

Judging Managerial Actions as Ethical or Unethical: Decision Bias and Domain Relevant Experience

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ABSTRACT

This is an empirical study comparing the susceptibility of managers and students to a decision-making bias when making judgments about ethical business practices. The managers and students read through vignettes and made judgments about how ethical they perceived the described business actions to be. Half of the participants (half of the managers and half of the students) were exposed to three situations in which the actions being judged were clearly unethical. The other half of each group was exposed to situations in which the actions being judged were clearly ethical. All were exposed to the same fourth situation of a business decision. In this ambiguous situation it was not clear if the business decision being evaluated was ethical or unethical. The decision bias examined here addressed the question of 'to what extent does exposure to prior unethical (or ethical) actions influence one's evaluation of how ethical a particular business decision is when it is not a clearly right or wrong action. The results demonstrated that students' ethical judgments about the action in the fourth scenario (the same scenario for everyone) differed depending on what they were previously exposed to. Significant assimilation effects were found in the student sample suggesting support for the perceptual readiness models. The managerial sample yielded differences in the opposite direction, one of a contrast effect, but these did not reach statistical significance. Assimilation effects occurred in the sample without domain relevant experience and contrast effects occurred with the experienced sample. Implications are discussed.

Key Words: Ethical perceptions, ethical judgments, decision bias, assimilation and contrast effects, decision making, domain relevant experience, students and managers as subjects in decision bias research

1. Introduction

Business firms are increasingly concerned with the public's perception of their business practices. The importance of such perceptions is increased as the information flow has expanded between organizations and their customers, their suppliers, and the public in general. One element of managing in today's organizations is the challenging public relations task of gauging, responding to, and attempting to influence public perception. Many corporations in the past few years have suffered public relations disasters and negative economic consequences as a result of negative public perception concerning the "ethics" of the organization. The distrust in organizations behaving ethically has increased as reflected in the "Occupy Wall Street" protests and in the more widely held attitudes of distrust towards organizations. The global economic recession of the past several years and the slow economic recovery has people judging companies with more scrutiny. Technological advances, regulatory changes, and wide-spread attitudes of distrust have put managerial behaviors under more scrutiny now than any time before in history.

Understanding what influences people's perceptions of behaviors as ethical or unethical is increasingly important. Companies are looking to develop programs that might increase the chances that their employees will behave ethically in daily interactions (Trevino & Nelson, 2011). Millennials are increasingly interested in "ethical consuming" such that they are considering motives and causes when making purchasing decisions (Bucic, Harris, and Arli, 2012).

The past several decades have witnessed a growth in business ethics research and in society's concern about business ethics. Much of the research has focused on collecting normative data and making policy suggestions, building models of ethical behavior, and identifying factors influencing ethical behavior. Many of these researchers publishing empirical business ethics research, myself included, have relied on students as the source of data.

The findings reported in this article point to the importance of understanding some limitations when using students in business ethics research. The empirical results reported here, and other published research, indicates students and practitioners often have significant differences in their evaluations of what is and is not ethical behavior.

How a person judges another's action to be ethical or not, and the human information processing phenomena related to this type of decision making, has received scant attention in research. Yet the factors that influence the development and evolution of such perceptions could be important in the effective management of both organizational practices and the publics' perceived ethical/unethical interpretation of those practices.

There may be similarities between those factors that influence ethical behavior and factors that lead individual's to judge certain behaviors as more or less ethical. The person-situation interaction model of ethical decision making posits that a person's cognition is significantly important for determining ethical behavior, along with other individual and situational factors (Trevino, 1986). Cognitive reasoning should also influence his or her perceptions regarding which organizational behaviors are or are not ethical.

While moral cognition has long been considered to "play a central role in moral functioning" (Blasi, 1980), research has focused almost exclusively on objective, purposeful, active engagement in reasoning. Lawrence Kohlberg's theory, which posits a universal model of moral reasoning development, has been extensively investigated. According to the theory, moral reasoning is considered paramount in moral behavior. The various relationships between moral stages, moral reasoning, controlled and effortful attention, and ethical behavior have been addressed -- although not resolved -- from several perspectives (e.g., Blasi, 1980; Kohlberg, 1976, 1981; Kohlberg & Candee, 1984; Penn & Collier, 1985).

However, decision making biases generally examined in decision making have only recently been examined in moral reasoning and business ethics perceptions. This study was designed to test for the presence of judgment bias in decisions about business ethics in human resource management decisions. Marketing/sales decisions can be influenced by reference point priming (Boyle, Dahlstrom, & Kellaris, 1998). The two related biases are those of assimilation effects and contrast effects. More specifically, this research was designed to investigate the effect of previous ethical perceptions and ethical ratings on a given, current ethical perceptions in the context of human resource management decisions.

