**4. Moral Development and Moral Decision Making in Individuals, Corporations and**

**Cultures**

A. Moral Development of Individuals

(i) ***Lawrence Kohlberg (1969) found that children construct more complex moral reasoning as they grow older.*** His view is that the development of moral reasoning is characterised by a sequence of six stages grouped into three general levels of morality: preconvention, conventional and post conventional.

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| Level 1: Pre-conventional Moral reasoning | Stage 1: Follow rules to avoid punishment  Stage 2: Do right or wrong based on  receiving rewards |
| Level 2: Conventional Moral Reasoning | Stage 3: Doing what is judged and approved  by others  Stage 4: Respect law and social orders |
| Level 3: Post Conventional Moral  Reasoning | Stage 5: What is good is determined by  socially accepted standards of  individual rights.  Stage 6: What is good and right is based on  individual conscience and  involved concepts of justice,  human dignity and equity. |

The moral understanding of a person moves from the lower level to the higher levels and that each level is achieved at different times depending on the situation. The progress is in a dynamic situation, it moves from one level to another.

(ii) ***Carol Gilligan (1936- )*** who worked with Kohlberg, argued that Kohlberg’s model is related to man. She said that women behaved morally different from men. Women tend to develop their moral understanding through “interpersonal relationships”. She termed them as “ethics of care”. She also identified 6 stages of moral development: fear of consequences, what is it for me, group acceptance, social order, majoritarian and principled stages.

**B. Ethical Decision Making in Organisations**

***Linda Klebe Trevino***’s (1986) model for ethical decision making in organisations is based on interaction of individuals and situational factors. It says that an individual’s reaction to an ethical dilemma is based on his/her cognitive moral development stage as defined by Kohlberg. It is also dependent on other individual and situational variables to influence a person behavioural response to an ethical dilemma. Three individual variables are identified as *ego strength, field dependence (experience, environmental situations and organisational culture) and locus of control.* The situational variables are identified as: *organisational structure, referent others, obedience to authority, responsibility for authority, responsibility for consequences and reinforcement contingencies and other pressures such as job characteristics and moral content of organisational culture.*

**C. Ethical Challenges Faced by Business People**

Businesses exist for economic reason to achieve profit maximization. They face five ethical challenges:

1. Balancing economic character of organisations with justice and fairness
2. Conflict of interest
3. Personality traits
4. Responsibility to stakeholders
5. Level of openness

Decisions in organisations are made at three levels:

1. At individual level – personal interest and needs
2. At organisational level – decisions done on behalf of the organisation
3. At business system level – decisions are made in line with the industry it is in.

Decisions at the management functional levels – planning, organising, leading and

controlling must be done ethically. This is known as *ethical management*.

At the management level, managers must make ethical decisions based on the legal

systems and the internal policies, rules and regulations as found in the constitution of the

company. This is known as the *management of ethics*.

For effective business decisions to be done, involves the following aspects:

1. To generate economic returns such as profits, it must be done within the legal systems
2. To generate business decisions, it must be done within the moral dimension in order to be effective.
3. For social responsibility, decisions must be made within the moral dimension to do good for all and the well-being of others.
4. For effective and ethical business decision-making requires the integration of the three dimensions – economic, legal and moral in order to benefit all parties concerned.

D. Managing Ethical Challenges

* Business people face ethical conflicts that put them in a state of dilemma.
* Ethical dilemmas can be resolved through three check questions before making decisions:

1. Is it legal?
2. Is it balanced?
3. How will the action make me feel about myself?

* If these questions are answered with a good conscience and clarity, then the business people can act in good faith i.e. to act honestly in the interest of the company and the well-being of the community.
* Business people are expected to have the ethical knowledge and skill to assess the situation and act accordingly to come out with effective and ethical business decisions.
* Religion does play a role in ethical decision making. All religions uphold the principle of doing good, to be just and fair, compassionate, show respect to others, do good to others as you would have them do unto you, etc.

**E. Influence of Culture on Moral development**

* Culture refers to the values, beliefs and attitudes of a society.
* There is no common culture for all societies.
* Different cultures have different moral beliefs.
* Cultures influence moral development and moral decision making.

**F. Walter Maner’s Model of Decision Making in Business Ethics**

Although there are 12 stages being prescribed, the number has been reduced to 6 stages based on the acronym E-T-H-I-C-S to ensure justice and fairness.

