following cases.

Johns-Manville Corporation knew as early as 1964 the effects of asbestos contamination, but management decided to suppress this information (Gellerman,1986; Lavelle,1989). Ivan Boesky was indicted and convicted for insider-trading. His settlement of a law suit with his ex-partners cost him $248 million (Torabzadeh, Davidson, & Asser,1989; Cowan,1990). E.F Hutton managers pleaded guilty to 2,000 counts of mail and wire fraud, accepting a fine of $2 million dollars, and putting up $8 million to fund restitution for the 400 banks that the company had systematically bilked (Gellerman, 1986; Flint,1987). Jim Wright, Speaker of the House of Representatives, under investigation by the House Ethics Committee was forced to resign (Carlson,1989). Westinghouse has been investigated by the U.S. Justice Department and the Securities and Exchange Commission for bribery in building a nuclear power plant in the Philippines. In 1978 Westinghouse had pled guilty to bribery of an Egyptian official and paid a $ 300,000 fine (Dumaine,1986) Minister Jim Bakker was convicted of

24 counts of defrauding the public of $3.7 million through his television, phone and mail ministry (Ostling,1989). Beech-Nut pled guilty to 215 counts of selling phony apple juice from 1981 to 1983. Beech-nut, a subsidiary of the Nestle Corporation, was the subject of an international boycott during the 1970s for selling baby formula to third world countries that some claim caused the death of 10,000 children per year (Flint,1987).

In an attempt to do away with the ethical malaise and bring the morality of managerial decision making into a clearer light, Carroll (1987) theorized three styles of managerial morality. These styles are: the moral manager, the immoral manager and the amoral manager. Carroll believes the bane of American business is the amoral manager for this style of manager constitutes the largest segment of American management. A discussion of the three styles follows.

The Immoral Manager

The immoral manager's decision-making motives are purely selfish. His/Her decision making may be outside of the goals of the company and even injurious to the company. Profits drive his/her behavior and operate as his conscience. Moral or ethical considerations are not involved in the decision process unless they will increase profits. Decisions may be legally borderline and sometimes may even be outside the law. The justification for his/her decisions are that the immoral action enhance and enlarge profit, therefore the ends justify the means. Such concerns as safety, public relations, truth in advertising, or the environment are unimportant. He/She does not care what the claims of others are in regards to being just or fair.

The Moral Manager

The moral manager's decision-making processes are driven by high moral standards coupled with good ethical behavior. The methods of accomplishing business goals fall within the confines of the law and accepted moral and ethical standards of behavior for the company and the individual. The moral manager works not only within the law, but within the spirit of the law. Safety, health, truth in advertising, the environment, and public relations are major considerations in the decision process. The moral manager will not pursue profits at the expense of the law and sound ethics. Honesty and trust are high priorities in dealing with all stakeholders. Long range goals are not compromised for short term returns. He/She is not myopic. He/She is aware that all business decisions may have an ethical or moral question--that must be addressed.

The Amoral Manager

The amoral manager's decision-making is within the goals of the company. The amoral manager may have a personal value system that leads him/her to act with high moral behavior apart from the work place. However, the amoral manger believes that ethical and moral considerations have no place within the sphere of business. Compartmentalization of his/her life is done by separating business, family, social, and religious activities. To the amoral manager, business is business and ethics are ethics. The two do not exist together.

According to Carroll, there are two types of amoral managers: intentional and unintentional. Intentional amoral managers believe that business operates under its own set of rules rather than a standard rule for moral and ethical behavior. These managers intentionally factor out moral and ethical considerations in the decision-making process.

The potentially more dangerous group of managers is the unintentional amoral manager. These managers lack moral perception or moral awareness. Their decision-making processes take place without realizing that their business decisions may have an ethical or moral dimension. They perceive the letter of the law as the boundary by which their decision-making process is guided. The impact on others, the environment, or public image is not a major consideration, unless it negatively impacts profits.

The Research Question

Carroll's work was conceptual rather than empirical, consequently, is hypothesis has not been tested. This paper will test the hypothesis put forward by Carroll which states: The distribution of the three types of moral managers exist in a standard normal distribution with the amoral managerial style representing the major portion of the distribution. The tails of the normal distribution will represent the moral and immoral managerial styles.

