



UNIVERSITY *of the*
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Ethical Leadership: An Assessment Of The Level of Moral Reasoning Of Managers In A South African Short-term Insurance Company



A thesis submitted in partial fulfillment of the requirements for the degree

Master of Commerce (MComm)

School of Business and Finance, University of the Western Cape

Research Supervisor: Professor D.J. Visser

November, 2013

DECLARATION

I declare that this dissertation is my own work. Where the language, ideas and literature of another author are used, I have given the necessary credit. I further declare that I have obtained the necessary permission from the University of the Western Cape and the Human Resources Department at the research site to conduct this research study.



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ABSTRACT

Against the background of major corporate scandals internationally and in South Africa, questions are being asked about the level of morality of leaders in organisations. This study assessed the level of moral reasoning of senior managers in a South African company in the insurance industry. The study was based on Kohlberg's Cognitive Moral Development (CMD) Theory and an assessment of key literature pieces relating to ethical leadership and business ethics.

Research has demonstrated that ethical leaders have a significant influence on an organisation's performance, reputation, sustainability, ethical climate and employee engagement. Globally and in the South African corporate context it is therefore important for organisations to understand the capacity of its leaders to behave ethically so that appropriate interventions can be engaged in.

More specifically, this study aimed to assess the level of moral reasoning of managers in a large South African organisation and examined the relationship between the variables age, gender, race, tenure and education on the one hand and the level of moral reasoning on the other hand. This study also assessed the reliability of the Managerial Moral Judgment Test (MMJT).

This study was a cross-sectional, quantitative study utilising a previously developed questionnaire, the Managerial Moral Judgment Test.

This study contributed to the very sparse body of knowledge of managerial moral reasoning in the South African business context, while the research results can be used to identify managerial training and development needs in ethics in the organisation studied.

This study found that the moral reasoning levels of managers at the research site, is at the conventional level, while the variables age, gender, race, tenure and education have no significant influence on the level of moral reasoning. In addition, this study established the internal reliability of the Managerial Moral Judgment Test and located ethical leadership and business ethics in the literature.

DEDICATION

This research study is dedicated to those leaders and followers in South Africa who keep the ideal of a moral and ethical society alive through courageous living in the face of a world and country that seemingly has lost its moral compass.



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- My inner circle of friends who model ethical behaviour so courageously in their own disciplines and general life – you inspire me!
- My family, who survived my research journey, and who were more than only succourers along the way.

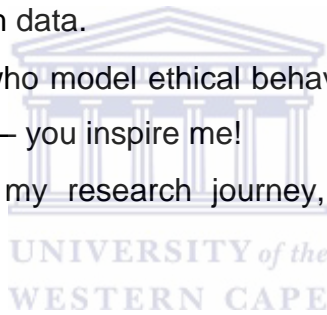


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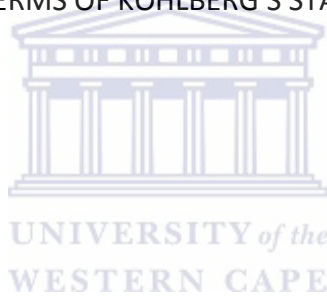
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1. INTRODUCTION AND BACKGROUND

There have been varied responses to what the causes of the world economic crisis were. In their working paper for the International Monetary Fund, Merrouche and Nier (2010) point to global imbalances in capital flows, loose monetary policy and inadequate institutional monitoring and regulation. Lewis, Kay, Kelso and Lareson (2010) point to the misuse of debt, securitisation and proprietary trading, while a report for the American Members of Congress (Jickling, 2010) highlight a number of causes, including the lack of transparency and accountability in mortgage finance, improper ratings assigned by the Rating Agencies and off-balance sheet finance. The current economic crisis followed soon after the collapse of Enron, Worldcom and Arthur Andersen in the USA in the 1980s due to accounting irregularities.

The effects of the world economic crisis have been felt across the world, however, the effect in South Africa has been limited (Gordhan, 2009), because of the highly regulated banking system that operates here and that ensures the application of stringent conditions when credit is applied for.

Over the last 2 decades, however, South Africa has been plagued by its own corporate scandals such as:

- *Saambou Bank* - senior management not disclosing weak company performance to the market to protect the stock price;
- *Leasurenet* - the joint chief executive officers not disclosing their personal interests in a German gymnasium that LeisureNet bought out in 1999 for 10 million deutschmarks;
- *Tigerbrands and Pioneer Foods* - found guilty of price collusion over the sale of bread and faced significant fines;
- *Fidentia* - chief executive officer found guilty of mismanaging in excess of R1 billion of a widow and orphan's trust fund; and
- *South African Construction companies* - collusion in tenders for the building of the 2010 football World Cup stadia in South Africa;

The causes of the collapse of corporates in the USA and South Africa as well as the current world economic crises are well documented. But are these published causes really at the heart of the matter?

Dunning (2001) discusses the types of failure in the context of economic and corporate failure. These failures are:

- *A failure of markets associated with* - moral hazard, inappropriate macroeconomic policies, excessive speculation in property and the share market;
- *A failure of the regulatory institutions* like the Reserve Bank in South Africa - inefficient functioning of the regulatory and supervisory systems, an inadequate legal and financial infrastructure, lack of accountability and/or transparency and inadequate standards in financial reporting;
- *A failure of moral virtues* - Such failures include lack of truthfulness, trust and social responsibility, excessive greed of the investors or institutions, falsified balance sheets and illegal manipulation of the markets.

The causal analysis of the global economic crisis by Merrouche and Nier (2010) is remarkably similar to that of Dunning (2001), except for the failure of moral virtues. There is a growing sense that ethical or moral failure sits at the root of market and institutional failure and corruption.

Weitzner and Darroch (2009) conclude from their study on financial and market failure, that the creation of what they call the *shadow banking system and opaque products* has greed as the basis and make governance at both the institutional and market levels very complex and unworkable.

In an address to the World Economic Forum, South African Deputy President, Motlanthe (2009), proposed that in an inter-dependent economic world, governments and organisations must act responsibly in carrying on their business operations and that greed, self-interest and recklessness should not be tolerated by anyone. He proposed this in the context of the global implications of major corporate scandals and the global economic crisis for the rest of the world. This moral-failure perspective on the economic crisis and failure of financial institutions and markets is shared by (Argandona, 2012; Kung, 2010; Lewis, 2010; Gordhan, 2009; Abedian, 2009; Blair, 2009; Di Tella, Glauber, Oxley and

Vasella, 2008). Indeed, Arjoon (2000) concludes in his study that the financial crisis being faced by business and society today is precisely a crisis of leadership and ethics.

Over the last two decades and in response to corporate failures and the global economic crisis, there has been a plethora of studies that researched different aspects of the crisis. In particular, the moral-failure perspective has seen a research focus on the moral reasoning of people and especially leaders and managers of organisations, both in the private and public sectors.

1.1 Rationale and significance of this study

The increasing number of incidents of leaders of organisations behaving unethically is intriguing, partly because the same leaders are otherwise respected and often held up as examples of successful leadership. The financial industry around the world in particular is under close scrutiny, since it has been central in the current world economic crisis. This has given impetus to research studies in the area of the moral reasoning of managers in this industry (Galla, 2006; Chavez, 2003). There has been a recent focus particularly on the extent of fraud in the insurance industry (*Ernst and Young, 2011*). Insurance fraud is any deliberate deception committed against or by an insurance company, insurance agent, or consumer for the purpose of unjustified financial gain. This occurs during the process of buying, using, selling and underwriting insurance (*NDI, 2011*).

Concern about the high levels of fraud in South Africa in the insurance industry prompted the International Monetary Fund to recommend the revision of South Africa's Financial Services Board's powers in specifying requirements of Insurance companies in relation to their management of fraud (*IMF, 2010*).

In terms of Transparency International's Corruption Perception Index, South Africa declined from being the 45th ranked country out of 180 countries in terms of corruption to 69th in 2012 (*Corruption Perception Index, 2006, 2010, 2011, 2012*).

In their survey of the perceptions of corruption in South Africa, Gordon, Roberts, Struwig and Dumisa (2012) conclude that South African citizens see corruption in both the private and public sectors, as a serious societal challenge. Further, citizens expect public and private institutions to be held accountable for corruption.

Research in ethical leadership in recent years has significantly focused on the stage of ethical and moral development of managers in terms of Kohlberg's (1976) theory of cognitive moral development (Weber, 2010; Daniels, 2009; Emler, Tarry and St James, 2007; Huang, 2006; Mujtaba, Cavico and Sims, 2006; Wimalasiri, 2004).

A literature search¹ on moral reasoning and development research in South Africa revealed a quantitative study on moral reasoning amongst school leaders in an education setting conducted by Lusenga (2010), a study on moral reasoning amongst communication science students at the Tswane University of Technology by Maree (2007) and a study with employees across levels in a large commercial bank by Kruger (2009). Further, the search found a research study into the association between exposure to violence and moral reasoning in relation to students at a South African University by Marais (2009), a study of the moral reasoning of 81 young people (black and white) Smith (1992), while Zwane (2009) conducted an evaluation of the effectiveness of ethical decision-making by adults. The research instruments used in these studies were either the Defining Issues test (DIT) or the Moral Judgment Test (MJT). The literature search did not show up any studies in moral reasoning and judgment in a South African insurance company neither was the Managerial Moral Judgment Test (MMJT) previously used in a South African setting.

The incidents of fraud and unethical behaviour both globally and in South Africa and the sparse academic studies on moral reasoning in the business sector in South Africa presents a pioneering opportunity to apply a proven research methodology in a South African business setting, which this research study will exploit.

¹ The following literature search procedure was used: A systematic manual review of hard copy issues of major journals as well as computerised keyword searches in Ebscohost, Academic Search Primer, Infotrac and Emerald databases from 1990 to date.

1.2 Statement of purpose

This study aims to assess the level of moral development of the managers in a short-term insurance company in South Africa. The relationship between the independent variables age, gender, race, employee tenure and education level, respectively, and the level of moral reasoning will be explored. In addition, this study will locate ethical leadership in the literature on leadership and explore the scope of business ethics in the key ethics theories.

In order to achieve the purpose of this study, the research questions that will guide this study are outlined in paragraph 1.3

1.3 Research questions

The main research question is:

What is the level of moral development and reasoning of the senior managers at the research site?

The secondary research questions are:

- Does the age of a manager influence the level of moral reasoning?
- Does the gender of a manager influence the level of reasoning?
- Does the race of a manager influence the level of reasoning?
- Does the tenure of a manager influence the level of reasoning?
- Does the level of education of a manager influence the level of reasoning?

1.4 Definition of key terms

1.4.1 Leader, manager

Drath, McCauley, Palus, Van Velsor, O'Connor and McGuire (2008) recognised that the concept of leadership is defined in many different ways in the literature and

proposed a framework within which to think about leadership. Their framework is called the *tripod* of leadership and recognizes that leadership deals with three entities, viz. the leader, followers and common goals.

In terms of this framework and the purposes of this study, the terms leader and manager will be used interchangeably to denote one (the leader) who has the ability to influence, motivate, and enable others (followers) to contribute toward the effectiveness and success (goal) of an organisation (House, Hanges, Javidan, Dorfman and Gupta, 1999).

Moral or ethical leadership addresses the means and purpose of leadership and is captured in the definition provided by Ciulla, (2003: xii-xiv), as “the influence of a moral person who moves others to do the right thing in the right way for the right reasons”.