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| Step | Element | Action |
| 1 | Educate | Educate yourself and others in the workplace about the need for ethical awareness, the need for audits, codes and training and setting of policies and procedures to face ethical issues. |
| 2 | Tell | TELL the facts of the case as they are without any attempt to attribute rightness or wrongness to the various events. |
| 3 | Highlight | HIGHLIGHT the principles, values and codes relevant to the issues especially those in conflicting situations. |
| 4 | Investigate | INVESTIGATE the options for resolving the issue and procedural fairness is provided to those accused of ethical breaches or misconduct. |
| 5 | Choose | CHOOSE your preferred option and implement it. |
| 6 | Systematise | SYSTEMATISE the process after reviewing both the decisions and the process to ensure the outcomes is just and fair and implementing any improvement to the process. |

Review Questions

1. Compare and contrast between Kohlberg’s model an Trevino’s model on moral development and reasoning.
2. Discuss three ethical challenges faced by business people.
3. Internalization of ethics requires one’s conscience to be socially responsible and committed to ethical principles, including religion. Do you agree with this contention? Discuss.
4. Differentiate between ethical management and management of ethics. Provide examples in your explanation.

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**4. Case study: Authentic Biscuits from Australia…… to Sell or Dispose?**

Helena is an MBA graduate from a Malaysian institution of higher learning. She had majored in marketing and is interested in retailing. On day, whole browsing Jobstreet.com, to her excitement, she received a job offer from a large and prestigious department chain \store in Kuala Lumpur. With open hands, Helena accepted the job offer. She is all set to face the challenges at the new workplace.

At point of entry, she was positioned as a trainee executive, whereby she will be rotated on the job to all the departments to gain exposure and appreciate the nature of the business. Helena’s first assignment is to assist Madam Marina, a qualified buyer in the Food and Beverages Department. Buyers play a critical role in the management of the department store. They select the goods to be offered, negotiate purchase terms and conditions, set retail prices, arrange displays, organise promotions and are generally responsible for the operations of the departments within the store.

Helena was extremely happy on the first month of her employment. Madam Marina respected her as an employee. On several occasions she received praises for good discipline. Her views and opinions have been well considered and workload is just right.

However, an event occurred that threatened to destroy all her contentment. According to Madam Marina, the department store has received a shipment of imported halal biscuits from Australia with an authentic chocolate cream filling. They are well packed in attractive foil covered boxes, but somehow some of them had become infested with moulds and insects. Not all the boxes were infected, since only a few customers have returned the item after purchase. But the point is some people did return their purchased packs. Obviously, said Madam Marina, “We cannot continue to sell them at our department store to uphold our good image. We also do not have the time to inspect every package and keep the ones that are not infested.” Madam Marina went on to discuss the cost implications. She uttered, “What about the losses that we have to incur? We have already committed a capital cost of almost RM50,000. The biscuit manufacturer will not refund us since it is doubtful whether the infestation had occurred during shipment, or even during storage at our own warehouse.”

After a serious discussion, Madam Marina asked Helena to get rid of the biscuits. Helena thought that Madam Marina asked her to throw them away at the rubbish bins provided by the KL municipality (DBKL) near the store, but Madam Marina further clarified to Helena, “Absolutely not! Call Mr Maniam. He operates a mini market at the outskirts of the Klang Valley where the majority of the residents are in the low income groups. We have got to get our money back!”

Helena protested openly, but Madam Marina further assured, “Look, there is nothing wrong with our actions. The residents of these areas have never had high quality foodstuff of this nature. These imported biscuits will be sold very cheaply, and for most people who buy them, it will be an opportunity to try something really good. Only a few people will get the infested boxes. They will not be very happy, but at such remote areas, they will have expected this especially when they see a low price on an expensive product. They make the choice. We don’t!” Helena is in a dilemma…should she follow the instructions of her boss?

Questions:

1. Analyse this case from economic, legal and moral perspectives. Justify whether Madam Marina’s strategic views are reasonable or otherwise.
2. Assess whether Madam Marina practises ethical management and management of ethics. Provide your reasoning.

If you were Helena, what would you do in this situation? Will you arrange for the delivery of the biscuits to Mr Maniam? Justify your actions