

# **The Indirect Effects of Cultural Values on Ethical Decision Making via Utilitarian Ethical Orientation**

**Dinah Payne**  
**University of New Orleans**

**Christy M. Corey**  
**University of New Orleans**

**Lillian Y. Fok**  
**University of New Orleans**

*We examined whether utilitarian ethical orientation mediates the relationships between three cultural values, long-term orientation, activity orientation, and universalism, and ethical decision making (EDM). To understand their role as antecedents to EDM, cultural values were examined at the individual level of analysis. Results indicated that act and rule utilitarian orientations significantly mediated the effects of universalism on EDM. When coupled with act utilitarian orientation, universalism accounted for 50% of the variability in ethical decisions compared to only 30% when coupled with rule utilitarian orientation. Implications for management practices and business ethics in multicultural and international corporations are discussed.*

## **INTRODUCTION**

Research on the link between individual-level values, ethics and ethical decision making is characterized by the inclusion of a wide range of values, some with a cultural focus (e.g, Beekun and Westerman, 2012; Fok, Payne, and Corey, 2016; Nevins, Bearden, and Money, 2007), and some without (e.g., Fritzsche and Oz, 2007; Watson, Berkley, and Papamarcos, 2009). Until recently, most studies of cultural values and ethics used a cross-cultural between group focus where the main conclusions were drawn with respect to between-culture comparisons (e.g., Tsui and Windsor, 2001). Although understanding cross cultural differences is important, empirical investigations of the relationships between cultural values and ethical decision making may be more fruitful if we consider how the values operate at the individual level of analysis to affect individual decisions.

In Hunt and Vitell's (1986, 1993) model of ethical decision making, they assert that cultural values affect an individuals' ethical decision making via their ethical orientations. Recently, empirical evidence was found that supports the mediating effects of utilitarian orientation, specifically act utilitarian orientation, between the cultural values universalism and activity orientation and ethical decision making (Fok et al., 2016). Following Fok et al. (2016), we expect cultural values, at the individual level of analysis, to influence whether decision makers are more likely to adopt an act or rule utilitarian

orientation which will, in turn, affect the ethical decisions they make. Specifically, the predictive effects of the cultural values long-term orientation, activity orientation and universalism are considered. Our goal is to replicate the findings of Fok et al. (2016) regarding act utilitarian orientation, and to see whether the mediating role of rule utilitarian orientation can be demonstrated.

In today's organizational climate, cultural-based diversity challenges are as relevant in domestic operations as they are in international operations. Increasing our understanding of the nature of cultural values and how potentially different combinations impact ethical orientations and, ultimately, work decisions and behaviors is important as managers face the challenges of an increasingly multicultural workplace. Such a determination may lead to better management practice in dealing with multicultural work environments: to better understand what motivates workers, how they think, and how to fashion solutions that will be acceptable to all, regardless of cultural background.

### **Business Ethics and Ethical Decision Making**

Ethics is an inquiry into the foundations of morality, the moral judgments, standards and rules of conduct of a person (Taylor, 1975). It guides human behavior and helps one distinguish between good and bad, right and wrong (Phatak, Bhagat and Kashlak, 2009), and it contributes to an understanding of what is equitable and fair (Carroll, 2004; Freeman and Gilbert, 1988). Velasquez (1998) defined business ethics similarly as a specialized study of moral right and wrong that concentrates on moral standards as they apply to business policies, organizations, and behaviors. Business ethics is the "moral thinking and analysis by corporate decision-makers and other members regarding the motives and consequences of their decisions and actions (Amba-Roa, 1993, p. 553)." This last definition emphasizes the importance of the behavior of the moral agent, the individual decision maker, in business ethics, and it highlights the role of moral thinking in making decisions.

Most research in the area of behavioral ethics is based on Rest's (1986) four-stage model of ethical decision making (see Kish-Gephart, Harrison, and Trevino, 2010; Loe, Ferrel, and Mansfield, 2000; O'Fallon and Butterfield, 2005). The ethical decision making process starts when a person recognizes a particular issue as posing an ethical dilemma (Hunt and Vitell, 1986; Rest, 1986). Eventually, the decision maker forms a moral intention by committing to a particular course of action. In the final stage, the decision maker engages in moral action which occurs when the intended behavior is acted upon.

Ethics is not reflected solely in an ethical intention or behavior. Because the same intention or behavior can be attributed to different reasons or justifications (Collins and Wray-Bliss, 2005; Lahdesmaki, 2005; Victor and Cullen, 1988), the ethical basis of a behavioral decision may better be determined from the justification for that decision rather than from the behavior (or intention) itself. In empirical investigations, the ethical orientation of a decision maker is typically determined by analyzing the post-decision rationale for terminology that expresses different ethical theories (Fritzsche and Becker, 1984; Granitz and Loewy, 2007; Lahdesmaki, 2005; Premeaux, 2004; Premeaux and Mondy, 1993; Victor and Cullen, 1988).