The context of human resource management decisions was chosen because of the direct impact these organizational decisions have on employees. Some important relationships between business ethics and human resource decisions have been examined in numerous studies. For example, ethics in selection (Alder & Gilbert, 2006; Arvey & Renz, 1992), age discrimination (Henry & Jennings, 2004), training (Beggs & Dean, 2007), and others have been examined. This current study involved applying the assimilation and contrast decision-bias literature on an investigation the perception of business ethics. The next section briefly describes the theoretical foundations of the assimilation and contrast bias phenomena. This literature provides a background from which to examine the results of the current studies.

2. Theoretical Background

An *assimilation* effect, in the current context, refers to an evaluation of a personnel practice that is biased in the direction of prior evaluations or biased in the direction of a recently exposed concept. A *contrast* effect refers to an evaluation of a personnel practice that is biased in the direction opposite of prior evaluations or in the direction opposite of recently exposed concept. Assimilation and contrast effects have been investigated the human resources extensively in the performance appraisal context (Murphy, Balzer, Lockhart, & Eisenman, 1985, Sumer & Knight, 1996, Woehr & Roch, 1996, and others). Assimilation and contrast effects have also been studied more directly because of an interest in the actual decision making processes involved in bringing about these biases in decisions (see Moskowitz & Skurnik, 1999).

There are two divergent schools of thought that the literature has focused on concerning the description, explanation, and prediction of assimilation and contrast effects. Perceptual readiness models associated with concept priming and feature-match concepts of judgment and decision making represent one direction of research. The set/reset model of assimilation and contrast represents the other major direction in this area.

2.1 Perceptual Readiness Models

Perceptual readiness models are grounded in the concept priming and feature match phenomena. Concept priming may be thought of as a procedure which enhances the availability and/or accessibility of a particular concept in a person's memory. It is widely accepted that concept priming significantly influences subsequent related information processing (Boyle, Dahlstrom, & Kellaris, 1998; Herr, 1986; Higgins & King, 1981; Lombardi, Higgins, & Bargh, 1987; Martin, 1986; Martin & Achee, 1992; Martin, Seta, & Crelia, 1990; Moskowitz & Skurnik, 1999; Oyserman & Lee, 2008; Sherman, Mackie, & Driscoll, 1990; and others). That is, enhancing the availability or accessibility of a particular concept, or knowledge structure, will influence information processing which subsequently takes place and is related to the "primed" concept. Thus, the priming of the concept "ethical human resource decision" may increase the probability of that concept being used to organize one's thoughts (i.e., to form an impression about) a given current organizational decision of interest. Similarly, the priming of the concept "unethical human resource decision" may be used in the subsequent perceptions about a different organizational decision.

The priming of a category will increase the chances that the category will be used to organize one's judgments about a current social observation (Wyer & Srull, 1980). Still, it is widely believed that our judgments about people, objects, situations, and other phenomena about which we may form judgments are, for the most part, objectively based on the information available to us at that time. Contrary to this belief, it has been demonstrated extensively that judgments, especially of ambiguous stimuli, typically vary across people. So, when people are looking at a business and making judgments about how ethical a particular decision was, those judgments are particularly prone to biases and are vulnerable to widely varying evaluations. These evaluations are not commonly based on "objective" criteria. Such judgments, by their very nature, are likely to be quite susceptible to various decision making biases. Thus, judgments of previous human resource decisions as ethical or unethical may serve to prime the respective concept and influence subsequent judgments.

But what is the mechanism through which the concept priming process occurs? Bruner's (1957) work suggests that *perceptual readiness* could provide an explanation. According to perceptual readiness, when an individual is presented with ambiguous stimuli about which a judgment is required, a certain process will occur. The first step in the process is to encode (assign or match) the stimuli – basically to associate it with a concept that already exists in memory. This encoding involves, among other things, matching the features of stimuli with a concept. An impression is then formed from knowledge about the concept rather than the original stimuli.

Wyer and Srull (1980) and Higgins and King (1981) presented models of concept use in impression formation which "placed the onus of concept use/disuse on two qualities of the primed information: applicability and accessibility" (Martin & Achee, 1992, p. 198). However, there may be two important problems with the perceptual readiness view (Martin & Achee, 1992). First, *similarity* is not an explanatory concept (this was also noted by Medin (1989). Rather, similarity may be more accurately thought of as a dependent variable since it is a result of the features that determine applicability (similarity). Second, feature match models can not address the findings which demonstrate *contrast* effects in the presence of denotatively similar concept priming. A subject's *awareness* of the priming stimuli is apparently an important determinant of the type of influence a concept will have on the interpretation of information (Martin & Achee, 1992).