1.4.2 Business ethics / morality

The terms ethical and moral have overlapping meanings and are often used interchangeably in the literature relevant to this study (Fuqua and Newman, 2006; Pojman, 2006). In this study, ethics is defined as a system of moral values; a moral philosophy, the rules or standards governing the conduct of a person in both personal and business activities (Kakabadse, Kakabadse and Kouzmin, 2002). Business ethics is a manifestation of applied ethics in the context of an organisation doing business. These applied ethics are the duties and obligations that apply to persons engaged in commerce (Business Ethics, 2006). Ethical or moral behaviour therefore refers to managers who make decisions and behave in terms of these duties and obligations.

1.4.3 Moral reasoning

Moral reasoning refers to the leader’s implicit decision-making process, values and ethics when in a situation of moral conflict, (Rest, 1986); this includes the individual’s capacity to think about a moral dilemma in terms of their own developed moral schema.

1.4.4 Moral development

Moral development refers to a progression through hierarchical stages as proposed by Kohlberg (1976), with each stage being identified with a set of dominant considerations relating to the self, community and mankind respectively.

1.4.5 Moral judgment

Moral judgment is a concept from the field of psychology that highlights the process by which an individual chooses one course of action above another when faced with a moral dilemma (Rest, 1986).

1.4.6 Moral schema

Schema theory is about the interaction between elements in the reasoning process. The underlying notion is that all knowledge is organised into elements and within each of these elements, information is held. This information arises out of familial, social, and religious teaching, experience and influence over the lifetime of an individual. A schema is thus a conceptual framework for making sense of the world.

In the context of this study, a moral schema is the moral framework of an individual that has evolved over time and which is invoked when the individual is confronted with a situation that requires a moral judgment (Rest, Narvaez, Thoma, Bebeau, 2000).

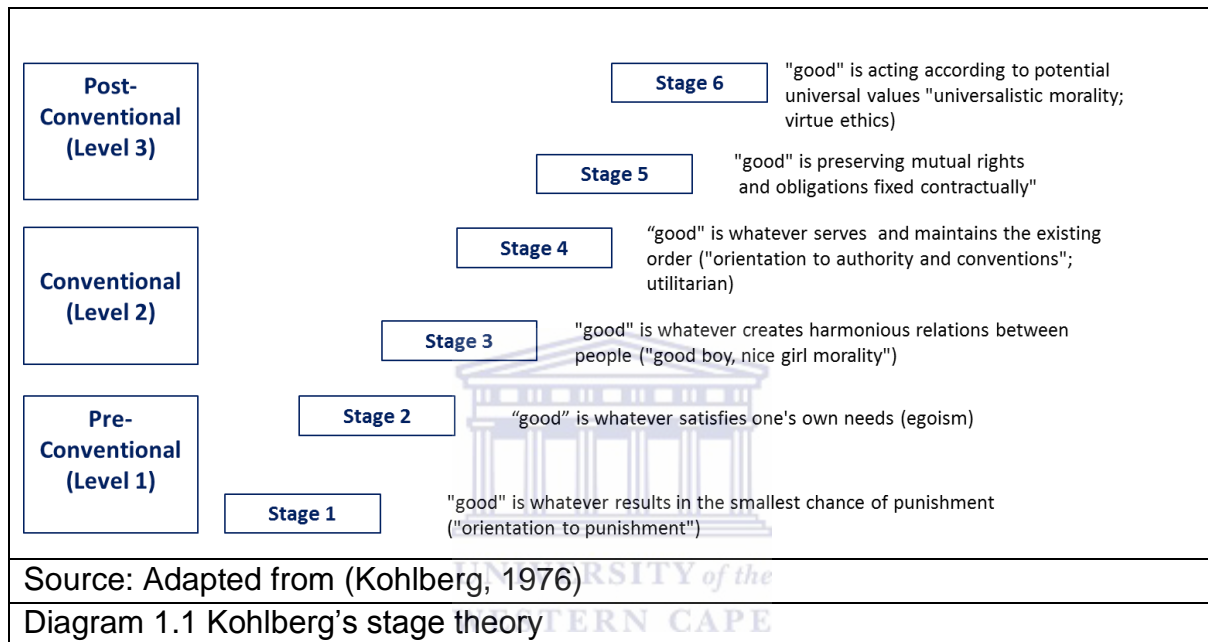
1.4.7 Race

Race is generally defined as a group of people of common ancestry, distinguished from others by physical characteristics, such as hair type, colour of skin, stature, etc. (Collins Dictionary, 2000). For the purposes of this study and in the South African context, race is used to refer to the classification of South Africans in terms of the Population Registration Act of 1950, as Bantu (Black African), Coloured, White and later, Indian.

1.5 Theoretical underpinning for this study

This study draws heavily on Cognitive Moral Development theory (CMD), leadership theory and business ethics theory as its basis.

CMD is largely associated with Kohlberg (1976), who developed the 6 stages of moral development. The 6 stages are outlined in Diagram 1.1 below.



For Kohlberg, each person has noticeable cognitive abilities that are evoked when they are faced with situations that involve ethical dilemmas (Kohlberg, 1984). These abilities are shaped by a lifetime of life experience, education and socialisation. For Rest (1986) adults are most likely to have consistent moral reasoning abilities, but these can be improved by training in ethics. Thus ethics training can move an individual from one level or stage of moral reasoning to another in terms of Kohlberg's framework. Without meaningful interventions like training in ethics, most adults will reason at the conventional level of moral reasoning, Rest (1986). In Kohlberg's framework, moral reasoning in the different stages is progressive and sequential and does not vary based on variables such as age, culture, and social class. The stages framework embodies qualitatively different modes of thinking and of problem-solving at each stage.

The key criticisms leveled at cognitive moral development theory include the following:

- It is biased toward justice-based ethical reasoning at the higher stages and does not consider values such as warmth, love and care (Wimalasiri, 2004).
- It does not consider the cultural roots of moral judgment (Wimalasiri, 2004).
- It does not speak to the personal circumstances (ethical dilemmas) in which people take their everyday decisions, often instinctively (Wimalasiri, 2004; Haidt, 2001).
- It does not consider the notion of *moral prejudice* toward the group to which the person or situation being judged belongs (Passini, 2010).
- It is focused on hypothetical moral dilemmas rather than real life situations. Other factors such as the context of the moral dilemma also play a role (Malinowski and Smith, 1985; Trevino, 1992) in the decision-making.
- It is male-centred in that it emphasizes a justice perspective and does not consider other values such as the ethic of care and nurture, which is associated more with women (Gilligan, 1992; Wimalasiri, 2004).

Despite the criticism of the Kohlberg stages model, the model is still widely used in moral reasoning research (Galla, 2006; Chavez, 2003).

Leadership theory is the other important basis for this study. Chapter 2 discusses the evolution of leadership theory from the early trait and behavioral theories and locates moral leadership, and hence higher levels of moral reasoning, in contemporary leadership theory in the form of *authentic transformational* leadership (Conger and Kanungo, 1998; Burns, 1978) and specifically *servant leadership* (Ramphele, 2010; Jansen, 2009; Greenleaf, 1977).

Chapter 2 also locates business ethics in terms of the key ethics theories and concludes that business ethics is informed by deontological, teleological, moral relativism and virtue ethics.

1.6 Research methodology

This study will be cross-sectional, adopting a quantitative approach, which commences with theory and concepts and explores collected data to explain or support the pre-existing theory. The quantitative approach searches for explanations and predictions based on a sample, that can be generalized to greater parts of a population or the population as a whole (Leedy and Ormrod, 2005). Kohlberg's theory of moral development and the Managerial Moral Judgment Test (MMJT) and Defining Issues test (DIT) are well established and used by researchers and therefore it is appropriate to utilise the research instrument in a South African business setting after pilot testing it and making any adjustments to reflect the feedback from the participants in the pilot.

The research site will be a large insurance company including its regional offices throughout South Africa. The unit of study will be the managers on the research site. The population of managers numbers approximately 700, from which a sample size of 40% will be randomly selected.

This study will also explore the relationship between the independent variables (age, gender, race, job tenure and education) and the dependent variable, moral reasoning level.

1.6.1 The research instrument

In this study, survey research will be used by means of a questionnaire. The research question will utilise the construct, *stage of moral reasoning*, developed by Kohlberg and will be measured using the Managerial Moral Judgment Test (MMJT) previously developed by Loviscky, Trevino, and Jacobs (2007). The MMJT consists of 6 moral dilemmas (scenarios), each with twelve associated questions. An example of a dilemma or scenario is the following:

Thandi is supervising an employee who used a sick day to take the previous day off from work. However, Thandi has learned from the employee's co-workers that the employee was not actually sick, but used the day as a "french leave" day, i.e. the employee was not physically sick but felt tired mentally. Thandi knows that the company's sick leave policy does not allow for "french leave" to be taken.

In order to address the hypotheses, additional demographic data relating to the respondents will be collected. The demographic data will be included with the MMJT questionnaire. The demographic data will relate to the respondent's age, gender, race, education level and work tenure.

A pilot study with 15 participants will be conducted to test how effective and understandable the chosen questionnaire will be, given that the instrument was developed in the USA. Participants in the pilot study will be required to complete the Pilot Assessment. Any significant feedback arising out of the pilot study will be addressed through an enhancement to the questionnaire.

Respondents to the formal data collection exercise will be required to read the scenarios, decide how the manager in the scenario should respond, evaluate the level of importance of the twelve issues related to the scenarios and identify and lastly rank the four most important issues. The rating responses are chosen from a 5-point Likert-scale.

The research instrument will be created in the Microsoft-Excel application and distributed electronically, via email, to the managers constituting the sample. Participation by members of the target sample in completing the questionnaire will be completely voluntary. After completing a soft copy of the questionnaire on-line, respondents are required to send the completed questionnaire by return email. Every member in the sample has access to the Internet and an email application. Responses to the questionnaire will be transposed into a spreadsheet for statistical analysis.

1.6.2 Scoring and treatment of the collected data

From the completed instrument, the MMJT moral reasoning scores (*P*-Score) and Simple Sum scores (*S*_Score) can be derived for each respondent at two levels (Loviscky, *et al.* 2007).

Moral reasoning scores measure the preference a respondent has for post-conventional (stage 5 and 6) questionnaire items and is based on the ranking data section of the questionnaire. A moral reasoning score is calculated for each of the scenarios provided and then an overall moral reasoning score is obtained by determining an average score for all six of the scenarios (Loviscky, *et al.*, 2007).

Simple Sum measures the preference a respondent has for post-conventional (stage 5 and 6) items, while also penalizing individuals for pre-conventional and conventional questionnaire items. The rating scores in the questionnaire are used as the basis for calculating the Simple Sum (Loviscky, *et al.*, 2007).



1.7 Limitations of this study

Firstly, this study will focus on the moral reasoning process, stage of moral development and certain variables that influence the level of moral reasoning. It does not propose a particular morality or set of ethics.

Secondly, while a correlation between certain influencing variables and level of moral reasoning may be established, it cannot be inferred from this that the participants in the study will or will not behave immorally or unethically when faced with an ethical dilemma. Neither can it be concluded that one participant is a better moral decision-maker than another.

Thirdly, the research results will be applicable to the managers of the chosen research site. Organisations have their own unique culture that influence the ethical and moral choices made by the leaders of that organisation. The results of this study cannot therefore be extended to managers at other organisations.