The ethical orientation reflected in a decision justification matters because it leads the decision maker to consider different criteria by which decision alternatives are judged (Victor and Cullen, 1988). It provides a framework within which individuals contemplate issues of right and wrong and assists them with determining the right way to behave (Fraedrich and Ferrell, 1992). Past research suggests that individuals' ethical orientation is associated with their ethical judgments (Fraedrich and Ferrell, 1992; Fritzsche and Becker, 1984; Premeaux, 2004; Premeaux and Mondy, 1993).

In models of ethical decision making, the exact point(s) in the process when one's ethical orientation comes into play varies. In their model of ethical decision making, Hunt and Vitell (1986) assert that ethical theory is incorporated early into the decision making process during the problem evaluation phase. However, Rest (1986) argues that ethical theory plays a role throughout the ethical decision making process from when a decision maker first conceptualizes a problem, through the evaluation and judgment stages, to when the decision is finally made. Both agree that ethical orientation comes into play early in this process.

## **Utilitarian Orientation and Ethical Decision Making**

Past research has shown that decision makers use a wide range of ethical criteria and theories to justify their ethical decisions (Granitz and Loewy, 2007; Reidenbach and Robin, 1988; Schumann, 2001; Shultz and Brender-Ilan, 2004). In the field of moral philosophy and decision reasoning, ethical theories have been classified into two types, deontological and teleological (e.g., Beauchamp and Bowie, 1979; Murphy and Laczniak, 1981). Deontological theories focus on the specific actions or behaviors of an individual, whereas teleological theories focus on the consequences of those actions or behaviors (Hunt and Vitell, 1986). In other words, teleological theories are concerned with the anticipated impact of the behavior or action and the amount of good or bad that may result from it.

While developing a behavior measure of ethical decision making in various business contexts, Fritzsche and Becker (1984) found that most professionals provided some form of utilitarian reasoning to justify their ethical behavior. Utilitarian ethical theories are classified as teleological in nature, because they assume that the morality of a decision is determined by taking into account the decision alternative that produces the greatest good for the greatest number of people. Decisions are deemed unethical when they create personal gain at the expense of the greater good or when it results in inefficient goal attainment.

In the current study, we focus exclusively on utilitarian ethical theory as an antecedent to ethical decision making. Researchers generally distinguish between two forms of utilitarianism, act-based reasoning and rule-based reasoning (Fritzsche and Becker, 1984; Premeaux, 2004; Premeaux and Moody, 1993;). When individuals invoke act utilitarian reasoning, actions are judged ethical depending on their outcomes and consequences for the decision at hand. Rule utilitarian reasoning involves decision makers following rules (e.g., laws, organizational policies, personal code of conduct) designed to achieve the greatest net positive consequences over time. Following the rules results in the greatest good in the long term and should not be ignored because of a possible exception.

The conceptual link between utilitarian ethical orientations and ethical decision making has been demonstrated empirically. Fritzsche and Becker (1984) and Premeaux (2004) found that individuals with a rule-utilitarian orientation were more likely to make decisions that emphasized ethical value, whereas those with an act-utilitarian orientation were likely to make choices that emphasized economic value. Although we expect to replicate these findings, this is not the primary focus of this study. Our goal is to better understand what factors influence the development of a rule or act utilitarian orientation and subsequent ethical decisions from a multi-cultural perspective. More generally, do cultural values that distinguish different cultures or nations also lead to predictable differences in utilitarian ethical orientations and ethical decision making?

## **Linking Culture, Values, and Ethical Behavior**

Values form an important foundation of ethics: they are held by individuals and organizations (Elango, Paul, Kundu and Paudel, 2010). Within the realm of business ethics, ethical business behavior stems from a manager's personal values (Hemingway and Maclagan, 2004). Hofstede (2001) associates culture with values, systems of which are core elements of culture. Values are described as broad tendencies to prefer certain states over others; they are the deepest expressions of culture. Morris et al. (1998) assert that members of the same culture are likely to share a set of values acquired in the process of socialization. Values influence attitudes and decisions which, in turn, affect behavior. Collectively, they form an ongoing spiral of culture (Payne and Landry, 2005; Ma, 2010; Taras, Steel, and Kirkman, 2011).

Culture influences ethical values, attitudes and behaviors (Ma, 2010), and Hunt and Vitell's (1986, 1993) theory of ethical decision making incorporates all of these elements. In their model, the effect of cultural values on ethical intentions and behaviors occurs through the ethical orientation of decision makers. A recent empirical investigation found support for this mediating effect. Using business professionals from the U.S. and the U.S. territory Puerto Rico, Fok et al. (2016) found that act utilitarian orientation significantly mediated the effects of two cultural values, universalism and activity orientation, on ethical decision making. Universalists were less likely to adopt an act utilitarian orientation when

making decisions; those with a “doing” activity orientation were more likely to use this type of ethical orientation. Although there were no national differences on rule or act utilitarian orientation or ethical decision making, the cultural value differences at the individual level of analysis mattered.

Next, we review three cultural value dimensions, long-term orientation, activity orientation (i.e., doing versus being), and universalism, that are expected to relate to rule and act utilitarian orientations and ethical decision making.