2.2 Set/Reset Model

The set/reset model (Martin, 1986; Martin *et al.*, 1990) proposes that there are many sources from which individuals will seek information which is appropriate (or "not inappropriate") for their current information processing objectives (Martin & Achee, 1992). Various manipulations in assimilation and contrast studies differentially affect the "ability to prompt individuals into bringing or not bringing their responses to the contextual stimuli to bear in forming the target impression" (Martin, 1986, p. 495). When an individual uses a contextually activated response in impression formation, the evaluation is assimilated towards the primed concept. Such use of the primed concept is referred to as *set*. *Reset* refers to the suppressed use of the contextually activated response and the use of a response concept which is distinct from the primed concept. This type of evaluation results in judgments which contrast with the primed concept.

According to the model, if an individual has the goal of forming an objective evaluative judgment of a target stimulus, any "priming" will be considered inappropriate as an influence on the evaluation. As such, if the individual was aware of such contextually activated response concepts, he or she would be motivated to

suppress that concept. Consequently, the suppression of the concept is predicted to lead towards judgments which contrast with primed concepts. This may explain the strong contrast findings in Murphy *et al.*'s (1985) study 1 investigation. Because the goal was to rate each performance, evaluative judgments based on previous performances would have been considered inappropriate for the third rating. Thus, the good (or poor) concepts may have been suppressed, resulting in the contrast effects.

More generally, the set/reset model predicts that any factor that makes information inconsistent with processing objectives will cause individuals to *reset* and look for independently activated evaluative response categories while suppressing the contextually activated response (Martin & Achee, 1992). The model assumes people "sift" through their thoughts and feelings about the target stimulus and assess the inappropriateness of the various activations. Activated concepts are used in impression formation unless they are considered inappropriate, in which case it is dropped from the evaluation. Thus, recent exposure to either ethical or unethical organizational decisions should make the concept appear inappropriate for subsequent judgments - creating a contrast effect.

2.3 Hypotheses

These models provide theoretical explanations for the results of numerous priming and assimilation/contrast studies. In the present study, the perceptual readiness models would predict assimilation effects while the set/reset model would predict contrast effects. The null hypothesis for decision bias was:

"There will be no significant difference in the ethical perceptions for a particular human resource management decision due to previous exposure to either unethical or ethical decisions."

A rejection of the null hypothesis would provide support for either the feature match model or the set/reset model, depending on whether the difference was in the direction of an assimilation effect or contrast effect.

The null hypothesis for the difference between student subjects and managerial subjects was:

"There will be no difference in the significance of bias found between the results from the students and the results from the managerial participants."

A rejection of this null would provide support for the argument that students and managers sometimes make different patterns of decisions and that domain relevant experience influences one's susceptibility to an assimilation or contrast bias.

3. Methods

The study generally follows the procedure used by Murphy *et al.* (1985) in their investigation of the effects of previous performance on evaluations of present performance, except that here there were two studies. Study 1 involved university students as the sample while study 2 involved current managers as the sample.

In study 1, subjects read three scenarios that involved a human resource manager. After each scenario they were asked to make ethical evaluations of the particular decisions affecting employees. Some subjects read three unethical-action scenarios, followed by an ethically ambiguous scenario. Other subjects read three ethical-action scenarios, followed by the exact same fourth scenario. The same procedure was used in study 2 with managers.

Within each of the two studies, the judgments for the ethically ambiguous scenario were compared between conditions to determine the effects of previous ethical evaluations on the present evaluation. A between group difference in the ethical evaluations of the ambiguous scenario would suggest that previous evaluations had an influence on subsequent ethical evaluations.

3.1 Procedure

Study 1. Forty-five undergraduates participated in this experiment in exchange for course credit. These volunteer participants were from upper-division, undergraduate business classes. Subjects were randomly assigned to either an ethical-behavior condition or an unethical-behavior condition. They read the instructions and then made their evaluations of the three scenarios (see Appendix). The scenarios consisted of three examples of ethical behavior (or unethical behavior, depending on which condition they had been placed into) and a fourth common scenario which was ethically ambiguous. The fourth scenario was the same exact stimulus regardless of the condition the subjects had been placed into. Thus, differences between the conditions with regard to how they evaluated this fourth scenario might be due to the scenarios they had just previously evaluated.

Participants made evaluative judgments of the behavior described in each scenario, immediately after reading *each* scenario.

Study 2. One hundred human resource managers were sent the materials and a letter requesting their participation. The managers' names and addresses were acquired through multiple reference books for companies across four states within the US. These mailings were randomly assigned to either the ethical or unethical scenario conditions. They read the scenarios and made their ratings accordingly.

3.2 Rating Scale and Scenarios

The purpose of the rating was to get a measure of the subjects' overall, or broad-based, ethical evaluation of the behavior described in the particular scenario. Thus the broad-based ethical judgment dimensions which Hansen (1992) derived (based on Reidenbach and Robin's 1990 work) were used here. An additional item was added which consisted of a bipolar rating ranging from unethical to ethical. All eight dimensions (see Table 1) are measured with bipolar adjectives (or statements). There are seven unanchored rating categories from which to choose in evaluating the scenario along the continuum of that particular dimension.