A second hypothesis to be answered is the ethics class post test will show the class became more moral in it's decision making processes as a result of the course material.

Methodology

Participants

The population for this research was MBA students at the University of Montana. From the population, a sample of students was selected. The students in the graduate ethics course (N=10) comprised the experimental group and the students in the graduate finance course (N=20) were the control group. These courses were chosen because the ethics course is an elective while the finance course is in the core curriculum of the MBA program.

The use of MBA students serves a number of purposes. First, MBA students come from diverse backgrounds and locations. They have spent time in the work force (avg. of 2.2 yrs.) and have had some managerial experience (avg. of 1.4 yrs). They are older (avg. of 33 yrs old) and possibly more mature than undergraduate students. Finally, MBA students are readily available and accessible.

Materials

The testing instrument was a survey form comprised of 26 statements. The statements were derived by the researcher from Carroll's list of morality attributes assigned to each type of moral management decision making style. The statements were designed to have a moral, immoral, or amoral implication. Statements ranked at the extremes (1-always or 6-never) indicate strong moral conviction regarding the statement. These responses evidence an strong conviction or belief regarding the moral attitude the respondent has toward the statement. Responses in-between represent a degree of ethical or moral belief. These responses are ranked as 2-almost always, 3-sometimes, 4-seldom, 5-almost never. These responses lack conviction to an absolute value and the respondent is allowing other considerations to influence his/her decision making process (ie; profits, power, personal advancement, personal gain, etc...) and thus these influences overshadow moral or ethical factors.

Procedure

The pretest survey was administered during normally scheduled class period near the beginning of the winter quarter, 1990. Participants were read a cover letter to the survey by the researcher. The cover letter gave a brief reason for studying ethics, the reason for asking MBA students to participate, and an example of how to mark the survey (see exhibit 5).

The process of completing the survey was as follows: After reading a statement regarding a managerial action or attitude, the respondent was asked to mark his/her response. The survey used a forced choice segmented scale. The scale was on a segmented continuum with "Never" on the left end and "Always" on the right end (see exhibit 6).

The post test was given on the last scheduled class period of the winter quarter, 1990. The post test was the same survey used for the pretest. At the completion of the post test, the surveys were coded and paired by pretest, post test for experimental and control groups.

Results

The hypothesis put forth by Carroll that the distribution of the three types of moral managers exist in a standard normal distribution pattern with the amoral managerial style representing the major portion of the distribution was tested using Lilliefors Test of Normality (Keller, Warrack & Bartel,1990) for the standard normal distribution. This test was run using frequency data from the experimental group pre-test and post test as well as the control finance group.

The ethics pretest (exhibit 1) shows the standard normal distribution of student respondents was normal at the 10% significance level. The ethics post test (exhibit 2) shows the distribution is not normal at the 10% significance level. The finance control group (exhibits 3 & 4) shows the distribution is normal in the pretest and post test at the 10% significance level (exhibits 3 & 4).

The multivariate analysis of variance (MANOVA) analysis revealed no significant shifts in the total ethics pretest/post test or in the finance pretest/post test. An analysis of variance (ANOVA) analysis of the individual statements revealed a significant shift ($p > .05$) in two questions within the experimental group (see exhibit 7).

Conclusions and Implications

The conclusions and implications of this paper are limited by the sample sizes and homogeneity of the population, therefore the findings are tentative. The finding of a standard normal distribution of those students not in the ethics experimental group seems to confirm Carroll's (1987) hypothesis that the distribution of the amoral managerial style representing the major portion of the distribution. The small shift between the ethics experimental group pretest/post test seems to support Arlow and Ulrich's (1985) work. While the detection of amoral behavior is difficult to define and even more difficult to detect, there is a possibility other forces affected the results. Students bias to picking extremes on a survey could have influenced the marking of the surveys. Students may have given the response based on expected response rather than real behavior. Also, small sample size due to the elimination of students in both classes may limit the application of this study. However, failure to reject Carroll's hypothesis at a 10% significance level provides evidence that the distribution of the ethics pretest and finance pretest/post test is a standard normal distribution. The rejection of Carroll's hypothesis for the ethics post test shows a shift of the students. However, the MANOVA analysis failed to show that the shift was significant.