#### *Time Orientation*

The cultural dimension, time orientation, relates to the culture’s view of the past, the present and the future, how those time frames are regarded (Adler, 1997) and time orientation length (Hofstede, 2001). Individuals with long term orientation may project years into the future when planning or making decisions, whereas those with short term orientation tend to focus on the here and now. Long-term oriented societies believe in adopting behavior that will preserve and build future value. Perseverance and thrift are noted as important values in long-term oriented societies (Soares, Farhangmehr, and Shoham, 2007).

Based on the inconsistent findings of past research, the role of long-term orientation in ethics and ethical decision making is not clear (Arli and Tjiptono, 2013; Christie, Kwon, Stoeberl, and Baumhart, 2003; Fok et al., 2016; Nevins et al., 2007). Using a sample of business students from the U.S., Nevins et al. (2007) found that two aspects of long-term orientation, tradition and planning, were significant positive predictors of personal ethical values. Cross cultural research in this area has produced less clear conclusions. Christie et al. (2003) conducted a study of cultural values and ethical attitudes of business managers from India, Korea, and the U.S. They found that U.S. managers were higher in long-term orientation but this did not consistently affect ethical attitudes across decision situations. In addition, Fok et al. (2016) found no effect of long-term orientation on utilitarian orientation or ethical decision making even though U.S. and Puerto Rican business professionals differed significantly on this cultural dimension.

#### *Activity Orientation*

A culture’s view of doing versus being is related to the degree to which a group embraces achievement and rejects values found in leisure and family life. Similar in nature to Alas’s (2006) concept of performance orientation, this orientation concerns the encouragement and/or reward for performance improvement or excellence (also cited in Resick, Hanges, and Dickson, 2006). “Doing” cultures seek to achieve the most in life, while “being” cultures want to experience life such that scheduling and punctuality are not essential. The United States is a very doing oriented culture (Kluckhohn and Strodtbeck 1961).

There is surprisingly little research linking this cultural dimension to ethical values and decision making. As discussed previously, Fok et al. (2016) found that activity orientation was a key value that had a direct relationship with act utilitarian orientation and an inverse relationship with ethical decision making. Compared to be-ers, do-ers were likely to use an act utilitarian orientation and make decisions with more economic, and less ethical value.

#### *Universalism/Particularism*

Universalism is the degree to which a culture values universal behavior or hypernorms (Resick *et al.*, 2006). Universalism represents a culture’s desires to use well-established standards of behavior when dealing with ambiguous situations. Particularism is a cultural approach that accepts the adaptation of behaviors to a given situation and set of relationships (Lefebvre, 1982; Trompenaars, 1993). In particularist cultures, behaviors, including those that break rules, are meaningful and adhere to commonsense notions that provide order and regularity (Verkuyten, Rood-Pijpers, Elffers and Hensing, 1994).

Universalistic cultures are more rule-bound and potentially less well equipped to think individualistically about, for example, complex ethical issues or achieving solutions without challenging

the rules. Exceptions that might weaken the rule tend to be resisted (Trompenaars, 1993). More particularistic cultures are not so rule-bound and may be better able to “think outside the box” when it comes to making complex decisions.

In a rare study of this cultural value and ethical decision making, Fok et al. (2016) found that universalism had a significant positive relationship with ethical decision making. After controlling for age, however, the effect was no longer significant. Older professionals were significantly higher in universalism compared to younger professionals. In relation to ethical theory, universalists were more likely to have a rule utilitarian orientation, and less likely to have an act utilitarian orientation during decision making.

### **The Current Study**

In the current study, we revisit Hunt and Vitell’s (1986, 1993) theory of ethical decision making and apply it to a model of cultural values, ethical orientation, and decision making in a business context. Previous findings regarding three cultural values, long-term orientation, activity orientation and decision making. We attempt to replicate the findings of Fok et al. (2016) regarding the mediating effects of utilitarian orientation on cultural values and ethical decision making using a larger U.S.-only sample. Although this study lacks a cross-national focus, we intend to show that cultural values which have been used in the past to demonstrate meaningful differences between national cultures can also be treated as personal, individual-level values and used predict decision makers’ propensity to use utilitarian ethical orientations and make ethical decisions. Based on the arguments presented above, we offer the following hypotheses:

- H1: The values of decision makers will influence their utilitarian ethical orientation. Universalism will be positively related to rule utilitarian orientation and negatively related to act utilitarian orientation. Long-term orientation and doing will be negatively related to rule utilitarian orientation and positively related to act utilitarian orientation.*
- H2: The values of decision makers will affect their ethical decisions. Universalism will be positively related to ethical decision making, whereas long-term orientation and doing will be negatively related to ethical decision making.*
- H3: Utilitarian orientation will be related ethical decision making such that rule utilitarian orientation will be positively related and act utilitarian orientation will be negatively related to decision making.*
- H4: Utilitarian orientation will mediate the relationship between values and ethical decision making.*

## **METHOD**

### **Participants/Data Collection**

Participants were recruited from MBA and undergraduate business courses taught in programs administered by a university in a large Southern city in the U.S. Neither the master’s nor undergraduate business administration program contains a business ethics course, but business ethics concepts are incorporated in various courses. All respondents gave their informed consent to participate prior to completing the study. The survey was posted online with other student material on a digital course management website. Participants downloaded the survey, filled it out, and, upon completion, participants submitted their responses electronically.