1.8 Outline of this study

This dissertation is organized in the following manner:

- Chapter 1: Introduction and background. Chapter 1 contextualises the study and provides a justification for the specific focus.
- Chapter 2: Literature review. This chapter will provide an overview of the key literature pieces from which this study is drawn.
- Chapter 3: Research methodology. The research methodology chapter discusses the research design, the subjects of this study and the research instrument.
- Chapter 4: Findings and analysis. This chapter records the research findings and analysis of the research results
- Chapter 5: Summary and conclusions. This chapter draws the study together and specifies the conclusions. It includes the implication of this study and recommendations for future research
- References and appendices

1.9 Summary

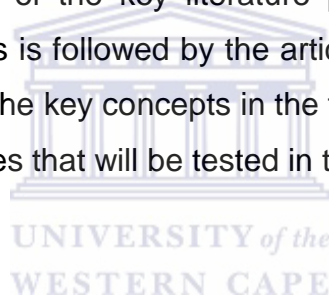
This chapter located the present study in the context of the world economic crisis and corporate scandals across the world, including South Africa. It provided a rationale for the study, introduced the key literature on which the study is based and outlined the limitations and research methodology to be employed. This study will strengthen the utilisation of the cognitive moral development theory and the research methodology in a South African business setting. In addition, the study will provide insight into whether and how certain variables influence the moral reasoning of managers in a business setting.

Chapter 2 will discuss the key literature pieces dealing with ethical leadership and cognitive moral development.

2. REVIEW OF SELECTED AND RELEVANT LITERATURE

Leaders and managers of organisations are placed in positions of trust and authority with decision-making powers and oversight of transactions involving millions of rand on a daily basis. White and Lean (2007) found that the leader's perceived integrity or lack thereof has an impact on the ethical intentions of team members on individuals in the team, the team and the organisation as a whole. Therefore, leaders by virtue of their positional authority and level of perceived integrity are able to influence the behaviour of their employees in terms of ethical or unethical behaviour. In any organisation, it is thus important to understand the level of moral development of its leaders and therefore their potential to make immoral or unethical judgments. This includes their potential to influence their employees to engage in unethical practices.

This chapter will examine some of the key literature pieces relating to leadership and business ethics and morality. This is followed by the articulation of a theoretical framework for the study and a discussion of the key concepts in the framework. The chapter concludes with the proposal of the hypotheses that will be tested in this study.



2.1 Leadership

This paragraph will review early leadership theories and contemporary leadership theories with a view to locate ethical and moral leadership within the literature on leadership.

2.1.1 Review of early leadership theories

The past decades have seen the construct leadership evolve. The earliest research on leadership focuses on the *traits* that leaders display. The *trait* perspective focuses on traits and competencies that a leader should possess. Barling, Christie and Hopton (2009) point out traits like height, physical appearance, gender, authoritarianism and intelligence formed the focus of study in the 1940s and 1950s.

While initial trait research showed some evidence that certain traits are associated with good leaders, most research results that tried to isolate universal leadership traits were inconsistent or inconclusive (Barling, Christie and Hopton 2009; Yukl, 2006; Bolden, and Kanungo and Mendonca, 1996).

The *behavioural* perspective on leadership is often associated with Theory X and Theory Y of Douglas McGregor in the 1960s and Managerial Grid of Robert Blake and Jane Mouton also in the 1960s. The *behavioural* approach focuses on how leaders behave in terms of their emphasis on task and or people and what assumption they make about the motivation followers have for work.

Theory X and Theory Y contrasts 2 sets of assumptions that managers or leaders make when they consider workers and their about how managers view. Theory X assumes that workers inherently dislike work and therefore have to be coerced, controlled, directed or threatened with punishment to get them to perform their duties. Theory Y assumes that workers naturally want to work and proactively will look to take on responsibility and therefore workers will direct and manage themselves.



The Managerial Grid emphasises the extent to which managers focus on the 2 dimensions of concern for people and concern for production respectively.

The behavioral perspective contends that one is able to determine a list of behaviours that successful and good leaders engage in when leading followers with a view to teaching these behaviours to prospective leaders or indeed learning the behaviours for oneself. This is different from the trait perspective that looks for traits that leaders are born with. The main critique of the behavioral perspective on leadership is that it does not take the leadership situation or contextual variables into account.

The *contingency or situational* approach to leadership is associated with Frederick Fiedler who made his contribution to the literature in the 1950s and 1960s. This approach attempts to account for the situational context in which the leader is called

upon to lead. These contextual variables could be things like the nature of the task, complexity of the task, the culture of the organisation, the people in a team or the power balance between the leaders and the followers. In practice, the contingency perspective will attempt to first understand the context in which leadership needs to be provided and then exercise a style of leadership that is appropriate for the given situational variables. Example – in a leadership context where the leader is not the subject matter expert, but the followers are, a consultative leadership style will be more appropriate than an autocratic leadership style. This has the implication that a leader has to develop an awareness and sensitivity to the situational variables and possess the flexibility to adjust his or her preferred leadership style to be appropriate for the presenting situational variables.

Participative leadership theory espouses the involvement of followers or team members in establishing organisational or unit goals as well as the plan or strategy to achieve those goals and playing a role in executing the plan. This theory of leadership is associated with Lewin, Lippit and White (1939) and works off the assumption that followers have valuable insights into what the team needs to achieve and are willing to contribute that. However, the leader retains the prerogative to regulate the extent of involvement of followers as well as who is or is not involved in decision-making. Key features of participative leadership is that in the process of the leader leading, the involvement of followers improves their understanding of the problem being addressed as well as the effort to address the problem. Also, followers show more commitment to the task where they have been involved in crafting the problem-statement and solution. Further, team identity and commitment is enhanced and the quality of decision-making is greatly enhanced because multiple dimensions to a problem and solution are considered.

A challenge for the participative approach is that the time required to involve followers in decision-making is often extensive, time which may not be available.

2.1.2 Contemporary leadership theories

Transformational theory is based on the work of Burns (1978). Burns defined transformational leadership as “*the process of creating, sustaining and enhancing leader-follower, follower-leader and leader-leader partnerships in pursuit of a common vision, in accordance with shared values and on behalf of the community in which leaders and followers jointly serve*”. Transformational leadership theory is premised on the relationship between a leader and his followers. For Bass (1985:17) transformational leaders attempt and succeed in raising colleagues, subordinates, followers, clients or constituencies to a greater level of awareness about issues of consequence. In another vein Kanungo and Mendonca (1986) posit that transformational leaders are not only concerned with the task and performance levels of the follower, but also their self actualisation needs, preferred styles of working and the good of stakeholders.

Kanungo and Mendonca (1986) describe the essence of transformational leadership and the importance of the follower in the in the leader-follower relationship. They posit that for transformational leadership to occur there has to be *perception* of the leader’s behaviour by the followers, *acceptance* of the leader’s influence, and the *attribution* of leadership status.

Bass and Steidlmeier (1998) provide a distinction between the *transactional* nature of leadership (followers are motivated by promises, praise and reward or the threat of sanction in the process of carrying out their tasks) and *transformational* leadership (the relationship between leaders and followers see each spurred on by the other to greater degrees of motivation and moral behaviour). Bass and Steidlmeier argued that both the transactional and transformational components are manifest to an extent in each leader. Where the transactional component is preferred by a leader, she will display more transactional behaviour than transformational behaviour, which will come to the fore in critical leadership moments. Where the transformational component is preferred by a leader, she will display more transformational behaviour than transactional behaviour. Given an awareness of the leader’s own preferred

leadership behaviour, it is important for the leader to assess the leadership context and exercise behaviour that is commensurate with that context.

Bass and Steidlmeier further distinguish between non-authentic and authentic transformational leadership. *Non-authentic* transformational leaders are deceptive, place their own interests above those of their followers and have public and private personas that contradict each other. In the words of Luthans and Avolio (2003:4), non-authentic leaders are *deceitful, dishonest, manipulative, phony* and *conniving* and thus non-authentic leadership is negative by nature.

On the other hand, *authentic* transformational leaders are moral individuals, concerned for the common good of followers and stakeholders Bass and Steidlmeier (1998). For Avolio, Luthans and Walumbwa, (2004:321) authentic leaders are “those who are deeply aware of how they think and behave and are perceived by others as being aware of their own and others' values/moral perspectives, knowledge, and strengths; aware of the context in which they operate; and who are confident, hopeful, optimistic, resilient, and of high moral character”. Luthans and Avolio (2003:4) take this further and posit that authentic leadership is a positive construct that includes the descriptors *genuine, reliable, trustworthy, real* and *veritable*.

Luthans and Avolio (2003:4-5) posit that in a contemporary world where old rules and guidelines no longer work and rapid change, ambiguity and lack of clarity is the order of the day, followers are vulnerable. Malan and Smit (2001) describe the post-1994 South African context in similar terms as follows:

- Previously held customs, beliefs, values and norms are discarded as wrong – people are suddenly let loose to explore their newly acquired freedom, of which the boundaries are not yet set
- Where transformation is sudden, it does not allow for substitute value systems to evolve, nor for people to internalise the new order of things – leaving a value and norm vacuum – Under such conditions corruption and immoral leadership thrive

- People land up in executive positions for which they lack the necessary exposure and training

For Luthans and Avolio (2003:4-5) such a world is ripe for both authentic and non-authentic leadership to emerge. This may explain the emergence of dictators or moral leaders at times in contexts like that in South Africa, Zimbabwe, Uganda or Libya in the past 3 decades.

Critics of the distinction between authentic and non-authentic transformational leaders such as Bailey (1988) point out that both authentic and non-authentic leaders use manipulative, deceptive and devious means to attain their goals. Bass and Steidlmeier (1998) countered this criticism by pointing out that the authentic transformational leader's behaviour is rooted in the positive moral and ethical character of the leader, which is not the case for non-authentic leaders. Also Gardiner (2011) suggests that authentic leadership and truth is a contestable concept, because firstly, it ignores power inequities. Secondly, it does not consider how institutional biases adversely affect who gets to access leadership roles. Thirdly, it does not account for the complexities related to gender and power.

This discourse on authentic and non-authentic leadership is important in in the South African context where there is a perception of a lack of authentic leadership in the business and public contexts and by default, a prevalence of non-authentic leadership. For Ramphela (2010) the leadership crisis in South Africa is a crisis of leadership values. She applauded the legal and institutional framework introduced since 1994, but posited that the values espoused and lived out by South African stalwarts such as Nelson Mandela, Albertina Sisulu and Stephen Biko are hardly evident today, both in word and deed. She asserts that what South Africa requires is leadership that is *right* and *seeks out justice*, but also that aims to achieve *transcendent good* – the greatest good that maximises the abilities and potential of all followers.

In the sub-Saharan African context, Haruna (2009) critiques notions of leadership that wait for one individual (the leader) based on characteristics, skills and charisma

for leadership and deliverance. Haruna asserts that sub-Saharan Africa has a unique historical and socio-cultural context, which requires an approach to leadership that is not so much focused on leader traits, styles behaviours and charisma. Rather the focus should be on community-based (plural) leadership. This perspective on leadership is based on the assumption that all people have intrinsic value and skills to develop and contribute to a community's well-being. Haruna concludes that sub-Saharan African countries have undergone and are undergoing difficult social and economic transitions and face challenges to adapt to and endure the process of building new countries. Therefore, given this unique history and socio-cultural context, leadership must be a collective effort.