The reason for the shift is difficult to ascertain. Obviously, the sensitivity to ethical consideration due to class discussion and analysis could be the reason for the shift. Although this could be the reason, alternate explanations could include post test bias due to familiarity with the survey or the expectations of the survey taker (guinea pig effect).

The MANOVA analysis concluded that, except for two questions, the pretest/post test shift was not significant.

The two questions that exhibited a significant shift ($p < .05$) were questions seven and eleven. Question seven, "Lying in business is wrong" ($p = .04$) deals with the truth and integrity in business. The ethics class format exposed over and over the consequences of lying and partial truth. The shift in this question may be attributable to this exposure. The second question to shift was question eleven, "Top management should give the expected ethical example" ($p = .04$). This question deals with the source of ethical and moral example. The ethics course cases and class discussion brought to light the source and enforcement of ethical principles of an organization begins with top management. This exposure possibly encouraged the shift.

The implications of this study could possibly be far reaching. First, if the managerial style of actual managers is amoral, then ethical problems will continue to plague business. This type of manager will continue to make decisions that damage the environment, put the worker at risk, deceive the government, and cost tax payers billions of dollars (ie; the Savings and Loan bailout, Karmin, 1990). Carroll's perception of this amoral manager as the bane of American management may be true.

Secondly, ethics courses seem to have little effect on the movement of students' values in regards to ethical decision making. Again, this finding would tend to confirm Arlow and Ulrich's (1985) research. If this trend cannot be reversed, if an answer to the amoral managerial style cannot be found, those in education maybe adding to the amoral ranks of tomorrows' managers. Perhaps, every class should have an unit on ethical behaviors and the consequences of ethical amorality. This continual exposure to ethical issues and the costs of neglecting these issues may stem the tide of the amoral managerial style. In addition, the lack of significant shift between the ethics experimental group and the finance control group pretest or post test seems to reveal that the survey administered to the finance control group had as much effect on the morality of the students as the entire quarter of an ethics course.

In the opinion of the researcher, there is a need for continuing research into the question of moral and ethical managerial styles and ethical decision making. A larger study of not only future managers but a study of current managers would help to further clear the ethical malaise. The need for effective educational techniques and business implementation has never been greater nor the task larger. The fate of American business, and for that matter, all business will die without a basis for trust (Rosenberg,1987). The rejection of the need for ethical and moral research because of the softness or difficulty of the topic will certainly push us further down the road of mistrust and enlarge the current ethical malaise.

BIBLIOGRAPHY

Arlow,Peter; Ulrich,Thomas,A.,: 'Business Ethics and Business School Graduates: A Longitudinal Study', Akron Business and Economic Review Spring (1985) pp 13-17

Beltramini,Richard,F.; Peterson,Robert,A.; Kozetsky,George,:'Concerns of College Students Regarding Business Ethics',Journal of Business Ethics 3 (1984) pp 195-200

Carlson,Margaret,: 'Have We Gone Too Far', Time June 12 (1989) pp.18-22

Carroll,Archie B.,: 'In Search of the Moral Manger', Business Horizons March-April (1987) pp 7-15

Cowan, Alison Leigh ,:'Boesky suit pays $248 million to expartners', New York Times January 9 (1990) pp C5

Dumaine,Brain,: 'Nuclear Fiasco' Fortune September 1 (1986) pp 39-45

Flint,William C.,: 'Corporate Crime', Baltimore Sun December 21 (1987) pp. M-1+

Gellerman,Saul W.,: 'Why "good" managers make bad ethical choices', Harvard Business Review July-August (1986) pp 85-90

Halcrow,Allan,: 'Is There a Crisis in Business Ethics?', Personnel Journal November (1987) pp 10-17

Kaimin, Monroe W.,: 'Oh, that costly S&L mess!', U.S.News and World Report April 9 (1990) pp 37-40

Keller, Gerald; Warrack, Brain; Bartel, Henry,: 'Statistics for Management and Economics', Wadsworth Publishing Company: Belmont California (1990) pp 625, 628-631

Lavelle, Michael J.,:'Business ethics:Tone set at the top', Richmond Times-Dispatch April 16 (1989) p F-3