The sample included 176 participants. Approximately 53% were MBA students (N = 94) and 47% were undergraduates (N = 82). For the MBAs, the subjects were 52% male with an average age of 33.48

(SD = 8.41) with 12.96 (SD = 8.82) years of working experience and 5.21 (SD = 6.13) years in a management position. With respect to the undergraduates, participants were 52% male with an average age of 23.94 (SD = 4.92) with 5.76 (SD = 4.30) years of working experience and 1.03 (SD = 2.59) years in a management position.

## **Instruments**

### *Cultural Values*

Universalism, long-term orientation, and activity orientation were assessed using the respective scales from a Brenner and McGuire (2003; McGuire, Fok and Kwong, 2006) validation study. The instrument is a 150-item self-report questionnaire on nine cultural values and beliefs. Items were developed based on qualitative research on culture, or taken directly or adapted from existing, validated culture surveys. Brenner and McGuire (2003) found evidence of the Cultural Values Instrument's scale reliability and construct validity on a sample of American respondents. Respondents indicated their agreement to statements about their ideal job and their values and beliefs using 7-point agreement scales.

### *Ethical Decision Making*

Ethical decision making was assessed using the Becker and Fritzsche Behavioral Decision (Fritzsche and Becker, 1984; Becker and Fritzsche, 1987; Premeaux and Mondy, 1993) instrument. This measure contains five hypothetical vignettes that describe various ethical dilemmas about coercion, bribery, environment/pollution, paternalism, and personal integrity (See Appendix A). For each vignette, two responses were solicited. First, subjects were asked to indicate on a 0 "definitely would not" to 10 "definitely would" scale what their own decision would be to the scenario issue. With the exception of vignette 5, higher scores indicate a preference for economic value over ethical value; in vignette 5, higher scores indicate a preference for ethical value. To create a summary measure of ethical decision making in which higher scores indicate more ethical judgments, first ratings on vignettes 1, 2, 3, and 4 were reverse coded. Next, an aggregate decision score was calculated for each respondent by averaging decision ratings across all 5 vignettes.

After reading each scenario and providing a decision rating, participants indicated the reasoning behind that decision. Options were presented in multiple-choice format, including an open-ended option. Following Whitcomb, Erdener, and Li (1998), decision reasons were coded as reflecting one of four ethical theories: Rule Utilitarianism, Act Utilitarianism, Theory of Moral Rights, or Theory of Justice. As seen in Appendix A, each vignette contained reasoning options related to at least two of the four ethical theories considered in this study. Reasoning alternatives in all 5 vignettes included options that were rule-utilitarian or act-utilitarian in nature. The total number of times participants used a rule or act utilitarian coded reason was calculated across the five vignettes and used to indicate the level of utilitarian orientation reflected in their decision making. Scores could range between zero (orientation never indicated) and five (same orientation indicated across decisions).

## **RESULTS**

Hypotheses 1, 2, and 3 concerning the expected directions for relationships between values, utilitarian ethical orientation, and ethical decision making were tested using correlation analysis. The results are presented in Table 1. The level of significance is .05 for all statistical tests. The findings partially support H1; one of the three cultural values considered was related to rule and act utilitarian orientation. As expected, universalism was positively related to rule utilitarian orientation ( $r = .28$ ;  $p < .01$ ) and negatively related to act utilitarian orientation ( $r = -.26$ ;  $p < .01$ ). The values long-term orientation and doing were unrelated to either type of utilitarian orientation.

**TABLE 1**  
**CORRELATIONS BETWEEN MAIN STUDY VARIABLES AND COVARIATES**

Variables	M	SD	1	2	3	4	5	6	7	8
Sex	.52	.50	--							
Age	29.03	8.46	-.04	--						
Doing	4.51	.43	.24**	-.17*	(.88)					
LTO	4.66	.65	.19*	.09	.13	(.72)				
Universalism	5.08	.65	.08	.23**	.06	.11	(.92)			
Rule Utilitarian	2.15	1.03	-.03	.34**	.02	-.03	.28**	--		
Act Utilitarian	1.40	1.15	-.00	-.33**	-.00	-.08	-.26**	-.66**	--	
Ethical DM	7.21	1.62	-.10	.29**	-.08	.12	.28**	.51**	-.61**	--

Note. LTO = Long-term Orientation; When available, scale reliability is included in parentheses on the main diagonal.

N = 176

\*  $p \leq .05$ ; \*\*  $p \leq .01$

Partial support was also found for H2 concerning the values-ethical decision making relationship. Again, universalism was the only value significantly related to ethical decision making. Confirming H2, universalists were significantly more likely make decisions that had ethical, as opposed to economic, value ( $r = .28$ ;  $p < .01$ ). Finally, consistent with H3, rule utilitarian orientation was positively related to ethical decision making ( $r = .51$ ;  $p < .01$ ), and act utilitarian orientation had the opposite effect ( $r = -.61$ ;  $p < .01$ ).