Transformational leadership for Conger and Kanungo (1998) is about *counter-cultural leadership* and where followers ascribe charisma to leaders who they identify as displaying *counter-cultural* behaviour. They define counter-cultural leadership as the presence of a discrepant vision, behaviour that is unconventional, counter-cultural and innovative, the assuming of personal risk and self-sacrifice by the leader and lastly, as a consequence, this generates emotive surprise and admiration with the followers. In South Africa, Jansen (2010) posits the notion of *zero-sum* leadership when he proposes that the leadership paradigm that is required is one that is *against-the-grain*. Jansen explains that this kind of leadership does what is not normally expected, exercises love when revenge is expected, forgives those who don't deserve forgiveness, practices generosity when it is least expected and promotes human solidarity rather than racial solidarity.

Building on the notions of transformational and authentic leadership, Greenleaf (1997) was first to write explicitly about *servant leadership* as a leadership paradigm. Core to servant leadership is what motivates a leader and for Greenleaf it is the heart-felt passion and choice to serve followers. Greenleaf juxtaposes this with the leader whose core purpose is first to lead and then to serve. The key aspects of servant leadership for Greenleaf are:

- The leader takes time and makes effort to listen to and understand followers first.

- The followers' highest priority needs are served
- Power and authority are merely a means to create opportunity and alternatives for followers rather an end in itself or as a means to enrich or gain an advantage for oneself. Power and authority are freely given to the leader and voluntarily attributed by followers to the leader.
- Followers may choose and build autonomy as opposed to individuals being coerced into pre-determined courses of action, limiting choice and self actualisation

Parolini (2007) posited 5 aspects that define servant leadership. These are, firstly, a focus on the individual or organizational needs, secondly, the inclination to serve, thirdly, a clear focus on the individual or organization, fourthly, using conventional or unconventional means to influence followers and lastly, and exercising control through influence and persuasion.

Servant leadership has been criticised for being impractical and difficult to achieve in a complex, real world (Lee & Zemke, 1993:3). It is also argued that servant leadership is steeped in philosophical theory and lacks empirical support (Stone, Russell, and Patterson, 2003).

2.1.3 Ethical leadership as authentic leadership

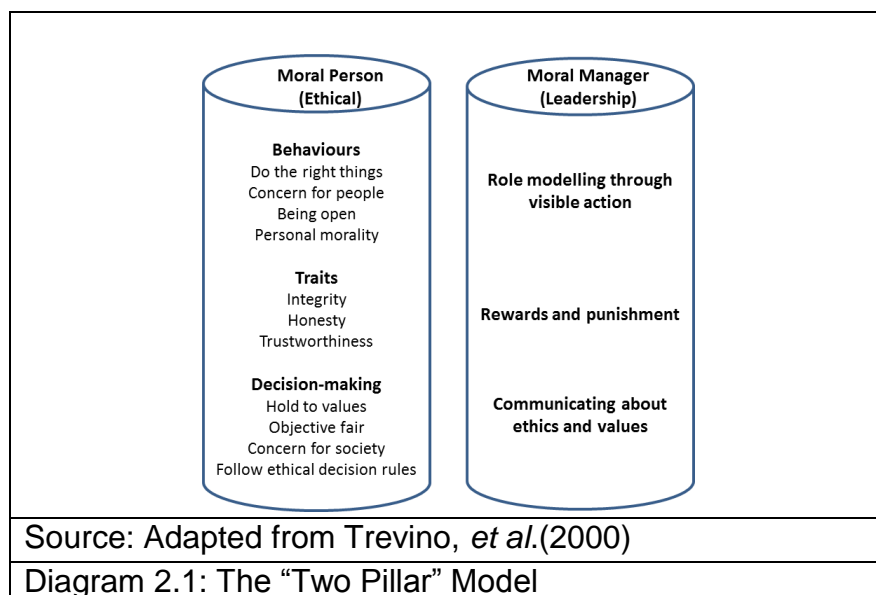
For Dion (2012:4-24) authenticity is the “whole integrity of the self and a basic attitude of sincerity” while ethical leadership is about leading in terms of the laws, frameworks, stakeholder expectations applicable to an organisation, with due regard for the best interest of the followers involved. Key for Dion is the relationship of trust and transparency between the leader and followers. Authentic leaders are naturally humble and are less likely to seek attention with a high level of self-awareness of what they value and what is ethical. This is the basis that motivates their leadership (May, Hodges, Chan and Avolio, 2003). For Mahsud, Yukl and Prussia (2010) this strong basis of leader ethics and values sets the ethical tone for followers, which then forms the standard that the leaders use to hold followers to account.

In summary, paragraphs 2.1.1, 2.1.2 and 2.1.3 examined early and contemporary leadership literature and identify authentic, transformational leadership as the desired leadership behavior paradigm, with particular emphasis on the notion of collective, community-based leadership that is informed by the historical and socio-cultural context. It located ethical leadership in the authentic, transformational school of leadership.

2.1.4 The nature of ethical leadership

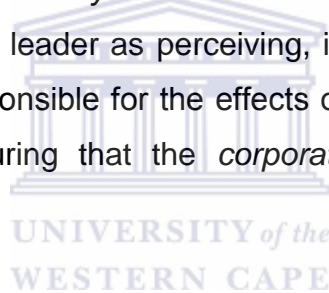
Given the location of ethical leadership in the authentic transformational paradigm, Paragraph 2.1.3 will examine the literature to establish the nature of ethical leadership in greater detail.

Brown, Trevino and Harrison, (2005:120) define ethical leadership as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision making”. For Brown, *et al.* (2005) ethical leadership implies that a leader should be both a *moral person* and a *moral manager* — always promoting and living ethical standards by word and deed (Trevino, Hartman, & Brown, 2000). This “Two Pillar” model of ethical leadership is outlined in Diagram 2.1.



An important ingredient of being an ethical leader in the “Two Pillar” Model is the leader holding followers to account when there is a transgression on the part of a follower. Also essential to moral leadership is modelling the desired moral and ethical behaviour since this influences the *ethical climate* of an organisation (Van Aswegen and Engelbrecht, 2009; Elm and Nichols 1993, *employee voice* and *psychological safety* (Walumbwa and Schaubroek, 2009). In a study by Kaptein (2011), he found that employees were less likely to engage in unethical behaviour when their manager was perceived to be ethical themselves.

In providing ethical leadership, it implies that a the leader is *more sensitive* to those affected by their decisions, takes a *long-run perspective* in making decisions and creates greater *clarity and security* for all stakeholders (Enderle, 1987). Enderle sees the key tasks of an ethical leader as perceiving, interpreting and creating reality for followers, while being responsible for the effects of one’s decisions on the followers implicated and then ensuring that the *corporate goals* of the organisation are achieved.



Ludwig and Longenecker (2003) critiqued the generally accepted reasons for ethical failures, these reasons being that leaders behave unethically because companies do not have ethical standards and the pressure of competitive forces. Ludwig and Longenecker believe that the corporate scandals in the USA have shown that leaders are not trained or socialised to manage their personal and corporate success. In their research they found that companies normally at least have well-documented ethical standards and that the persons implicated in some of the corporate scandals were men and women who had high integrity with their followers and stakeholders prior to the scandals. However, they did not have the ability to:

- manage their resulting loss of strategic focus
- privileged access to information
- control of resources
- a belief in their ability to control outcomes and conceal their misdemeanours

The purpose of ethical leadership is to achieve the common good (Bass and Steidlmeier, 1998). The common good can be viewed as the greatest good for the greatest number of people, recognising that in a plural society with multiple cultures and with potentially disparate values, not everyone's understanding of "the good" can be satisfied, but the greatest number of people should feel that their good is being sought. Velasquez, Andre, Shanks and Meyer (1992) see the common good as the conditions of social life that give citizens the passageway to the means of satisfying their own aspirations. Giving practical effect to this notion, for Velasquez, *et al.* (1992) implies that society will develop the social systems, institutions, and environments that promote and sustain the common good.

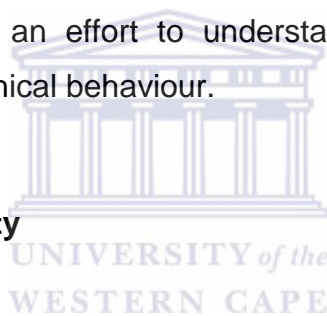
Conrad (2013) cautioned against thinking that ethical leadership is universally understood to be the same thing. He bases this on his study with Kazakhstani people. This point is supported by Resick, Martin, Keating, Dickson, Kwan and Peng (2011) who showed that, deception and dishonesty were seen as more characteristic of unethical leadership by American participants in their research compared with Chinese participants. Similarly they found that consideration and respect were seen as more characteristic of unethical leadership by Chinese participants compared with Irish participants. Brown (2005) supports a perspective on ethical leadership that is culture specific when he speaks about ethical leadership being "normatively appropriate". Resick, *et al.* (2011), however, also noted that there are four aspects to ethical leadership that are typical of western societies, these aspects being *character* (integrity), *altruism*, *collective motivation*, and *encouragement*. For Resick, *et al.* (2011) this helps the leader to be effective across cultural boundaries.

Turner, Barling, Epitropaki, Butcher and Milner (2002) make the connection between transformational leadership and moral reasoning. In their study of organisations in Canada and the UK, they conclude that managers who reason at the higher levels of moral reasoning in terms of Kohlberg's (1979) cognitive moral development framework, display greater evidence of transformational leadership behaviours than leaders who scored at the lower levels of moral reasoning. Further they found that

transactional leadership behaviours were consistent across the different levels of moral development and concluded from this that all leader-follower relations are characterised by elements of transactional behaviour irrespective of whether a leader has a pre-disposition for transformational leadership or not.

In summary, ethical leadership has a strong influence on both followers as individuals and on an organisation as a whole and is critical for setting the moral tone. In providing ethical leadership, the leader has to take a long-term view on the sustainability of the organisation and in so doing has to consider the interests and demands of the organisation's stakeholders. Ultimately, the ethical leader should be striving for the common good of the society in which the organisation operates. Lastly, the ethical leader operates in a national and global environment that could have nuanced appreciation for what being ethical means. The savvy ethical leader will be required to make an effort to understand these nuances when making decisions and modelling ethical behaviour.

2.2 Business Ethics / Morality



Paragraph 2.2 will locate business ethics in the broad field of ethics and morality. The scope of business ethics in the South African context will be outlined in terms of legislation, corporate governance and codes of conduct. Further, this paragraph will show the influence of the historical, social and economic context on good business ethics and the importance of good business ethics for the sustainability of a business.

Ethics is a component of philosophy that addresses questions about morality. There are two levels of ethics; theoretical and applied ethics. Business or organisational ethics falls into the category of applied ethics and has do with how an organisation, through its leaders and workers, behave in the socio-business context and uphold the ethical standards expected of them (Buchholz and Rosenthal, 1998).

The theoretical underpinning of Business Ethics can be traced to at least five key ethics theories, which are outlined below.

2.2.1 Ethics theories

2.2.1.1 Teleological theories

The two key teleological theories are egoism and utilitarianism (Pojman, 2006). Both these theories focus on the outcomes of actions rather than the actions themselves. Thus the actions are unimportant, as long as the actions result in good for oneself or others. Egoism is concerned with the outcomes from a perspective of the self, while utilitarianism is concerned with the outcomes for others. Utilitarianism is largely associated with the work of Jeremy Bentham and John Mills (Norman, 1983). For utilitarianism actions should be evaluated by their consequences and strives for the greatest good for the greatest number of people (Snoeyenbos and Humber, 1999). In essence, the ends justify the means. For utilitarianism; “An action is right from an ethical point of view if and only if the sum total of utilities produced by that act is greater than the sum total of utilities produced by any other act the agent could have performed in its place” (Velasquez, 2001, p8).