McGuire, Joseph,W.,: Business and Society, McGraw-Hill, New York, 1963 pp 271-291

Michelman, James H.,: 'Some Ethical Consequences of Economic Competition', Journal of Business Ethics 2 (1983) pp 79-88

Ostling, Richard,: 'Judgement Day', Time October 16 (1989) p 65

Purcell,Theodore,V.,: 'Do Ethics Courses Pay Off?', California Management Review 4 (1977) pp 50-58

Reichel,Arie; Neumann,Yoram,: 'Student Attitudes Toward Business Ethics: Differences Between Liberal Arts and Management' Journal of Instructional Psychology 15;1 (1989) pp 25-33

Rosenberg, Richard,D.,: 'Managerial Morality and Behavior: The Questionable Payments Issue', Journal of Business Ethics 6 (1987) pp 23-36

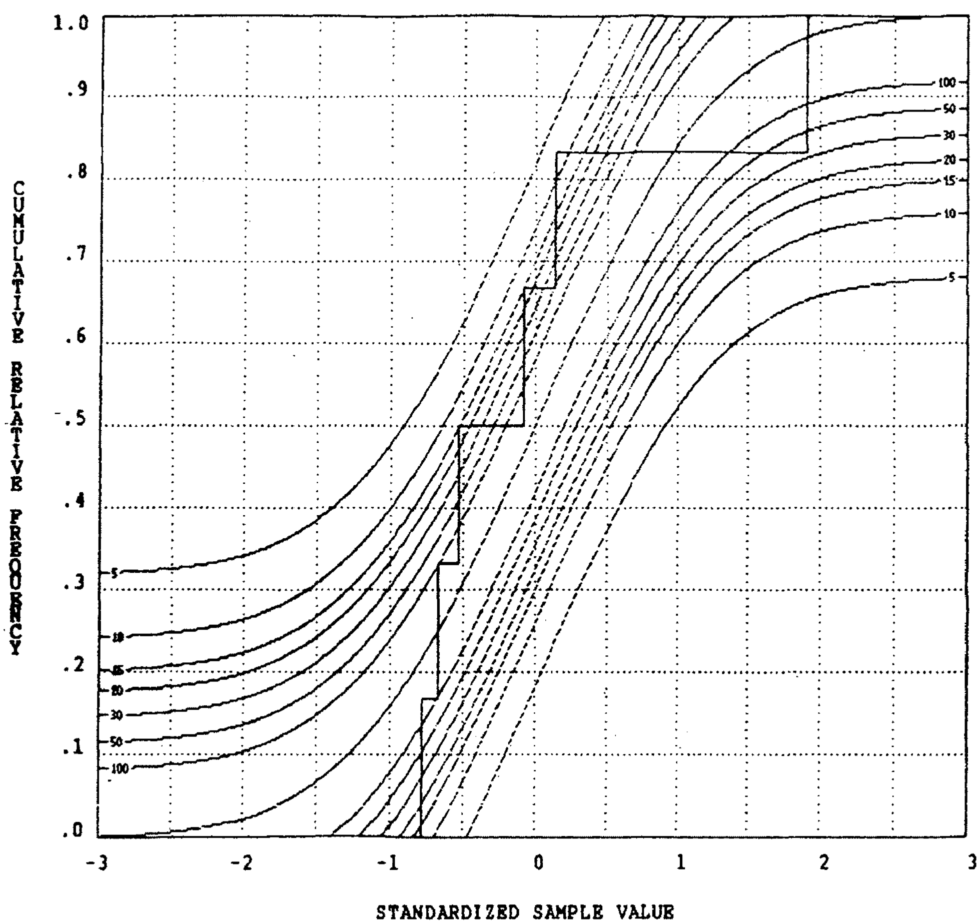
Sorenson, Ralph,: 'Can Ethics and Profit Live Under The Same Roof', Financial Executive, March-April (1988) p.24

Stevens, George,E.,: 'Business Ethics and Social Responsibility: The Response of Present and Future Mangers', Akron Business and Economic Review Fall (1984) pp 6-11