In H4, utilitarian ethical orientation is a proposed mediator of the relationship between cultural values and the outcome ethical decision making. Based on the correlation results discussed above, we identified two sets of variables suited for mediation analyses and a test of H7. Only universalism was significantly related to both forms of utilitarian orientation and ethical decision making, so it was included as the independent variable in two mediation analyses. First, we examined the indirect effect of universalism on ethical decision making via rule utilitarian orientation, and then we tested the same indirect effect replacing rule with act utilitarian orientation. Two covariates, sex (men coded 1, women coded 0) and age, were controlled for in these analyses. The correlations in Table 1 show that sex was significantly related to only two variables, universalism ( $r = -.25$ ,  $p \leq .05$ ) and long-term orientation ( $r = .19$ ,  $p \leq .05$ ). Age, on the other hand, was significantly related to everything but sex and long-term orientation. Compared to younger individuals, older decision makers were more likely universalists and be-ers, not do-ers. Furthermore, they were more likely to make ethical decisions and use rule utilitarian-based reasoning to justify their decisions. Younger individuals used more act utilitarian-based reasoning to justify decisions with more economic value.

To test whether rule utilitarian orientation mediates the effect of universalism on the outcome ethical decision making, we followed the initial steps of the Baron and Kenny's (1986) procedure, and then estimated the indirect effect using the bootstrap technique described in Preacher and Hayes (2004). Regression results from the mediation analysis are presented in Table 2. Initially, we confirmed that the independent variable was a significant predictor of the criterion. The model without the mediator included was significant ( $F(3,172) = 9.46$ ,  $p < .01$ ), and universalism ( $\beta = .24$ ;  $p < .01$ ) remained significant after controlling for the covariates. The  $R^2$  was .14; the addition of universalism significantly improved this value ( $\Delta R^2 = .05$ ,  $p \leq .01$ ) from that observed in the covariates-only model.

**TABLE 2**  
**MEDIATION ANALYSIS FOR VALUES, RULE UTILITARIAN ORIENTATION,**  
**AND ETHICAL DECISION MAKING**

Variables	Outcome: Ethical Decision (Without Mediator)			Outcome: Rule Utilitarian Orientation			Outcome: Ethical Decision (With Mediator)		
	B	SE	B	B	SE	$\beta$	B	SE	$\beta$
Covariates									
Sex	-.36	.23	-.11	-.08	.14	-.04	-.31	.21	-.10
Age	.04	.01	.23**	.03	.01	.29**	.02	.01	.11
Value									
Universalism	.40	.12	.24**	.23	.08	.22**	.24	.11	.14*
Mediator									
Act Utilitarian	--	--	--	--	--	--	.67	.11	.43**
	$F(3,172) = 9.46^{**}$			$F(3,172) = 10.90^{**}$			$F(4,171) = 18.00^{**}$		
	$R^2 = .14$			$R^2 = .16$			$R^2 = .30$		
	$\Delta R^2 = .05^{**}$			$\Delta R^2 = .04^{**}$			$\Delta R^2 = .20^{**}$		

Note.  $\Delta R^2$  based on values from the full and covariate-only models.

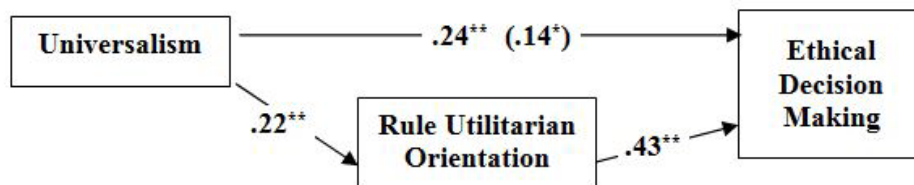
N = 176

\*  $p \leq .05$ ; \*\*  $p \leq .01$

The next step to establishing mediation requires that the independent variables significantly predict the mediator. Here, the model that includes the outcome rule utilitarian orientation was significant ( $F(3,172) = 10.90, p < .01$ ); universalism ( $\beta = .22; p < .01$ ) remained significant after controlling for the covariates. Finally, the  $R^2$  was .16, and, again, the addition of universalism significantly improved this value ( $\Delta R^2 = .04, p \leq .01$ ) from that observed in the covariates-only model.

Finally, mediation tests were performed by regressing ethical decision making on the covariates, universalism, and the mediator rule utilitarian orientation (See Table 2). In support of H4, evidence of mediation was found; the findings are summarized in Figure 1. The overall model was significant ( $F(4, 171) = 18.00, p \leq .01$ ) with an  $R^2$  of .30. The addition of universalism and rule utilitarian orientation significantly improved this value ( $\Delta R^2 = .20, p \leq .01$ ).