Utilitarianism distinguishes between *act*-utilitarianism and *rule*-utilitarianism (Pojman, 2006). Act-utilitarianism suggests that an act is right if and only if it results in as much good as any available alternative. Rule-utilitarianism, on the other hand, says that an act is right if and only if it is required by a rule that is itself a member of a set of rules, whose acceptance would lead to greater utility for society than any alternative (Craig and Gustafson, 2008).

Some criticisms of utilitarianism (Pojman, 2006) are that it does not attach special value on honouring promises and contractual obligations. If the situation demands it, a utilitarian could break a promise or contract as long as good comes from this act. Secondly, there is no room for special moral obligations to one's family and close friends and leads to alienation Thus it is not important who enjoys the good resulting from an act, as long as the utility is maximised. In practice, this could mean that one's family or friends could come off poorly if greater utility can be achieved by favouring a stranger. Lastly, utilitarianism could make choices that are complex seem easy.

2.2.1.2 Deontological theories

Deontological theories are mainly associated with Immanuel Kant, who lived between 1742 and 1804 and authored the influential work "*Groundwork for the Metaphysics of Morals: Critical Essays* (Pojman, 2006). For Kant, actions are judged as ethical or unethical based on duty or the intentions of an actor. He emphasised that the individual should act in accordance with and *for the sake of* duty (Bowie, 1999). Thus, for Kant, what one feels or emotes or the outcome of actions are of no consequence, since one's duty to act within a universal set of rational principles that guide and restrict action is of paramount importance. In practice, this means that an individual's actions must be ethical, even though the outcome may not be good. This is contrary to the teleological perspective that emphasises the nature of the outcome being good, rather than on the actions leading to the outcome (Napal, 2005; Gulcan, 2004)

Further, deontologists contend that as human-beings, we are able to construct a code of morality through reasoning alone. Based on this, we are able to establish what Kant calls *categorical* (unambiguous) *imperatives* (Bowie, 1999). These categorical imperatives are universal laws that are true across cultures and geographical boundaries. Therefore, to behave morally or ethically, in deontological terms, implies upholding the categorical imperatives through our actions. The categorical imperative manifests itself in three ways, viz. Firstly, act only on maxims, which one can will to be universal laws of nature; secondly, Always treat the humanity of a person as an end, and never merely as a means; Lastly, Act as if you are a member of an ideal kingdom of ends in which you were both a subject and sovereign at the same time (Bowie, 1999).

Critique of the deontology theory includes the argument that deontology plays down the importance of the outcome of actions. For the deontologist, one can engage in moral actions, but the outcome could be either good or bad. In another vain, deontology is chiefly interested in what not to do - the categorical imperative can only guide our conduct in so far as advising us against morally wrong acts. It does not tell us what to live/aim for or what to value.

2.2.1.3 Virtue ethics

Virtue ethics is concerned with the notion that ethics and morality are fundamentally about the character of the leader. For Pojman (2006), virtue ethics focuses on the heart or character of a person and being that person. Thus leaders who have the right character make-up are pre-disposed to making right choices when faced with ethical dilemmas (Elliot and Engebretson, 2001). For Elliot and Engebretson (2001) as well as Pojman (2006), the focus in virtue ethics should be on the moral development of the leader or what the leader can become.

2.2.1.4 Moral relativism

Moral relativism attempts to account for cultural differences and contends that what is moral or ethical is relative to social, cultural, historical and personal values. There are no universally valid moral principles, but rather all moral principles are valid relative to the culture in which an individual finds themselves or individual choice, (Pojman, 2006). This challenges the categorical imperative (universal rules) of deontology. For moral relativists, it is inappropriate to impose a categorical imperative from one cultural setting on another.

Moral relativists have been criticised because the cultural practices that may be acceptable in one's own culture, are not acceptable by those not in that culture, but who may have reason to interact with and relate to the culture. This could create conflict, which in its extreme form may play itself out in the form of the relatively low premium placed on workers in the Chinese sweatshops. Western countries are reluctant to be seen to trade with Chinese companies that treat workers unfairly by western standards. Pojman (2006) concludes that choosing between deontology and moral relativism is not an option and leads her to accept that neither can effectively accommodate all ethical dilemmas on its own.

2.2.1.5 Social contractarian ethics

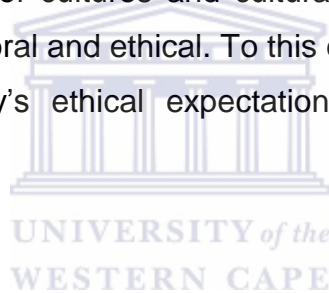
Social contract theory is evidenced by an implicit agreement among the members of an organised society or between the governed and the government defining and limiting the rights of each, (*Free Dictionary*, 2013). Social contract theory is largely associated with Thomas Hobbes, Jean Jacques Rousseau and John Locke (Dunfee and Donaldson, 2002). Their brand of social contract theory was in the context of enhancing the relationship between state and citizenry and how the social contract can avoid chaos and war, improve social welfare and protect freedom and property rights (Dunfee and Donaldson, 2002). The modern form of social contracting is associated with John Rawls and is concerned also with the relationship between modern companies and civil society and attempts to bring clarity to the ethical obligations of leaders and the organisations that they manage (Dunfee and Donaldson, 2002).

Social contract theory attempts to bring together often conflicting perspectives between leaders of organisations, followers and stakeholders on what is right or ethical, something that may not be possible if one adopts only a deontological, teleological position or indeed a relativistic position. The ensuing social contract is based on the assumptions that the parties will behave rationally, are prepared to compromise some of their rights and provide consent to the terms of the contract (Dunfee and Donaldson, 2002).

The ethics theories outlined above inform the ambit of the moral terrain that leaders and managers in organisations have to traverse in the process of exercising their responsibilities and authority. Solomon (1993) distinguishes three levels of business ethics that the manager or leader needs to be aware of, viz. the micro, macro and molar. For Solomon (1993) the micro level concerns the rules for fair exchange between two individuals, the macro level concerns the institutional or cultural rules of commerce for an entire society (the business world), and the molar level concerns the basic unit of commerce in today's companies.

Effective leaders are required to account for the deontological, teleological and virtue ethics perspectives and embrace the micro, macro and molar as the terrain in which they have to exercise ethical behaviour. For Knights and O'Leary (2006) it is not surprising that the leadership literature is concerned mostly with virtue ethics rather than the traditional moral philosophies of utilitarianism and deontology. Just as a good leader has to be ethical and effective, he or she also has to act according to duty and with some notion of the greatest good in mind (Ciulla, 2006).

Clearly, managers and leaders have to be concerned with the morality of actions and outcomes in the process of seeking the greatest good for society. Complicating the task is the multi-cultural context with multiple expectations in which business operates both in South Africa and globally and the need for sensitivity in making decision and operating in this context. South African managers and leaders must grapple with the diversity of cultures and cultural practices and therefore different perspectives on what is moral and ethical. To this end, social contracts can go a long way to making a society's ethical expectations clear and leaders being held accountable.



2.2.2 Business ethics and its scope

Business Ethics are the principles, practices and philosophies that guide a business and its employees in the strategic and daily operational. Business ethics is concerned primarily with the impacts of business decisions on the organisation itself as well as other stakeholders with which the business interacts in carrying on its business (Bajumon, 2011).

Hurst (2004) demarcates the scope of business ethics to include the following:

Corporate Governance – the range of policies and practices that shareholders, executive managers, and boards of directors use to manage themselves and fulfil their responsibilities to investors and other stakeholders

Corporate Responsibility - the obligations that an organisation has toward its stakeholders. When examining a particular corporate practice, like profit versus environmental protection, corporate responsibility can help distinguish between a stakeholder expectation and a corporate obligation, i.e., is the company obligated to provide absolute environmental protection at all costs or is it obligated to maximize profits for its investors at the cost of damaging the environment?

Corporate Social Responsibility – emphasises the obligations that an organisation has to the society in which it operates in terms of providing jobs, protecting the environment and assisting the society to develop in exchange for the privilege of being a citizen of that society.

Corporate Sustainability - aligning an organization's products and operational processes with societal efforts to build and maintain a physical environment that protects natural resources. In this way an organisation complies with the expectations of a society today, while not compromising the opportunity for future generations to supply their own needs.

Bucholz and Rosenthal (1998) posit that the core underlying expectations for ethical organisation behaviour must include:

- An orientation to the social change a society is undergoing
- Taking a long-term perspective on its interests by assisting society to solve social challenges, thus creating a better environment for itself
- Enhancing its brand and image by being socially responsible
- Business has enormous resources that can help to solve social problems
- Exploit social problems where they present an opportunity for profitable business opportunities
- A moral obligation to help solve social problems that it has created or at least perpetuated

In the same vein Rossouw (1997) identifies key areas that ethically responsible organisations should be promoting and supporting in South Africa. These are:

- The development of a strong ethical and moral culture in the organisation.
- Affirmative action that genuinely seeks to achieve redress in terms of equal opportunities and access thereto for previously disadvantaged workers
- Improving South Africa's poor productivity record by promoting improved skills for workers greater innovation
- Balancing the need for protecting privacy and on the one hand and transparency on the other

With regard to *corporate governance* it is defined as the procedures and processes according to which an organisation is directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organisation – such as the board, managers, shareholders and other stakeholders – and lays down the rules and procedures for decision-making (OECD, 2013).

Rossouw (2005) highlights the importance of corporate governance and asserts that corporate governance can, firstly, contribute to the financial success of organisations and long-term sustainability. Secondly, it can enhance corporate responsibility and reputation, thirdly, attract foreign and local investment. Thirdly, Rossouw believes that good corporate governance can be a deterrent to corruption and unethical business practices and promote market discipline and transparency. In his review of corporate governance in Africa, Rossouw found that the inadequate regulatory and institutional frameworks are impediments to achieve good governance.

In South Africa, the national governance codes viz. *King I, II and III*, are the key frameworks that company boards and their organisations need to comply with. Key to this compliance is the principles of transparency, accountability, responsibility and probity.

The King I, II and III reports set out the expectations for Boards of Directors to ensure that companies adhere to high ethical standards to protect the integrity and reputation of the company. Also, a Board must ensure that the rights of

shareholders, but also other stakeholders, are protected. Further, the safety and health of employees must be protected and lastly, the Board needs to ensure that the company behaves as a good, socially responsible citizen and operates in accordance with the principles of sustainability.

The King reports set out four criteria for fostering an organisational climate. These are – pledging the organisation to the highest standards, involving all parties in the organisation to participate in creating a good moral climate and making moral behaviour an everyday practice by everyone in the organisation across work levels. Further, the King commission expects Chief Executives of organisations to champion and support the efforts to create a good moral climate and to create a clear detailed plan to achieve the objective of a good moral climate.

Enderle (1997) noted that the moral climate of the society in which a business operates is informed by its history and the prevailing social conditions. For Enderle, this moral climate (moral confusion, lack of trust, resignation, scepticism and cynicism) and the business context in South Africa, has its roots in decolonisation, liberalisation and the lack of adequate capacity for self-generating growth.