The ethical-action and unethical-action scenario conditions contained very similar scenarios. The majority of the information between respective scenarios was identical across the conditions. The difference appeared in the last few sentences, which described the decision (ethical/unethical) made by the human resource manager (see materials in the Appendix). The first scenario involved falsifying/not falsifying performance appraisals downward to keep a star employee working under the person rather than at the same level. The second scenario involved identifying (and consequently terminating some)/not identifying employee respondents to a supposedly anonymous organizational development survey. The third scenario involves a manager witnessing two incidents of sexual harassment against a female employee and then either telling the company investigators he hasn't seen anything or telling them the truth about what he had seen. The final scenario for both studies dealt with the early release/non release of inconclusive research results indicating some potential health dangers. Releasing the preliminary and contradictory findings meant that many employees would receive permanent lay-offs, despite the possibility that these early conclusions were not accurate. Not releasing the findings meant that the employees were potentially being exposed to health risks for which they had not been informed. The information was not released. The scenario described was intended to depict a situation in which the ethical course of action was not immediately clear but rather was ambiguous, or at least not as clear as in the prior scenarios. The subjects received the exact same final scenario across studies and conditions.

4. Results

Study 1. There are significant differences in how ethical a person will judge a particular business decision to be depending on what types of previous decisions the student has been exposed to, based on the MANOVA analyses results. Thus, an un-weighted average of the dimensions was derived for each condition on each scenario. All further analyses were performed using the single average as the dependent measure. As a manipulation check, *t*-tests were performed on the averages of the ethical judgments between conditions on each of the first two scenarios. The differences were all significant suggesting that the manipulation was adequate.

The null hypothesis that ethical perceptions would be similar was rejected. Instead, there was support for the research hypothesis that there would be a difference in ethical perceptions between those subjects in the prior exposure to ethical-action scenario condition compared to those in the prior exposure to unethical-action scenario condition. The judgments about how ethical the business decision was were higher for those individuals who exposed to ethical-action scenario condition than for the individuals exposed to the unethical-action scenario condition. This result held on each dimension, yielding a significant assimilation effect (see Table 1).

TABLE 1
Study 1: Means^a and Standard Deviations of the Ethical Ratings for the Ambiguous Scenario

Ethical Dimensions	Prior Exposure Condition			
	Ethical Behavior		Unethical Behavior	
	M	SD	M	SD
1. Just/Unjust	3.27	1.86	1.39 ^{***}	.66
2. Good/Bad	3.00	1.95	1.39 ^{***}	.72
3. Individually				
Acceptable/Unacceptable	2.91	1.97	1.43 ^{**}	1.04
4. Culturally				
Acceptable/Unacceptable	3.64	1.79	1.52 ^{***}	.90
5. Acceptable/Unacceptable to people I most admire	2.82	1.89	1.35 ^{***}	.65
6. Morally right/Morally wrong	2.45	1.65	1.39 [*]	1.03
7. Acceptable/Unacceptable to my family	2.77	1.74	1.43 ^{**}	.90
8. Ethical/Unethical	2.55	1.92	1.39 [*]	.94
(Overall Average)	2.93	1.62	1.41^{***}	1.39

^a Higher scores represent evaluations of the behaviors as more ethical.
* $p < .05$. ** $p < .01$. *** $p < .001$.

Study 2. Of the 100 questionnaires mailed in the survey, 12 were undeliverable and returned, 43 were completed and returned, and 45 were not returned. The response rate was very good at 49% (43 returns from the 88 delivered surveys). As in study one, unweighted averages of the ratings for each scenario was used for analysis. As a manipulation check, Scheffe *t*-tests were performed on the averages of the ethical judgments between conditions on the first two scenarios. The means and standard deviations for the ethical and unethical conditions for scenario one were 6.78 (.39) and 1.52 (.68). For scenario two the means and standard deviations were 6.59 (.60) and 1.39 (.67). The differences were significant suggesting adequate manipulation of the conditions. The null hypothesis was not rejected, $t(38) = .04, p > .05$. The means and standard deviations are shown in Table 2.

TABLE 2
Study 2: Means^a and Standard Deviations of the Ethical Ratings for the Ambiguous Scenario

Ethical Dimensions	Prior Exposure Condition			
	Ethical Behavior		Unethical Behavior	
	M	SD	M	SD
1. Just/Unjust	3.40	1.76	3.55	1.96
2. Good/Bad	3.40	1.50	3.00	1.81
3. Individually				
Acceptable/Unacceptable	3.00	1.95	3.10	2.07
4. Culturally				
Acceptable/Unacceptable	3.60	2.19	3.65	2.06
5. Acceptable/Unacceptable to people I most admire	3.55	1.96	3.40	1.90
6. Morally right/Morally wrong	2.75	1.71	2.85	2.03
7. Acceptable/Unacceptable to my family	2.55	1.57	3.30	2.08
8. Ethical/Unethical	2.95	1.64	3.25	2.05
(Overall Average)	3.15	1.57	3.26	1.84

^a Higher scores represent evaluations of the behaviors as more ethical.
* $p < .05$. ** $p < .01$. *** $p < .001$.