**FIGURE 1**  
**STANDARDIZED REGRESSION COEFFICIENTS FOR UNIVERSALISM PREDICTING**  
**ETHICAL DECISION MAKING MEDIATED BY RULE UTILITARIAN ORIENTATION**



The standardized regression coefficient between the predictor and outcome controlling for rule utilitarian orientation is in parentheses.



Rule utilitarian orientation's direct relationship with ethical decision making remained significant even while controlling for universalism ( $\beta = .43, p \leq .01$ ). Although it remained significant, the relationship between universalism and ethical decision making was substantially reduced in this analysis ( $\beta = .14, p \leq .05$ ) compared to the results for the no-mediator model ( $\beta = .22, p \leq .01$ ). Furthermore, based on the test of the .16 estimated indirect effect, rule utilitarian orientation significantly mediates the effect of universalism on ethical decision making. The true indirect effect is estimated to lie between .07 and .26 with 95% confidence. Because zero is not included in this interval, we conclude that the indirect effect is significantly different from zero ( $p \leq .05$ ).

In the second mediation analysis, we tested the indirect effect of universalism on ethical decision making via act utilitarian orientation (See Table 3). Because the first and second mediation analyses include universalism and ethical decision making as the independent and dependent variables, respectively, the results for the first step, no-mediator model in Tables 2 and 3 are the same. Thus, we begin here discussing the second step, testing whether the independent variable significantly predicts the mediator. In Table 3, the model that includes the outcome act utilitarian orientation was significant ( $F(3,172) = 10.10, p < .01$ ); universalism ( $\beta = -.20; p < .01$ ) remained significant after controlling for the covariates. The  $R^2$  was .13, and the addition of universalism significantly improved this value ( $\Delta R^2 = .04, p \leq .01$ ) from that observed in the covariates-only model.

**TABLE 3**  
**MEDIATION ANALYSIS FOR VALUES, ACT UTILITARIAN ORIENTATION,**  
**AND ETHICAL DECISION MAKING**

Variables	Outcome: Ethical Decision (Without Mediator)			Outcome: Act Utilitarian Orientation			Outcome: Ethical Decision (With Mediator)		
	B	SE	B	B	SE	$\beta$	B	SE	$\beta$
Covariates									
Sex	-.36	.23	-.11	.01	.16	.03	-.36	.19	-.11
Age	.04	.01	.23**	-.04	.01	-.29**	.01	.01	.07
Value									
Universalism	.40	.12	.24**	-.23	.09	-.20**	.21	.10	.13*
Mediator									
Act Utilitarian	--	--	--	--	--	--	-.78	.09	-.55**
	$F(3,172) = 9.46^{**}$			$F(3,172) = 10.10^{**}$			$F(4,171) = 23.38^{**}$		
	$R^2 = .14$			$R^2 = .13$			$R^2 = .51$		
	$\Delta R^2 = .05^{**}$			$\Delta R^2 = .04^{**}$			$\Delta R^2 = .37^{**}$		

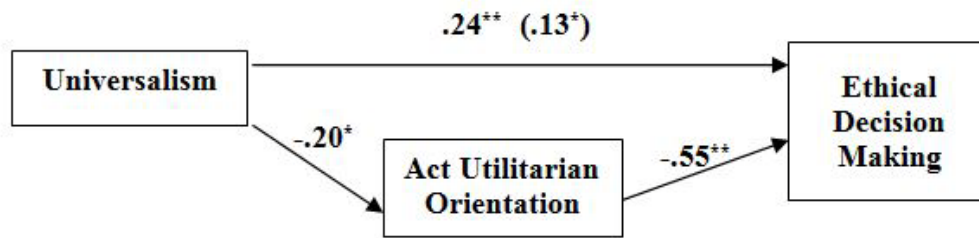
Note.  $\Delta R^2$  based on values from the full and covariate-only models.

N = 176

\*  $p \leq .05$ ; \*\*  $p \leq .01$

In the final step, mediation tests were performed by regressing ethical decision making on the covariates, universalism, and the mediator act utilitarian orientation (See Table 3). In further support of H4, evidence of mediation was found; the findings are modeled in Figure 2. The overall model was significant ( $F(4, 171) = 23.38, p \leq .01$ ) with an  $R^2$  of .51. The addition of universalism and act utilitarian orientation significantly improved this value ( $\Delta R^2 = .37, p \leq .01$ ).

**FIGURE 2**  
**STANDARDIZED REGRESSION COEFFICIENTS FOR UNIVERSALISM PREDICTING**  
**ETHICAL DECISION MAKING MEDIATED BY ACT UTILITARIAN ORIENTATION**



The standardized regression coefficient between the predictor and outcome controlling for act utilitarian orientation is in parentheses.

Act utilitarian orientation's inverse relationship with ethical decision making ( $\beta = -.55, p \leq .01$ ) remained significant after controlling for universalism. The direct effect of universalism on ethical decision making was reduced but remained significant ( $\beta = .13, p \leq .05$ ) compared to the results for the no-mediator model ( $\beta = .24, p \leq .01$ ). Finally, a 95% confidence interval around the .18 estimated indirect effect ranged between .07 and .30. Because this interval does not include zero, the indirect effect is significantly different from zero ( $p \leq .05$ ).