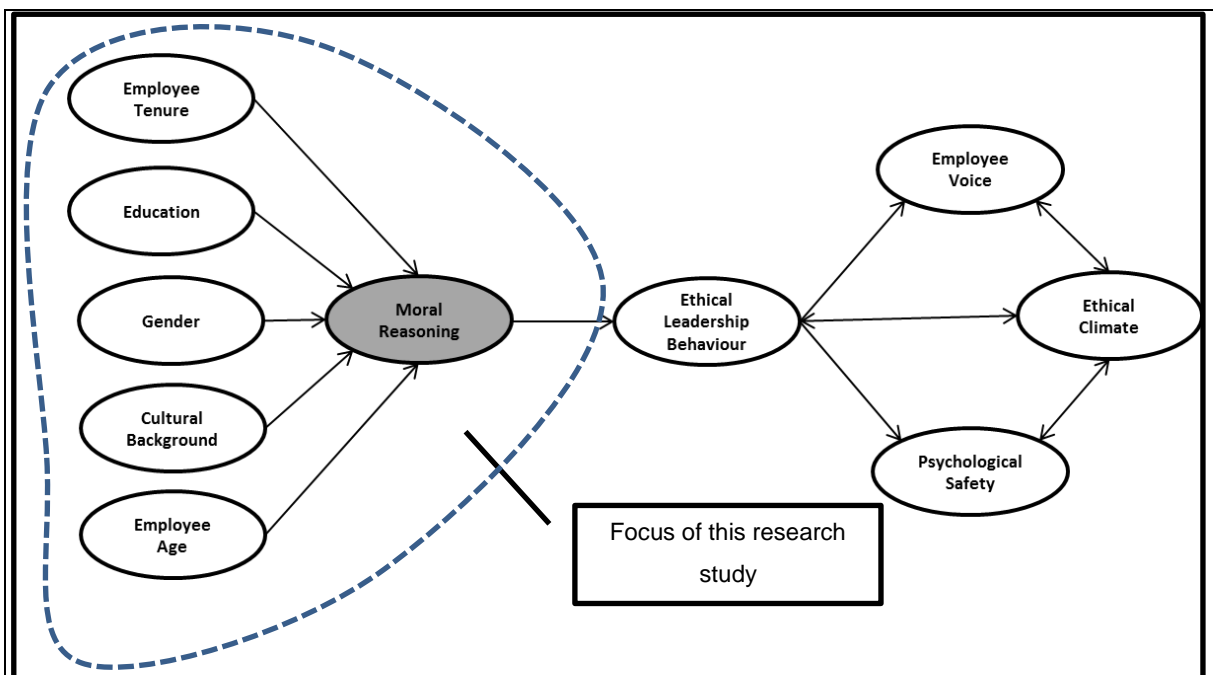
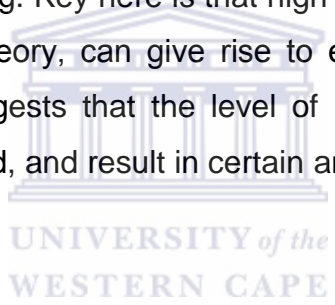
Organisations in South Africa have been faced with an increasing burden to operate ethically and responsibly by playing its part in the development of the people of the country. This burden has come through firstly, legislation, example, the Basic Conditions of Employment Act, Act 75 of 1977 and the Employment Equity Act, Act 55 of 1998). Secondly, government programmes like the sector charters, preferred procurement initiatives and broad-based black economic empowerment are aimed at improving the economic lot of people through and giving everyone greater access to skills, job opportunities and access to finance and markets. Thirdly, organisations are expected to act responsibly and ethically toward the environment in the context of global warming, climate change and the unsustainable demands on traditional energy sources like oil and coal.

To conclude this section, the literature, as outlined above, recognises that business ethics and adherence to good business ethics is crucial for the sustainability of an organisation. Important to achieve this is the fostering of an ethical business climate

that will influence the behaviour of both leaders and followers. The literature also recognises that organisations that operate in a dynamic and changing environment need to be aware of how an ethical business climate can change and understand the interventions that are required to sustain an ethical climate. Supporting an ethical corporate environment is the need for good corporate governance and institutions that monitor and act decisively to foster and sustain such an ethical environment.

2.3 Demarcation of the present study

The conceptual framework for this study is depicted in Diagram 2.2. The framework is developed from a consideration of relevant literature, which is outlined in the ensuing paragraphs. The framework draws together the preceding discussion on ethical leadership and moral reasoning. Key here is that high levels of moral reasoning in terms of Kohlberg's (1997) CMD theory, can give rise to ethical leadership behaviour. The literature examined here suggests that the level of moral reasoning is influenced by certain factors on the one hand, and result in certain antecedents on the other.



Source: See references in paragraphs 2.3.1 and 2.3.2

Diagram 2.2: Conceptual framework for this study

2.3.1 Factors influencing moral reasoning

Moral reasoning (Kohlberg and Wasserman, 1965) is influenced firstly by *employee tenure*, Pennino (2002), where employee tenure is the length of time that an employee is in the service of an organisation. Secondly, the level of *formal education* in ethics and morality influences the level of moral reasoning (Rose, 2012; Jones, 2009 and Wimalasiri, 2004).

Thirdly, Wimalasiri (2004) also found that cultural background is an influencer of the level of moral reasoning, while fourthly, Gilligan (1982) posits that gender is a factor when assessing the level of moral reasoning. Lastly, Harris (1990) and Kelley, Ferrel, Skinner (1990) found a correlation between the age of managers and moral reasoning.



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2.3.2 Antecedents of the presence of moral reasoning

A central principle of Kohlberg's stages of moral development is that higher levels of moral reasoning are associated with higher levels of ethical and moral leadership (Kohlberg, 1979). This is supported by Turner, Barling, Entropaki, Butcher and Milner (2002). On the other hand, lower levels of moral reasoning are associated with lower levels of ethical and moral leadership. Van Aswegen and Engelbrecht (2009) and Elm and Nichols (1993) showed that moral leadership (as characteristic of transformational leadership) influences and is influenced by the *ethical climate* of an organisation, where ethical climate is defined as the shared set of norms, values and practices of organisational members regarding appropriate behaviour in the workplace. In addition, Walumbwa and Schaubroek (2009) conclude that *psychological safety* (shared beliefs among work unit members that it is safe for them to engage in interpersonal risk taking) and *employee voice* (promotive behaviour that emphasises the expression of constructive challenge intended to improve rather than merely criticise).

The focus of this study is demarcated in the conceptual framework in Diagram 2.2 as bounded by the broken line. Thus the study will examine the relationship between age, gender, tenure, race and education level respectively and the level of moral reasoning of the subjects in the research. A review of the relevant literature on moral reasoning will be discussed in paragraph 2.4.

2.4 Moral reasoning

Piaget (1965) is well known for his work relating to cognitive or thought development in children. Out of this work Piaget developed the four stages of cognitive development viz.

- *Sensorimotor Period* (birth to 2 years) - In this stage the intelligence and thought occurs through and is limited to motor actions in the form of the sensory organs, hands etc. and resulting reflexes.

Pre-operational Thought (2 to 6 years) – In this stage children represent the world in mental images. These mental images or objects are viewed from a self-centred perspective. What the objects are, is not the issue, but the exploratory value of the object is.

- *Concrete Operations* (7 to 11years) – Children in this stage are able to consider another person's point of view and more than one viewpoint at the same time. The thinking process is more logical, flexible, and structured than in the previous stages. For Piaget, children in this stage are able to understand concrete problems, but they are not yet able to consider or deal with abstract problems.
- *Formal Operations* (12 to adulthood) – At this stage a person is able to think logically and abstractly, while being able to reason using theoretical and complex concepts. Piaget viewed this stage as the pinnacle of the cognitive development process.

Using Piaget's cognitive development stages as a springboard, Kohlberg, (1969) developed the theory of Cognitive Moral Development (CMD). Kohlberg's theory of the

development of moral reasoning in turn laid the basis and framework for how researchers think about and study moral development and is still extensively used even today (Crain, 1985). CMD highlighted the cognitive processes associated with moral judgment and how it influences moral action. CMD is concerned with the process that a person follows when making an ethical judgment rather than a specific morality or how the individual acts or indeed whether the individual actually acts when faced with an ethical dilemma. In CMD, Kohlberg isolated 3 levels of moral development, with each level comprising of two stages (Kohlberg and Wasserman, 1980). These levels and stages are outlined below and depicted in Diagram 2.3.

- Level 1 - Pre-conventional level

Stage 1: "good" is whatever results in the smallest chance of punishment ("orientation to punishment")

Stage 2: "good" is whatever satisfies one's own needs (egoism)

- Level 2 - Conventional level

Stage 3: "good" is whatever creates harmonious relations between people ("good boy, nice girl morality")

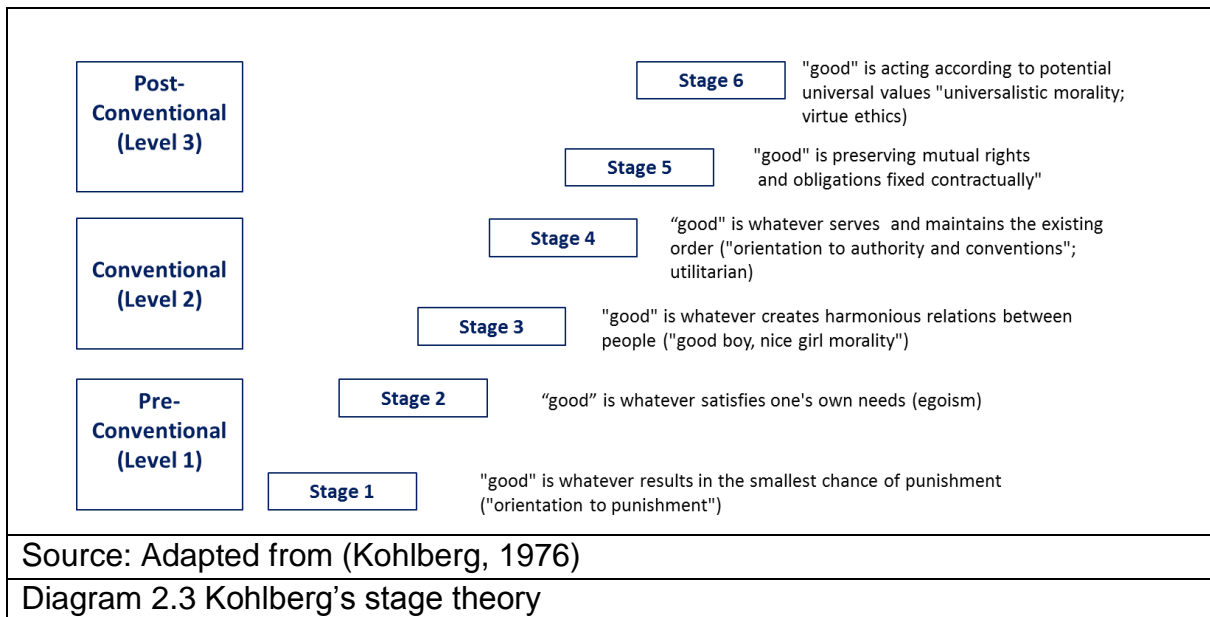
Stage 4: "good" is whatever serves the existing order ("orientation to authority and conventions"; utilitarian)

- Level 3 - Post-conventional level

Stage 5: "good" is preserving mutual rights and obligations fixed contractually"

("utilitarian contract perspective")

Stage 6: "good" is acting according to potential universal values; universalistic morality; virtue ethics)



2.4.1 Elaboration of Kohlberg's stages theory

Pre-conventional level: At this level, the response to the question of what is right, when faced with a moral dilemma, is typically based on prevailing societal rules and the consequences, to oneself, that may result from transgressing those rules.