5. Discussion

The data from the student sample yielded strong assimilation effects – that is, when they were exposed to decisions that were clearly unethical and then exposed to a more ambiguous decision scenario, they evaluated that ambiguous scenario to be more unethical. Similarly, the student sample exposed to business decisions that were clearly ethical and then exposed to the more ambiguous decision scenario evaluated the ambiguous scenario more ethical. These were strong results from the student sample study. This provides support for the perceptual-readiness theoretical models, based on the idea that priming of a concept will make that concept more readily available when evaluating a subsequent scenario. When individuals do not have domain-relevant experience, priming of a concept (either ethical behavior or unethical behavior) appears to lead to assimilation effects.

The data from the managerial sample yielded contrast effects, in the direction of supporting the set-reset theory predictions of a “reset”, although the differences did not reach statistical significance. That is, when the managers were exposed to decisions that were clearly unethical and then exposed to a more ambiguous decision scenario, they evaluated that ambiguous scenario to be more ethical. Similarly, when the managerial sample was exposed to business decisions that were clearly ethical and then exposed to the more ambiguous decision scenario, they evaluated the ambiguous scenario to be more unethical. The theory suggests that people will consider the appropriateness or inappropriateness of existing information in regards to the objectives of the current information processing task (in this case the task of evaluating the ambiguous scenario as less or more ethical). The managers were aware of the contextually activated response concepts (their judgments of the prior exposure to decisions) and, having the goal of forming an objective evaluative judgment of the ambiguous scenario, they apparently actively suppressed the primed concept. They evaluated the ambiguous scenario in the opposite, or contrasting, direction of their priming. When individuals do have domain-relevant experience, priming of a concept (either ethical behavior or unethical behavior) appears to lead them to think a bit about it and to suppress that priming in the pursuit of a more objectively reached judgment about another, more ambiguous, scenario.

The results of study 1 tend to support the predictions of perceptual readiness models and contradict those of the set/reset model, with some restrictions. The subjects in this study were definitely aware of the concepts since they had been directly rating on the ethical scale. Thus, this is considered to be effortful, active, controlled information processing. In this situation, assimilation or contrast effects may occur depending on the perception of the task context. However, the fourth scenario, although supposedly ambiguous, appears to have been perceived as more unethical rather than as falling near the middle of the continuum (see Table 1). This could be one of the task context characteristics which influence the likelihood of assimilation versus contrast effects. As the ambiguity of the present stimulus decreases, the likelihood of assimilation effects may increase. As the present stimulus becomes less ambiguous, the primed concept may become increasingly more appropriate as an evaluative category (both for the increasingly similar prime and the increasingly dissimilar prime). McArthur (1981) suggests that if the present stimulus is similar enough to the primed concept - assimilation effects will occur. Contrast effects are more likely to occur as the present stimulus becomes more dissimilar to the primed concepts. Thus, even when a person is conscious of the priming, there may be assimilation effects due to the task context characteristics and the related information processing strategies used to make the evaluations.

Set/Reset theory predicts contrast effects when there is conscious awareness of a primed concept, because of an "inappropriateness" assessment. When someone is making an evaluation of some particular business decision regarding an ethical judgment, if one is not familiar with the domain context, then a primed concept may be considered helpful and not inappropriate, according to the results found here. Also, it appears there may be times when we can and do override the "inappropriateness" indicator (Lombardi, *et al.*, 1987). When we are conscious of the primed concept and we have the goal of forming an accurate evaluation, there may be a certain amount of inappropriateness associated with the evaluative influence of the primed concept. That inappropriateness may have to compete with the consequences of various task characteristics which contribute towards strengthening inclinations of the "appropriateness" of particular concepts. As the stimulus becomes less ambiguous, the degree of inappropriateness of primed concepts may be decreased. Thus, if the human resource-related decision was more ethically ambiguous contrast effects may have occurred just as the set/reset model would predict. However, assimilation may occur even with awareness of priming if there is an override of the "inappropriateness" cue. An override may occur in situations of relatively less ambiguity about whether a

particular business practice was ethical or not. In such cases, people may realize that the primed concept brings some influence to bear on the present evaluation, but they also realize that the concept is none-the-less appropriate to the evaluation. The result may be a *resetting* of the reset. The process of this proposed comparison of the appropriateness and *in*appropriateness of particular concepts is unknown.

There are several possible reasons for why the two studies did not yield the same results. There may be differences between human resource managers and students in regards to their susceptibility to the decision biases investigated here. For some unknown reason, the students may have looked at their scenarios as a "group" and therefore assimilated the ambiguous scenario with the others. At the same time the human resource managers may have rated each scenario independently, thus the lack of a contrast effect (as well as a lack of assimilation).