Torabzadeh, Khalil,M.; Davidson,Dan; Assar,Hamid,: 'The Effect of the Recent Insider-trading Scandal on the Stock Prices of Securities Firms', Journal of Business Ethics April (1989) pp 299-304

Exhibit # 1

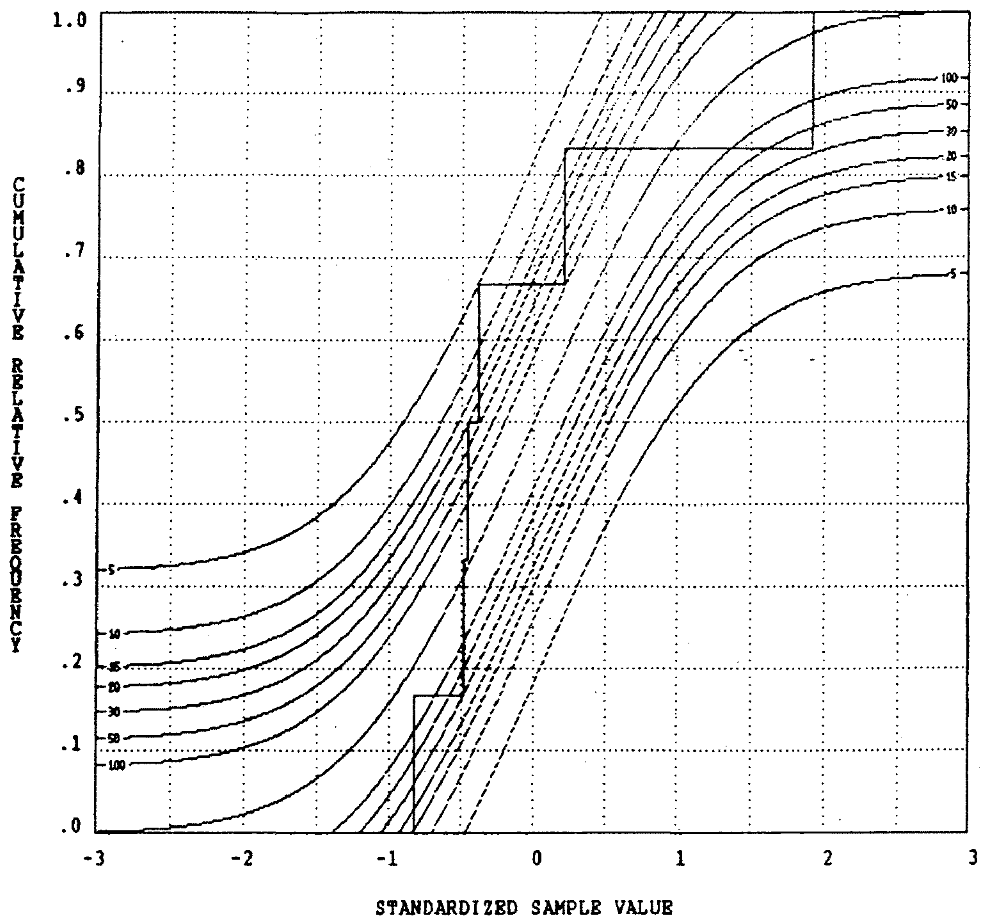
90 % Lillifores for Experimental Pretest Group



The maximum distance between the Normal and sample CDFs is 0.2758.
This maximum occurs at z = 0.1447, x = 4.8000000000E+01.
The hypothesis of normality is not rejected at the 10.0% significance level.
The critical distance is 0.297.