Conventional level: At this level, ethical behaviour is based on observing the rules and expectations of the group one identifies with. Preserving and upholding the existing social order of the group and the associated norms and standards is therefore the objective. Unlike the pre-conventional level, at the conventional level, decisions to behave ethically or not, are not based on an egocentric desire, but on loyalty to the people with whom one associates.

Post-conventional level: At this level, behaving ethically is based on universally accepted ethics and norms arising out of one's respect for the rights and well-being of all by virtue of our common humanity. Kohlberg espouses a universalist perspective in his moral reasoning approach. This approach holds that all cultures share a basic set of morals and beliefs about the world. In addition, individuals in all cultures proceed through the same sequence of moral development stages, all be it at different rates, given the context to which individuals are exposed. The relativist perspective contradicts the universalist perspective in that there is skepticism about

the possibility of formulating universal moral principles. Thus the relativist position avoids formulating decisions based on universal moral rules, but focuses on the personal and culture-specific moral rules (Forsyth and O'Boyle, 2011).

Rest (1986) elaborated on the CMD theory by defining the reasoning process more clearly. Thus for Rest, there are 4 psychological sub-processes at work, these being:

- Interpreting the situation in terms of the actions possible and the effect on the self and the other
- Judging which course of action is morally right
- Prioritising what is morally right above other considerations
- Showing the resolve and ability to follow through on the intention to behave morally

Not discounting Kohlberg and Rest's contributions to CMD, Jones (1991) broadened the theory by focusing on the ethical issue itself. Jones proposed the idea of moral intensity which has six component parts. Moral intensity represents the considerations of the moral agent (leader) about the ethical issue at hand. These parts are:

Magnitude of consequences of the moral issue – this is the potential aggregate harms or good that can result from the choice of a person.

Social Consensus – Social consensus is the level of social agreement that an act is good or evil by nature. For Jones, the lower the level of ambiguity in a society about whether an act is ethical or not, the higher the level of consensus will be and therefore the lower the level of unethical actions. The converse is also true for Jones. Jones concludes that a strong social consensus against an unethical behavior will help a decision maker to establish the understanding that the behavior is wrong.

Probability of Effect – The probability effect of an act is the probability that the act will occur and the probability that the act will cause good or harm. This can also be referred to as likelihood of effect, "this is the likelihood that the decision made by the decision maker will result in harm".

Temporal Immediacy – Temporal immediacy represents the perceived length of time from the start of action to the start of the consequences of the moral act. For Jones, the shorter the length of time, the greater the immediacy

Proximity: Proximity is the sense of nearness that socially, culturally, psychologically or physically, the moral agent experiences for the beneficiaries of good or harm. Jones believes that the moral agent, by intuition, has more concern for people closer to him or her than to others who are not as close.

Concentration of Effect: Whether an act is perceived to be ethical or not is determined by the magnitude of the effect on an individual or a group of people. In practice, the effect of the act is inversely proportional to the number of people affected by the act.

2.4.2 Criticisms of Cognitive Moral Development Theory

Brown and Hershstein (1975) support Kohlberg's moral development theory, but argue that moral action is a process on its own, which is influenced by situational learning and reinforcement (White, 1999:463). Passini (2010) echoes this by asserting that one's moral decision-making is not determined only by the moral dilemma or level of moral reasoning, but also by the notion of *moral prejudice* toward the group to which the person or situation being judged belongs.

Wimalasiri (2004) and Gilligan (1992) argued that CMD theory is male-centred in that it emphasizes a justice perspective and does not consider other values such as the ethic of care and nurture, which is associated more with women. Given this argument, Gilligan posits that CMD theory does not adequately deal with non-justice considerations in explaining moral reasoning. Guertin (1986) also criticised Kohlberg for his emphasis on the cognitive dimensions of moral reasoning and not considering the emotional and affective aspects.

Wimalasiri (2004) found that the CMD model does not account for the cultural influence on a person facing a moral dilemma, while the theory does not consider the

real life setting, such as organisation culture, in which the ethical dilemma plays itself out.

Haidt (2001) argues that CMD theory takes a rationalist approach to moral judgment. He argues that with CMD, moral knowledge and moral judgment are achieved by reasoning and reflection only. Haidt proposed a social intuitionist model that points to the fact that when faced with an ethical dilemma, a perception of what is moral comes first rather than a reasoning process. For Haidt, the reasoning process has to do with justifying the already perceived morality.

Sachdeva, Singh, and Medin (2011) pointed out that the current work in moral psychology is limited in that the researchers are mainly western white, middle-class, liberal males. This manifests itself in, for example, research in moral reasoning not accounting for the role of spiritual or religious beliefs in moral cognition. Sachdeva, *et al.* (2011) call for research in moral reasoning to become more global from a researcher and participant perspective.

Trevino (1992) and Malinowski and Smith (1985) argued that research studies to support CMD are based on hypothetical, everyday dilemmas. For Trevino (1992) and Malinowski and Smith (1985) the context of the dilemma and other factors possibly affect how the subject perceives the dilemma and morality. This has an implication for research studies in CMD, since, for example, scenarios from a business setting may be more suitable if one was studying the level of moral develop of managers or employees in a corporate.

Despite the criticism of the Kohlberg stages model, the model is still widely used in moral reasoning research (Galla, 2006; Chavez, 2003)

2.5 Evolution of key Instruments used to examine moral reasoning

Kohlberg (1963) first developed the Moral Judgment Interview (MJI) as the instrument to assess moral reasoning. The MJI was based on Kohlberg's moral stage theory and consisted of an open-ended interview with respondents. During the interview, respondents provide their responses to three ethical dilemmas to multiple raters.

Responses are scored for stage level based on the reasoning of how the participant came to her or his conclusion (Kohlberg, 1963): The stage level was determined based on response evidence of:

- Punishment by another.
- Manipulation of goods/ rewards by another.
- Disapproval by others.
- Censure by legitimate authorities followed by guilt feelings.
- Community respect and disrespect.
- Self-condemnation.

The MJJ marked the earliest form of assessment of moral reasoning and the use of moral dilemmas, which respondents need to assess and then answer related questions. Martin, Shafto and Van Deirse (1977) critiqued the MJJ for its lack of objectivity and reliability on the one hand and rater bias on the other.

The critique by Martin, *et al.* was addressed by Rest (1979), with the development of the Defining Issues Test (DIT), based on Kohlberg's Stage Theory. Martin, *et al.* (1977) pointed out that the DIT has been used extensively in research studies and validated. The DIT also utilises a series of moral dilemmas from general life's experience. Respondents are required to indicate how they will respond to each moral dilemma. To evaluate the key issues that a respondent thinks of when they evaluate a moral dilemma, the respondents have to rate twelve issues in terms of the importance of each issue to them. Lastly, respondents have to rank the four most important issues from most important to least important. The DIT invokes what Rest (1975) calls moral schemas or ideas from long-term memory that shape how respondents frame and process data and information presented in the moral dilemmas. The DIT has been extensively used as an instrument over the last thirty years with Huang (2006) pointing to in excess of five hundred published studies as a basis for the validity and reliability of the DIT. Since then, the DIT continues to be extensively used.

The following evidence provides examples of studies that utilised Kohlberg's cognitive moral development theory and the DIT:

Lin and Ho (2009) did a comparative study between Taiwanese and mainland Chinese purchasing managers. They found that purchasing managers from both countries

reasoned at the conventional level, while Taiwanese purchasing managers scored higher than their mainland Chinese counterparts at the principled reasoning levels, but lower at the conventional levels.

Hughes, Doyle and Summers (2013) examined the ethical reasoning of tax practitioners in Ireland. They found that there was no difference in moral reasoning levels between tax and non-tax practitioners, while there also was no difference in moral reasoning levels between male and female tax practitioners, while age also did not influence the level of moral reasoning.

In a South African study at a university, Smith and Parekh (1996) found no overall significant differences in the level of moral development between Black and White students. They explained this as possibly due to the socioeconomic class of the student respondents being homogenous. There were significant differences, however, in stages of moral reasoning in the 19-28 age range.

Research by Rest and Thoma (1985) showed that adults display consistent moral reasoning capabilities but this ability can be influenced by education in values and ethics. This positive correlation of values and ethics education on the one hand and moral or ethical reasoning on the other is supported by Lau (2009) and Jones (2009). Jones studied the change in student's moral reasoning following five 75-minute classes on business ethics and two assignments utilizing a novel pedagogical approach designed to foster ethical reasoning skills. Jones found that the students that underwent the ethics training displayed higher levels of post-training moral judgment than students in the control group. This finding is supported by Lau (2009). Both studies were conducted with students. Lau pointed out that once the students get into a work context, they may not be ethically-minded in an unethical environment. To counter this, Lau proposed that on-going ethics training is required.

Chavez (2003) studied whether banking employees, who had taken ethics courses or training, have higher levels of moral reasoning than those who did not. Chavez concluded that taking an ethics course did not influence the level of moral reasoning.

Schminke, Ambrose and Neubaum (2005) studied the effect of leader moral development on ethical climate and employee attitudes. Their results showed that the relationship between leader moral development and ethical climate is moderated by two

factors: the extent to which the leader utilizes his or her cognitive moral development (i.e., capacity for ethical reasoning), and the age of the organization. Specifically, the influence of the leader's moral development was stronger for high utilising leaders, those whose moral actions were consistent with their moral reasoning.

Hyppolite (2004) studied the moral development of public sector county employees in South Florida. From this study, Hyppolite concluded that there was no significant relationship between moral development and educational level among public sector managers. However, Maree (2007), concluded from her study of students at the Tswane University of Technology that fourth-year students showed higher levels of moral reasoning than first year students and thereby make the case for level of education being an influencing variable on the level of moral reasoning. The Hyppolite (2004) study also found that no significant relationship between gender and moral development but indeed found a relationship between the age of the respondents and their moral development.

Loviscky, *et al.* (2007) acknowledged the wide acceptance and use of the DIT, but supported the critique raised by Trevino (1992) and Malinowski and Smith (1985) about the fact that the scenarios in the DIT were taken from general life and therefore was not appropriate for use in a business setting. This critique is also based on Martin, *et al.* (1977) proposition that when doing moral judgment research, the ethical situations should be related to the context of the research. Thus for a business context, the scenarios must be based on typical business content. In response, Loviscky, *et al.* (2007) proposed a new research instrument, the Managerial Moral Judgment Test (MMJT). The MMJT methodology was patterned after the DIT, except for the content of the scenarios. The six scenarios used in the MMJT therefore take the business context into account and has demonstrated construct validity in terms of convergence validity and discriminant validity on the one hand and internal consistency reliability (Loviscky, *et al.*, 2007). Since its inception, the MMJT has been used in a growing number of studies, example, (Daniels, 2009; Edwards, 2009; Hoover, 2010; Franklin, 2010).

2.6 Development of the hypotheses for this study

2.6.1 Moral reasoning and age

In their research on 243 middle managers in the manufacturing industry, Elm and Nichols (1993) found a significant negative relationship between age and the level of moral reasoning. Thus, younger age is associated with the higher the level of moral reasoning. This finding is supported by Peninno (2002) and Hyppolite (2004), but contradicts the findings of Harris (1990) and Kelley, Ferrel and Skinner (1990). Intuitively one would expect older managers to operate at the upper stages of moral reasoning, given their greater life and work experience and appreciation of what is good for the company. Given the fact that most senior management positions in the proposed research site are held by persons older than forty years of age, it is of relevance to understand whether age is associated with the level of moral reasoning.