From Table 1 and Table 2, it is apparent that the managerial and student samples are almost identical in responses to the ambiguous scenario when they are in the ethical scenario condition. That is, when they first read scenarios depicting ethical decisions, both students and practicing managers rated the ambiguous scenario almost identically. The ratings that make for the differences in assimilation and contrast findings are present in the unethical scenario condition. When they first read scenarios depicting unethical behaviors, the human resource managers rated the ambiguous scenario less unethical than the students (averages were 3.26 versus 1.41, respectively).

In conclusion, this research represents an attempt at one small piece of the question of how individuals come to form ethics-related evaluations of particular business decisions. The decision bias found in study 1 suggests assimilation effects do influence some judgments regarding the judgments of how ethical certain business practices are. Study 2 did not result in the same assimilation bias but rather has a slight contrast effect that does not reach a statistical significance. The complexity of the environment within which real-time ethical perceptions are formed, compared with study 1, places limitations on the generalizability of the assimilation results. For most people who are not familiar with the domain relevant context, perhaps exposing them to examples of ethical behavior would result in more favorable (i.e., higher ethical judgments) towards actions being taken. However, those with the domain relevant experience might then evaluate the company's actions more negatively as they purposely try to suppress the primed concepts.

Continued investigation of decision biases in ethics-related perceptions is a first step towards understanding how to manage these perceptions. Furthermore, effectively managing these perceptions grows more important as organizations' previously private business practices are increasingly being made available to the public and as the public appears to be becoming more concerned about ethical behavior in business.

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APPENDIX

Scenarios and Evaluation Scales

In the following order:

- Scenario One (unethical group condition)
- Scenario One (ethical group condition)
- Scenario Two (unethical group condition)
- Scenario Two (ethical group condition)
- Scenario Three (unethical group condition)
- Scenario Three (ethical group condition)
- Scenario Four (same for both groups – both conditions)

PLEASE READ THE FOLLOWING AND MARK YOUR OPINIONS BELOW:

Shannon is a mid-level manager. One of Shannon's subordinates, Andrew, has been doing exceptional work since being hired a year ago. Andrew is clearly the best of Shannon's six subordinates. However, it is now time to do performance appraisals and Shannon has mixed feelings. There is a position opening at the same level as Shannon. The subordinate who receives the best appraisal from Shannon will be promoted. Shannon knows that Andrew has been so helpful and been such a great worker. Andrew, through his great performance, has really made Shannon look good. Shannon does not want to loose this good worker, which would happen if Andrew was promoted. Sometimes Shannon even thinks: "If Andrew is promoted to the same level, Andrew might be such a superstar as to make me (Shannon) look bad." Maybe Andrew, who is such a good worker, would someday be promoted above me (Shannon). Shannon thought about the fact that Andrew had really done an exceptional job, but Shannon decided to give Andrew poor (low) performance appraisals - and Andrew was not promoted.

CONSIDER THAT SHANNON GAVE ANDREW POOR PERFORMANCE RATINGS.
 RATE THAT DECISION ON EACH OF THE FOLLOWING DIMENSIONS.

Unjust	___	___	___	___	___	___	___	Just
Bad	___	___	___	___	___	___	___	Good
Not acceptable to me	___	___	___	___	___	___	___	Acceptable to me
Not culturally acceptable	___	___	___	___	___	___	___	Culturally acceptable
Unacceptable to people I most admire	___	___	___	___	___	___	___	Acceptable to people I most admire
Not morally right	___	___	___	___	___	___	___	Morally right
Not acceptable to my family	___	___	___	___	___	___	___	Acceptable to my family
Unethical	___	___	___	___	___	___	___	Ethical

PLEASE READ THE FOLLOWING AND MARK YOUR OPINIONS BELOW:

Shannon is a mid-level manager. One of Shannon's subordinates, Andrew, has been doing exceptional work since being hired a year ago. Andrew is clearly the best of Shannon's six subordinates. However, it is now time to do performance appraisals and Shannon has mixed feelings. There is a position opening at the same level as Shannon. The subordinate who receives the best appraisal from Shannon will be promoted. Shannon knows that Andrew has been so helpful and been such a great worker. Andrew, through his great performance, has really made Shannon look good. Shannon does not want to loose this good worker, which would happen if Andrew was promoted. Sometimes Shannon even thinks: "If Andrew is promoted to the same level, Andrew might be such a superstar as to make me (Shannon) look bad." Maybe Andrew, who is such a good worker, would someday be promoted above me (Shannon). Shannon thought about the fact that Andrew had really done an exceptional job, and Shannon decided to give Andrew good (high) performance ratings - and Andrew was promoted.

CONSIDER THAT SHANNON GAVE ANDREW GOOD PERFORMANCE RATINGS.
RATE THAT DECISION ON EACH OF THE FOLLOWING DIMENSIONS.