Exhibit # 2

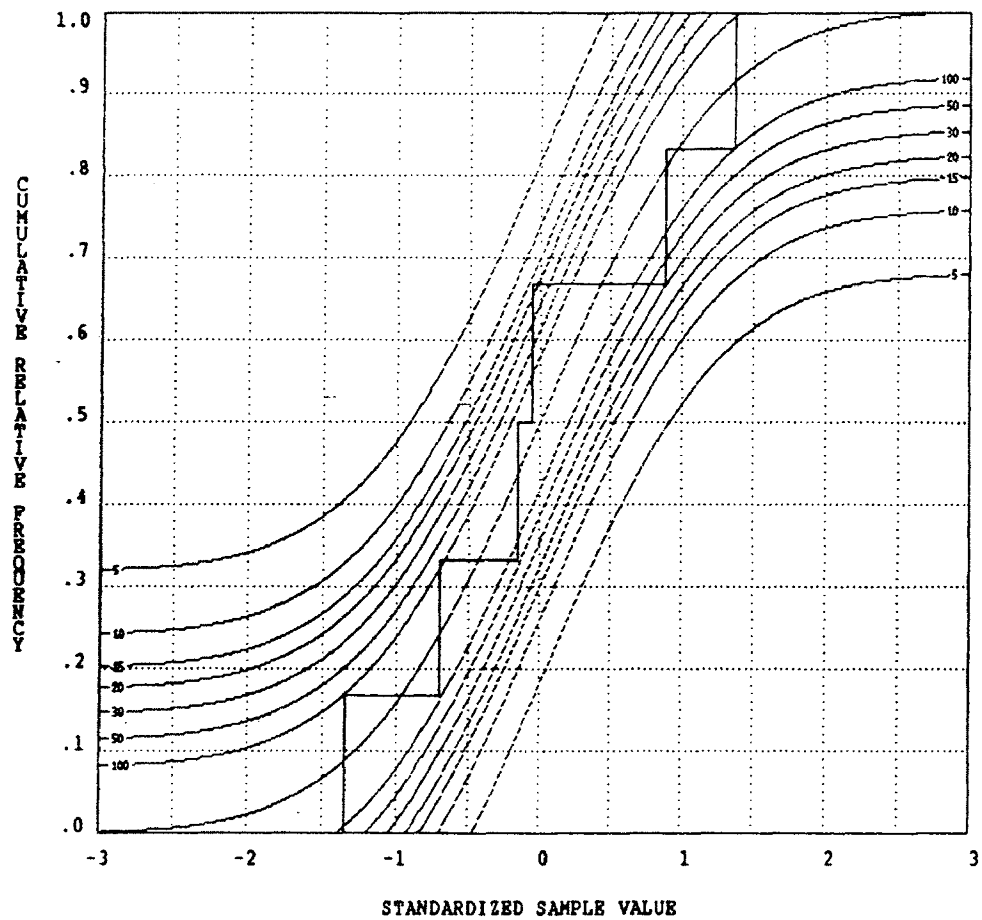
90 % Lillifores for Experimental Post test Group



The maximum distance between the Normal and sample CDFs is 0.3145.
This maximum occurs at z = -0.3794, x = 2.6000000000E+01.
The hypothesis of normality is rejected at the 10.0% significance level.
The critical distance is 0.297.

Exhibit # 3

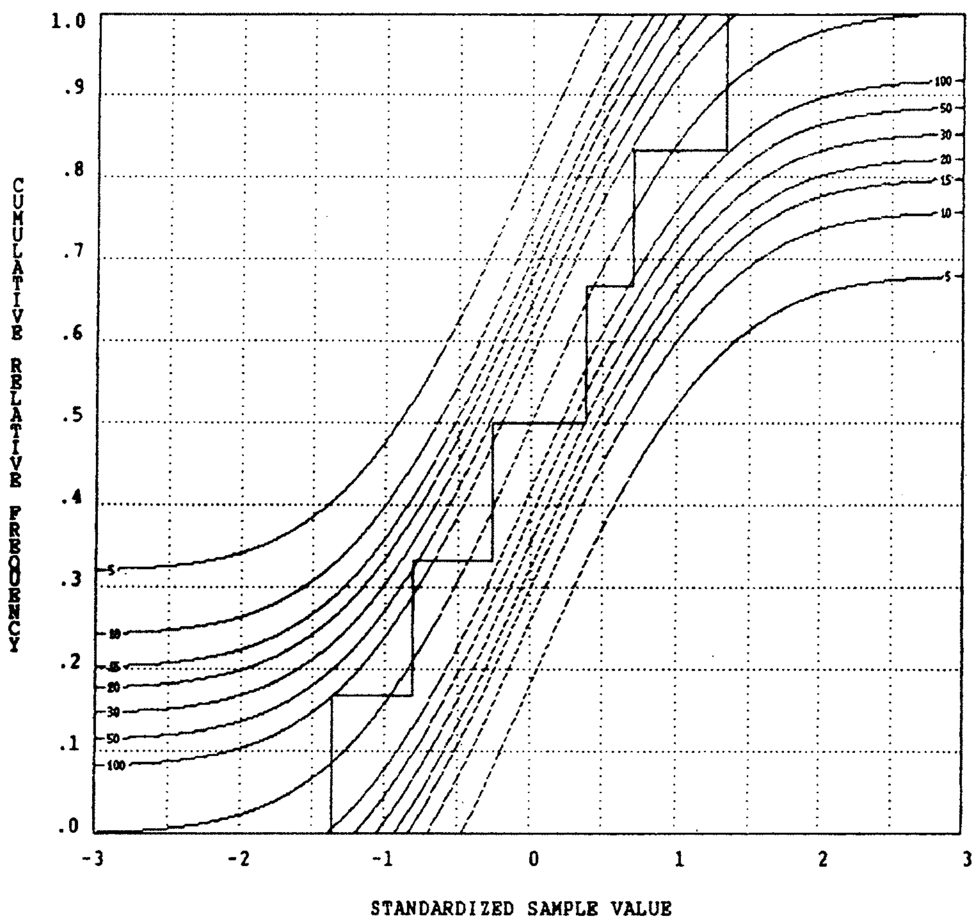
90 % Lillifores for Control Pretest Group