## DISCUSSION

In the area of ethical decision making in organizations, there is a growing emphasis on understanding *why* cultural differences affect behavioral and decision choices (Ulrich and Thielmann, 1993). In an effort to better understand this issue, we examined the relationships between cultural values, utilitarian ethical orientation, and ethical decision making in a sample of business students in the U.S. Our findings reveal that the cultural value universalism drives the adoption of act and rule utilitarian philosophies, which, in turn, significantly impacts the types of ethical decisions made. These findings lend credibility to the idea that cultural values can and do indeed lead to different ways of conceiving and thinking through ethical dilemmas (Goodwin and Goodwin, 1999). Although a debate persists about whether ethical decisions are driven more by individual or situational factors (e.g., Trevino, 1986; Trevino and Youngblood, 1990), these findings confirm the influence of individual differences.

The role of cultural values in ethical decision making was demonstrated by treating cultural values as an individual level personal disposition. Of the three values examined, only universalism had a significant impact on utilitarian ethical orientation and ethical decision making. Contrary to Fok et al. (2016), universalism predicted both act and rule utilitarian orientations and ethical decision making after controlling for age and gender. This provides additional empirical support for Hunt and Vitell's (1986, 1993) theory that cultural values work through ethical orientation to affect ethical decision making. Of course, utilitarian ethical orientation is just one type of moral theory and it should not be the only one that matters. Future research should investigate the link between cultural values and other ethical orientations that have been linked to ethical decision making.

The lack of significance of doing activity orientation was surprising given it was a key variable that predicted act utilitarian orientation and ethical decisions in Fok et al. (2016). Also, our results are inconsistent with Nevins et al.'s (2007) findings of a significant relationship between long-term orientation and ethical values. They did however consider separately two types of long term orientation, planning for the future and valuing the past. We used a measure of long-term orientation that combines these two aspects together. Perhaps, this affected our lack of significant findings.

In contrast to previous findings that moral reasoning patterns differ from issue to issue (Jones, 1991; Weber 1990; Weber 1996), the current findings suggest that certain cultural values are associated with a the use of particular ethical theory when making a decision. Notably, we aggregated the ethical decision ratings across the five vignettes and we calculated the total number of decision reasons provided by a participant that reflected act or rule utilitarian orientations. Epstein (1979) argued that meaningful associations between individual characteristics and behavioral outcomes are more likely to be observed when the behaviors are aggregated over time or across situations. Single incident behaviors or outcomes are susceptible to more sources of error than aggregate measures that capitalize on measurement reliability and are, thus, more likely to show behavioral stability. Future research should examine the predictive validity of individual and situational variables when ethical decision making is measured at an aggregate or disaggregate level.

## LIMITATIONS

There are several limitations to this research. First, we measured ethical decision making in terms of behavioral intentions rather than actual behavior. Measuring intentions rather than real-world behavior standardizes the context by removing consequences of the decision and social influences like peer pressure. However, hypothetical decisions have no real world consequences and may not be reflect what business professionals would actually do on the job. Second, we did not test all possible cultural values that could impact ethical orientations and ethical decisions. Finally, it is also possible that the respondents to the surveys altered their responses on the basis of the fact that ethical behavior is laudable or expected: they may have altered responses based on what they thought people would believe is the right thing, rather than what they themselves would or would not do in any given situation.

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## APPENDIX A

### Scenario 1: Rollfast Bicycle Company

Rollfast Bicycle Company has been barred from entering the market in a large foreign country by collusive efforts of the local bicycle manufacturers. Rollfast could expect to net 5 million dollars per year from sales if it could penetrate the market. Last week a businessman from the foreign country contracted the management of Rollfast and stated that he could smooth the way for the company to sell in his country for a price of \$500,000. If you were responsible, what are the chances that you would pay the price?

**Decision Question:** Would you pay the price of \$500,000? Enter a number between 0 (Definitely would not) and 10 (Definitely would).

**Decision Justification:** What is the reason for your choice in the question above?

Ethical Orientation	Response Options
Rule Utilitarian	Such a payment is illegal.
Act Utilitarian	Such a payment hurts no one.
Act Utilitarian	Such a payment depends on a middleman who may not be trustworthy.
Act Utilitarian	Such a payment is an acceptable practice in other countries.
Rule Utilitarian	Such a payment is unethical - a bribe.
Rule Utilitarian	Such a payment is against company policy.
Act Utilitarian	Such a payment is not unethical, it is just the price paid to do business.

### Scenario 2: Bill Smith

Bill Smith has recently accepted a job with a young, vigorous microcomputer manufacturer. Microcomputer manufacturers are engaged in intense competition to become the first on the market with a software package that utilizes the English language and thus is easily used by the average customer. Smith's former employer is rumored to be the leader in this software development. When Smith was hired he was led to believe his selection was based upon his management potential. The morning beginning the third week on the new job, Smith received the following memo from the president: Please meet with me tomorrow at 8:15 for the purpose of discussing the developments your former employer has made in micro-computer software. If you were Smith, what are the chances you would provide your new employer with the software information?