Unjust	___	___	___	___	___	___	___	Just
Bad	___	___	___	___	___	___	___	Good
Not acceptable to me	___	___	___	___	___	___	___	Acceptable to me
Not culturally acceptable	___	___	___	___	___	___	___	Culturally acceptable
Unacceptable to people I most admire	___	___	___	___	___	___	___	Acceptable to people I most admire
Not morally right	___	___	___	___	___	___	___	Morally right
Not acceptable to my family	___	___	___	___	___	___	___	Acceptable to my family
Unethical	___	___	___	___	___	___	___	Ethical

PLEASE READ THE FOLLOWING AND MARK YOUR OPINIONS BELOW:

There is a large computer manufacturing plant. For a two year period, company morale had been low and productivity had declined. Bill, the human resource manager, believed that the employees with the poor attitudes were lowering the morale of the rest of the workforce. Bill decided to do an attitude survey. The survey was intended to get at the real attitudes of the workers, so that the company could implement programs to improve the working conditions and other things that might have been causing the negative attitudes. All employees had to fill out the attitude survey, but the surveys were anonymous - employees were not allowed to put their names on the surveys. Bill let them know that he really wanted to improve the working conditions for everyone. They were told to be honest, since no one would know who filled out which survey. The survey asked many questions about their personal feelings and attitudes. Since the employees were interested in getting the working conditions improved, they were very honest and open with their answers. Bill collected the surveys. Those employees who had expressed negative attitudes towards the company were fired. Bill knew which employees had particular attitudes. Bill had lied to the employees about the surveys being anonymous. Bill had recorded the exact survey each employee had filled out because he had numbered the surveys with an ultraviolet pen. Satisfaction with the working conditions and morale continued to go down.

PLEASE GIVE A RATING ON EACH OF THE FOLLOWING DIMENSIONS REGARDING BILL'S BEHAVIOR YOU JUST READ IN THE ABOVE PARAGRAPH.

Unjust	___	___	___	___	___	___	___	Just
Bad	___	___	___	___	___	___	___	Good
Not acceptable to me	___	___	___	___	___	___	___	Acceptable to me
Not culturally acceptable	___	___	___	___	___	___	___	Culturally acceptable
Unacceptable to people I most admire	___	___	___	___	___	___	___	Acceptable to people I most admire
Not morally right	___	___	___	___	___	___	___	Morally right
Not acceptable to my family	___	___	___	___	___	___	___	Acceptable to my family
Unethical	___	___	___	___	___	___	___	Ethical

PLEASE READ THE FOLLOWING AND MARK YOUR OPINIONS BELOW:

There is a large computer manufacturing plant. For a two year period, company morale had been low and productivity had declined. Bill, the human resource manager, believed that the employees with the poor attitudes were lowering the morale of the rest of the workforce. Bill decided to do an attitude survey. The survey was intended to get at the real attitudes of the workers, so that the company could implement programs to improve the working conditions and other things that might have been causing the negative attitudes. All employees had to fill out the attitude survey, but the surveys were anonymous - employees were not allowed to put their names on the surveys. Bill let them know that he really wanted to improve the working conditions for everyone. They were told to be honest, since no one would know who filled out which survey. The survey asked many questions about their personal feelings and attitudes. Since the employees were interested in getting the working conditions improved, they were very honest and open with their answers. Bill compiled the results of the survey. He found five common areas where things could be improved. He petitioned top management for the money for the programs, implemented the programs, and they were a great success. Because of the Bill's efforts, the employees were once again very happy with their working conditions, and attitudes improved dramatically.

PLEASE GIVE A RATING ON EACH OF THE FOLLOWING DIMENSIONS REGARDING BILL'S BEHAVIOR YOU JUST READ IN THE ABOVE PARAGRAPH.

Unjust	___	___	___	___	___	___	___	Just
Bad	___	___	___	___	___	___	___	Good
Not acceptable to me	___	___	___	___	___	___	___	Acceptable to me
Not culturally acceptable	___	___	___	___	___	___	___	Culturally acceptable
Unacceptable to people I most admire	___	___	___	___	___	___	___	Acceptable to people I most admire
Not morally right	___	___	___	___	___	___	___	Morally right
Not acceptable to my family	___	___	___	___	___	___	___	Acceptable to my family
Unethical	___	___	___	___	___	___	___	Ethical

PLEASE READ THE FOLLOWING AND MARK YOUR OPINIONS BELOW:

Jim works in the personnel department of large retail store. On occasion he walks through the administrative offices and through the various retail departments to observe the employees at work. Recently, a female employee has filed charges of sexual harassment against one of her supervisors. As it stands right now, it is the supervisor's word against the employee's word. The woman has almost no chance to win her case, even though she has experienced traumatic reactions to the alleged abuse. The supervisor has had a very good record, and this allegation is the only negative aspect concerning the supervisor. However, Jim has witnessed two incidents between the woman and the supervisor. They clearly constitute sexual harassment. Jim had not done anything about it when he witnessed them. The woman and the supervisor do not know that Jim saw these. Jim now knows that if he comes forth now, the woman will win her case and the company will have to pay for counseling for her and pay fines and damages. Jim also knows that he may get a reprimand for not reporting the incidents earlier. But the woman has clearly been damaged by the abuse. Still, when the investigators ask Jim about the employee and the supervisor, Jim lies to them and tells them he knows of no reason why the employee would make such a charge. The woman loses her case.