The maximum distance between the Normal and sample CDFs is 0.1889.
This maximum occurs at z = -0.0557, x = 1.0400000000E+02.
The hypothesis of normality is not rejected at the 10.0% significance level.
The critical distance is 0.297.

Exhibit # 4

90 % Lillifores for Control Post test Group



The maximum distance between the Normal and sample CDFs is 0.1516.
This maximum occurs at z = 0.3898, x = 1.1800000000E+02.
The hypothesis of normality is not rejected at the 10.0% significance level.
The critical distance is 0.297.

Exhibit 5

Cover letter

From Congress to the pulpit, morality and ethics are a national issue. A recent poll of personnel executives in Personnel Journal suggests that the state of ethics is more of an "ethical malaise ...than a crisis," (Halcrow,1987).

Today we are asking MBA students to complete a survey that will provide data for a study in the area of business ethics. We ask you to answer truthfully as possible. Answer with your first response after reading the statement.

Your responses will be kept absolutely confidential.

The results of this survey will be incorporated into a professional papers by one of your fellow MBA students. This professional paper is a requirement for graduation from the program.

Please follow along as I read the instructions for completing the survey. ---- "Please mark the broken line with an "X" to indicate your response to the statement. If your response is "never", mark the far left. If your response is "Always, mark the far right. If your response is somewhere between "Never" and "Always" mark the appropriate spot along the line."

When you have completed your survey, please leave it on the table as you leave.

Thank you for your participation.

Exhibit 6

Survey

Male ___	Age___	Single ___	Children
Female___		Married ___	Yes___ | No___
		Divorced___	Number ________

Undergraduate Major ____________________ Attending School: Full time____
Estimated GPA _______ Part time____
Expected Employment at the completion of the MBA program ______________
Number of years spent in the work force so far ____________________
Number of years spent as a member of a management team ______________

Please mark the broken line with an "X" to indicate your response to the statement. If your response is "never", mark the far left. If your response is "Always, mark the far right. If your response is somewhere between "Never" and "Always" mark the appropriate spot along the line.

	NEVER ... ALWAYS
1. Ethics are over-rated in the business world.	|....|....|....|....|....|....|
2. Sometimes it "OK" to shade the truth.	|....|....|....|....|....|....|
3. Profits come before ethics.	|....|....|....|....|....|....|
4. Obedience to superiors come before personal ethics.	|....|....|....|....|....|....|
5. Business is business and ethics are ethics.	|....|....|....|....|....|....|
6. Good ethics are good business.	|....|....|....|....|....|....|
7. Lying in business is wrong.	|....|....|....|....|....|....|
8. Ethics have little place in business.	|....|....|....|....|....|....|
9. Moral issues just tie the manager's hands.	|....|....|....|....|....|....|
10. I look out for myself and the company, whatever it takes.	|....|....|....|....|....|....|
11. Top management should give the expected ethical example.	|....|....|....|....|....|....|
12. The company is first.	|....|....|....|....|....|....|