**Decision Question:** Would you provide your new employer with the software information? Enter a number between 0 (Definitely would not) and 10 (Definitely would).

**Decision Justification:** What is the reason for your choice in the question above?

Ethical Orientation	Response Options
Rule Utilitarian	It is unethical for the president to request this information.
Act Utilitarian	Smith should provide some but not all information.
Act Utilitarian	Smith should keep his job.
Rule Utilitarian	It is unethical for Smith to provide this information.
Act Utilitarian	Smith should be loyal to his employer.
Moral Rights	It was unethical for the employer to mislead Smith when he was hired.
Rule Utilitarian	Smith should base the decision on whatever non-competition or security agreements are in force.
Rule Utilitarian	Smith should protect his reputation.

### Scenario 3: Master Millers Company

Master Millers Company had developed a special milling process which yields a wheat flour which when used for bread provides a lighter, more uniform texture than conventionally milled wheat flour. Unfortunately, the process gives off more dust than the emission control equipment presently installed can handle and still maintain emissions within legal limits. Emission control equipment will not be available for at least two years, so the company cannot install it now. However, if the company waited two years to introduce the new process, competitors would very likely beat it to the market. The general manager wants to use the new process during the third shift, which runs from 10 p.m. to 6 a.m. By using the process at that time, the new flour could be introduced and the excess pollution would not be detected due to its release in the dark. By the time demand becomes great enough to utilize a second shift, new emission control equipment should be available. If you were responsible, what are the chances you would approve the general manager's request?

**Decision Question:** Would you approve the general manager's request? Enter a number between 0 (Definitely would not) and 10 (Definitely would).

**Decision Justification:** What is the reason for your choice in the question above?

Ethical Orientation	Response Options
Act Utilitarian	Approving the request reflects that the equipment would be installed if available; that it is not available is not their fault.
Act Utilitarian	Approving the request will cause minimal harm to the environment.
Act Utilitarian	Approving the request brings with it a too-high risk of getting caught with resulting negative consequences.
Act Utilitarian	Approving the request provides a large potential gain with low risk.
Rule Utilitarian	Approving the request is illegal.
Justice	Approving the request is negative for the environment / life.

### Scenario 4: J&P Publishing Company

Ted Jones, senior editor of J&P Publishing Company, has just received a manuscript from one of his most successful authors. It provides the most authoritative account yet published of the history of the development of the atomic bomb. However, the final chapter contains a detailed description of how the bomb is made. Jones has tried to convince the author to omit the last chapter stating that such information should not be made readily available to the mass market in paperback form. The author believes the chapter is critical to the success of the book and thus will not agree to its deletion. If you were Jones, what are the chances that you would publish the book?

**Decision Question:** Would you publish the book? Enter a number between 0 (Definitely would not) and 10 (Definitely would).

**Decision Justification:** What is the reason for your choice in the question above?

Ethical Orientation	Response Options
Act Utilitarian	Those who want the information can get it now from other sources.
Rule Utilitarian	Publishing the book may be detrimental to the company's image.
Rule Utilitarian	Publishing the book is too dangerous to world safety.
Act Utilitarian	Jones does not have the responsibility to make this choice.
Rule Utilitarian	Publishing may have legal ramifications.

**Scenario 5: Jack Ward**

Jack Ward is working in product development for an auto parts contractor. Ward's firm received a large contract last summer to manufacture transaxles to be used in a new line of front wheel drive cars which a major auto manufacturer plans to introduce in the near future. The contract is very important to Ward's firm, which has recently fallen on hard times. Just prior to obtaining the contract, half of the firm's employees, including Ward, had been scheduled for an indefinite layoff. Final testing of the assemblies ended last Friday. The first shipments are scheduled for three weeks from today."

As Ward began examining the test reports, he discovered that the transaxle tended to fail when loaded at more than 20% over the rated capacity and when subjected to strong torsion forces. Such a condition could occur with a heavily loaded car braking hard for a curve down a mountain road. The results would be disastrous. The manufacturer's specifications call for the transaxle to carry 130% of its rated capacity without failing. Ward showed the results to his supervisor and the company president, who indicated that they were both aware of the report. If they did not deliver the assemblies on time, they would lose the contract. Ward must now decide whether to show the test results to the auto manufacturer. If you were Ward, what are the chances that you would notify the auto manufacturer?"

**Decision Question:** Would you notify the auto manufacturer? Enter a number between 0 (Definitely would not) and 10 (Definitely would).

**Decision Justification:** What is the reason for your choice in the question above?

Ethical Orientation	Response Options
Rule Utilitarian	Ward has no additional responsibility.
Rule Utilitarian	Ward should remain loyal to his company and remain silent.
Moral Rights	The risk of injury or death is too great to remain silent.
Moral Rights	The company has a responsibility to the public.
Moral Rights	It is criminal and dishonest to remain silent.
Act Utilitarian	The risk to the firm's image, profitability, and long run potential are too great to remain silent.
Act Utilitarian	The risk of injury or death is too low to halt the sale.