PLEASE GIVE A RATING ON EACH OF THE FOLLOWING DIMENSIONS CONCERNING THE FACT THAT JIM DID NOT TELL THE INVESTIGATORS WHAT HE HAD SEEN.

Unjust	___	___	___	___	___	___	___	Just
Bad	___	___	___	___	___	___	___	Good
Not acceptable to me	___	___	___	___	___	___	___	Acceptable to me
Not culturally acceptable	___	___	___	___	___	___	___	Culturally acceptable
Unacceptable to people I most admire	___	___	___	___	___	___	___	Acceptable to people I most admire
Not morally right	___	___	___	___	___	___	___	Morally right
Not acceptable to my family	___	___	___	___	___	___	___	Acceptable to my family
Unethical	___	___	___	___	___	___	___	Ethical

PLEASE READ THE FOLLOWING AND MARK YOUR OPINIONS BELOW:

Jim works in the personnel department of large retail store. On occasion he walks through the administrative offices and through the various retail departments to observe the employees at work. Recently, a female employee has filed charges of sexual harassment against one of her supervisors. As it stands right now, it is the supervisor's word against the employee's word. The woman has almost no chance to win her case, even though she has experienced traumatic reactions to the alleged abuse. The supervisor has had a very good record, and this allegation is the only negative aspect concerning the supervisor. However, Jim has witnessed two incidents between the woman and the supervisor. They clearly constitute sexual harassment. Jim had not done anything about it when he witnessed them. The woman and the supervisor do not know that Jim saw these. Jim now knows that if he comes forth now, the woman will win her case and the company will have to pay for counseling for her and pay fines and damages. Jim also knows that he may get a reprimand for not reporting the incidents earlier. But the woman has clearly been damaged by the abuse. When the investigators ask Jim about the employee and the supervisor, Jim tells them the truth about what he had seen. The woman wins her case.

PLEASE GIVE A RATING ON EACH OF THE FOLLOWING DIMENSIONS CONCERNING THE FACT THAT JIM TOLD THE TRUTH TO THE INVESTIGATORS ABOUT WHAT HE HAD SEEN.

Unjust	___	___	___	___	___	___	___	Just
Bad	___	___	___	___	___	___	___	Good
Not acceptable to me	___	___	___	___	___	___	___	Acceptable to me
Not culturally acceptable	___	___	___	___	___	___	___	Culturally acceptable
Unacceptable to people I most admire	___	___	___	___	___	___	___	Acceptable to people I most admire
Not morally right	___	___	___	___	___	___	___	Morally right
Not acceptable to my family	___	___	___	___	___	___	___	Acceptable to my family
Unethical	___	___	___	___	___	___	___	Ethical

PLEASE READ THE FOLLOWING AND MARK YOUR OPINIONS BELOW:

Terry is a human resource manager working for a medium-sized organization. Primarily, they run a manufacturing plant. Operations of the plant conform with local regulations, as established 5 years ago. The plant is checked yearly and emissions have always been within the acceptable range. However, Terry has come across some conflicting recent research. Two studies report the same "safe" results for the levels of toxic emissions now allowed. Two other studies conclude that daily exposure for an extended period of a time may cause side effects and may pose a few health risks for employees whose time on the job is spent mostly on the plant floor. Releasing the information to the employees and the local officials will result in required changes in the manufacturing. Changing the manufacturing would be costly. It would require substantial layoffs of the factory workers and the plant is the single largest employer in town. Because of the conflicting research, Terry decides not to release the findings.

*CONSIDER THE DECISION YOU JUST READ ABOUT IN THE ABOVE PARAGRAPH.
 RATE THE DECISION ON EACH OF THE FOLLOWING DIMENSIONS.*

Unjust	___	___	___	___	___	___	___	Just
Bad	___	___	___	___	___	___	___	Good
Not acceptable to me	___	___	___	___	___	___	___	Acceptable to me
Not culturally acceptable	___	___	___	___	___	___	___	Culturally acceptable
Unacceptable to people I most admire	___	___	___	___	___	___	___	Acceptable to people I most admire
Not morally right	___	___	___	___	___	___	___	Morally right
Not acceptable to my family	___	___	___	___	___	___	___	Acceptable to my famiy
Unethical	___	___	___	___	___	___	___	Ethical