	NEVER	ALWAYS
13. It's "OK" to break the law if it gets in the way of doing business.	|....|....|....|....|....|....|	
14. Management activity is outside of a moral order.	|....|....|....|....|....|....|	
15. Management's only purpose is to increase profits.	|....|....|....|....|....|....|	
16. Professional standards should be accepted and adhered to.	|....|....|....|....|....|....|	
17. Moral claims are just too "squishy" to be enforced.	|....|....|....|....|....|....|	
18. Integrity is more important than success.	|....|....|....|....|....|....|	
19. Morality depends upon the situation.	|....|....|....|....|....|....|	
20. Profits are economic morality.	|....|....|....|....|....|....|	
21. Ethically sensitive managers are weak managers.	|....|....|....|....|....|....|	
22. It is possible to be ethically neutral.	|....|....|....|....|....|....|	
23. It doesn't hurt anyone to hedge on ethical or moral issues.	|....|....|....|....|....|....|	
24. Ethical ambiguity is a good reason to forget ethics.	|....|....|....|....|....|....|	
25. Managers who are sensitive to others hurts are wimps.	|....|....|....|....|....|....|	
26. Ethics are good if they can help make money.	|....|....|....|....|....|....|	

Exhibit 7

MANOVA Analysis
30 paired cases
Pretest / Post test Within-Subject Effect
(two-tailed test)

	F	p
1. Ethics are over-rated in the business world.	.34	.28
2. Sometimes it "OK" to shade the truth.	.33	.29
3. Profits come before ethics.	.09	.38
4. Obedience to superiors come before personal ethics.	.36	.27
5. Business is business and ethics are ethics.	.00	.48
6. Good ethics are good business.	1.31	.13
7. Lying in business is wrong.	3.28	**.04
8. Ethics have little place in business.	.08	.39
9. Moral issues just tie the manager's hands.	.38	.27
10. I look out for myself and the company, whatever it takes.	.08	.36
11. Top management should give the expected ethical example.	3.57	**.03
12. The company is first.	.62	.24
13. It's "OK" to break the law if it gets in the way of doing business	.03	.43
14. Management activity is outside of a moral order.	1.35	.13
15. Management's only purpose is to increase profits.	.00	.50
16. Professional standards should be accepted and adhered to.	1.02	.16
17. Moral claims are just too "squishy" to be enforced.	1.26	.14

18. Integrity is more important than success.	1.89	.09
19. Morality depends upon the situation.	.84	.19
20. Profits are economic morality.	.03	.43
21. Ethically sensitive managers are weak managers.	1.54	.11
22. It is possible to be ethically neutral.	.35	.28
23. It doesn't hurt anyone to hedge on ethical or moral issues.	1.10	.15
24. Ethical ambiguity is a good reason to forget ethics.	.83	.19
25. Managers who are sensitive to others hurts are wimps.	1.21	.14
26. Ethical behavior will pay the highest rewards.	.00	.48

(**) Denotes significant at $p < .05$

Exhibit #8

Summary of Means and Lillifores

	Experimental Group				Control Group			
	Pretest		Post test		Pretest		Post test	
	n = 10				n = 25			
		Freq.		Freq.		Freq.		Freq.
	1	111	1	115	1	202	1	137
	2	48	2	49	2	169	2	176
	3	24	3	23	3	97	3	118
	4	40	4	26	4	104	4	78
	5	19	5	22	5	60	5	45
	6	15	6	9	6	15	6	11
		257		244		647		565
Mean		2.428		2.254		2.53		2.559
SD		1.601		1.526		1.425		1.311

Exhibit # 1
90 % Lillifores for Experimental Pretest Group

Critical distance = .297

Maximum distance = .2758

Exhibit # 2
90 % Lillifores for Experimental Post test Group

Critical distance = .297

Maximum distance = .3145

Exhibit # 3
90 % Lillifores for Control Pretest Group

Critical distance = .297

Maximum distance = .1889

Exhibit # 4
90 % Lillifores for Control Post test Group

Critical distance = .297

Maximum distance = .1516