There is therefore an opportunity in this study to further test the association of the age of managers with the level of moral reasoning.

- Ho 1: There is no significant relationship between the age of a manager and their level of moral reasoning.
- Ha 1: There is a significant relationship between the age of a manager and their level of moral reasoning.

2.6.2 Moral reasoning and gender

Gilligan (1982) posited that gender is an important factor in moral development and how decisions are made when someone is confronted with an ethical dilemma. For Gilligan, males see morality as based on a sense of justice or rights (being logical and maximizing self), whereas females base their perspective of morality on the inter-relatedness of people and the ethic of care. Studies in gender and moral

reasoning have been inconclusive in providing evidence that there are gender differences in relation moral reasoning. Hoover (2010), Hyppolite (2004) and Smith & Rogers (2000) found no differences in moral reasoning between males and females, while others (Elm, Kennedy and Lawton, 2001; Cohen, Pant and Sharp, 1992) found that women have higher levels of moral reasoning than males.

Given the increasing opportunities afforded to women in the South African employment equity context to exercise managerial and leadership oversight it is important to establish whether gender is significant when considering the level of moral reasoning of managers.

- H_0 2: There is no significant relationship between the gender of a manager and the level of moral reasoning.
- H_a 2: There is a significant relationship between the gender of a manager and the level of moral reasoning.



2.6.3 Moral reasoning and race

Wimalasiri (2004) concludes from his cross-cultural study of Singaporean and Fijian managers that moral reasoning processes may be influenced by personal, situational and societal factors.

Persons with diverse social experiences in general have been found to be related to higher levels of moral reasoning (Deemer, 1989; Rest, 1986). In particular, Endicott, Bock and Narvaez (2003) propose that multicultural experiences are important for inter-cultural and moral development. Thus, the exposure of managers to multi-cultural settings or not is a determinant of their stage of moral reasoning. Further, Endicott et al (2003) found that *depth* (the extent to which an individual experienced a culture) of cultural experience is more important for the stage of moral reasoning than the *breadth* (exposure to many cultures) of cultural experience.

In the South African context, the apartheid past emphasized cultural difference, leading to a segmentation of different groups of people by notions such as skin colour, language, tribe etc. The potential *moral prejudice* toward a person/s due to their membership of a group as posited by Passini (2010) can be crucial in informing the moral reasoning of managers, given the culturally diverse nature of the managers and workforce in organisations and therefore perceptions of what is ethical or unethical and how the moral reasoning process is applied.

In South Africa, the Population Registration Act was promulgated in 1950. This act of parliament specified that all South Africans would in future be categorised into the following racial groups: 'White', 'Bantu' (so-called 'Black' people of native African origin), 'Coloured' (of so-called 'mixed-races' or 'mixed descent'), and later 'Asian' (people of Indian, Pakistani and Chinese origin). Historically in South Africa, one's race classification and subsequent experience, therefore, lead to diverse cognitive and moral schemas evolving.

This has a significant influence on the moral judgment of leaders as borne out by the following studies. In the context of the communication and mass-media industries, Correa (2009), Coleman (2003) and Locke and Tucker (1988) demonstrated that social class and race play a role in moral judgment. Correa (2009) established that journalists show lower levels of moral reasoning when the subjects in a news story are from a lower class compared with a situation where the subjects are from the middle or upper classes, or whether the subject's class is known. On the other hand, Coleman (2003) found that white participants displayed a higher level of moral judgment compared with their black colleagues. This is reinforced by Sommers (2007), who established in his study of the decision-making of juries, that a jury's racial composition affects its verdict and deliberations. Lastly, Locke and Tucker (1988) found that the level of moral reasoning of black participants was lower when the people in a news report were black and higher when the subjects in the report were white.

This analysis has shown that race is an important factor to consider when studying the moral judgment of managers. This is more so, given South Africa's apartheid

history and the emergence of greater race diversity in the management and leadership echelons of organisations.

- H_0 3: There is a significant relationship between the race of a manager and the level of moral reasoning.
- H_a 3: There is no significant relationship between the race of a manager and the level of moral reasoning.

2.6.4 Moral reasoning and tenure

Peninno (2002) defines job tenure as the length of time an individual has been employed by their current organisation. In her study of 994 managers in the USA, Peninno found that job tenure was a significant contributing factor to the level of moral reasoning and was inversely related to the level of moral reasoning. Thus managers with lower job tenure displayed a higher level of moral reasoning than their counterparts with more years' service to the organisation. This finding by Peninno can therefore be very significant for some of the large companies in South Africa (like the subject of my study), that boast a long existence and have significant numbers of managers with job tenure in excess of 20 years.

- H_0 4: There is a significant relationship between the tenure of a manager and their level of moral reasoning.
- H_a 4: There is no significant relationship between the tenure of a manager and their level of moral reasoning.

2.6.5 Moral reasoning and level of education

Armon and Dawson (1997) found that education levels have an impact on moral reasoning. This was supported by the findings of Palmer (2011), who compared the level of moral reasoning of senior level college students with that of first year students. The level of moral reasoning of senior students was found to be significantly higher than that of their more junior counterparts. In the South African

context, Maree (2007) in her study amongst students at the Tswane University of Technology found that fourth-year students showed higher levels of moral reasoning than first-year students.

All three these studies were conducted with university students and provide a suggestion that improving education levels will improve the level of moral reasoning. The present study will assess whether the findings of these studies can be replicated in a business setting, where the levels of education are diverse, but also, respondents would have more work and life's experience.

- H_0 5: There is a significant relationship between the level of education of a manager and the level of moral reasoning.
- H_a 5: There is no significant relationship between the level of education of a manager and the level of moral reasoning.



2.7 Summary

Chapter 2 has reviewed the key literature supporting this study. The review located moral leadership in the tradition of authentic transformational leadership and emphasised the importance for organisations to ensure that they comply with the expectations of society and the relevant institutions to behave ethically.

The theoretical underpinning for moral reasoning was discussed, together with an elaboration of Kohlberg's CMD model, criticisms thereof and factors that influence the level of moral reasoning. The chapter concluded with the development of the research hypotheses.

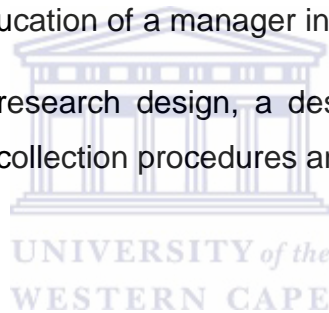
The following chapter will discuss the proposed research methodology.

3. RESEARCH METHODOLOGY

The current study set out with the purpose of assessing the level of moral development of the managers in a short-term insurance company in South Africa. In addition, the influence of the age, gender employee tenure, race and education level of the participants on the level of moral reasoning was explored. The primary research question was: What is the level of moral development and reasoning of the senior managers on the research site? The secondary research questions were:

- Does the age of a manager influence the level of moral reasoning?
- Does the gender of a manager influence the level of reasoning?
- Does the race of a manager influence the level of reasoning?
- Does the tenure of a manager influence the level of reasoning?
- Does the level of education of a manager influence the level of reasoning?

This chapter enunciates the research design, a description of the research site and participants, the sample, data collection procedures and the data analysis procedures.



3.1 The research design

The design for this study was cross-sectional and quantitative. The nature of quantitative studies is that it commences with theory and concepts and explores collected data to explain or support the pre-existing theory. The choice of this particular design is based on the fact that this is largely a replication study. Previous studies of this nature (Palmer, 2011; Daniels, 2009; Galla, 2007; Maree, 2007; Chavez, 2003; Malinowski and Smith, 1985) have used this design. Additional motivation for the design includes the fact that:

- A quantitative study attempts to predict and explain findings relative to a sample. These predictions and explanations can then be amplified to be true for the population in its entirety (Leedy and Ormrod, 2005).

- It allows for the testing of hypotheses and examining the relationship between various demographic variables and the dependent variable, moral reasoning (Creswell, 2003).
- It uses standard methods, therefore research can be replicated, and analysed and compared with similar studies (Creswell, 2003); and
- Any bias by the researcher is minimised, because the data being dealt with is numerical in nature (Creswell, 2003).

Given the advantages of using the quantitative method, a key disadvantage is that the study can be influenced by contextual factors beyond the variables being studied. For example, in the present study, the work circumstances, emotional state and the company culture are not taken into account. Thus not all factors will be considered when assessing the level of moral reasoning of the managers, except the variables that will be studied.

The research design replicated the dominant approach adopted by many researchers in the field of moral reasoning in over three decades (Palmer, 2011; Daniels, 2009; Galla, 2007; Maree, 2007; Chavez, 2003; Malinowski and Smith, 1985). The DIT and its enhancement, the MMJT, are well established and used by researchers to test levels of moral development (Franklin, 2010; Hoover, 2010; Daniels, 2009; Edwards, 2009). Both the DIT and MMJT are based on the presentation of ethical dilemmas, which research participants are required to respond to. The responses are then evaluated in terms of Kohlberg's Cognitive Moral development. The MMJT has never been used in South Africa and therefore it is appropriate to validate the MMJT and its applicability in a South African business setting.

The research design is further elaborated on in the following paragraphs.

3.2 Selection and description of the site and participants

The research site was the Head Office of a large insurance company as well as its main regional offices throughout South Africa. The unit of study was the middle and senior managers who are employed at the Head Office and main regional offices in South

Africa. Approval was obtained in writing from the Human Resources Head at the research site, to conduct this study.

The population of junior, middle and senior managers was 696 in size. These managers operated at different grade levels commensurate with the level of responsibility and accountability invested in them. The business and IT managers have different grading scales. For the purposes of this research, the IT grade levels have been mapped onto the business grade levels, since there is a direct correlation between them. This therefore will result in a singular view of grade levels for the organisation.

The subject organisation is a typical short-term insurance organisation with the following key business operational areas: Group Sourcing, Risk Services, Claims Services, Distribution and Sales, which are supported by Information Technology, Legal, Finance and Human Resources. In general, the managers working throughout the organisation fulfill either a specialist or general management role. Some of the key business functions in which these managers are required to exercise authority and responsibility include:

- 
- Establishing risk premiums relative to specified risks
 - Fulfillment of claims when client's suffer loss from specified events
 - Concluding sales agreements with business partners
 - Procurement agreements with suppliers
 - Complying with government and insurance industry regulations
 - Managing strategic and operational projects
 - Motivating and managing the effort of people to achieve the company's goals
 - Managing the company's finance in accordance with the financial and industry regulations
 - Building and maintaining the reputation and integrity of the company in the market place
 - Complying with the human resources laws and regulations

3.3 Sampling and rationale

A Microsoft Excel database of the population of managers, approximately 707 as at June 2013, was obtained from the human resources department of the research site. The database contained basic data relating to the managers, e.g. name, date of birth, grade level, gender, race, etc.

The chosen sample size for the current study was based on firstly, a statistical formula developed by Yamane (1967) using a confidence level of 50%, margin of error of 5% and a variance in responses of 50%. This formula yielded a sample size of 255.

Secondly, Neuman (2007) proposes that another method for determining sample size is using a rule of thumb, which Neuman proposes to be 30% of the population for populations less than 1000. Given the population size of 707 managers as extracted from the human resources database provide by the Human Resources department at the research site, the sample should be at least 212 in terms of this rule of thumb.

Thirdly, the researcher reviewed 16 studies that employed a scenario based questionnaire premised on Kohlberg's theory of cognitive moral development between 1993 and 2012. The sample size for this study relative to the 16 reviewed studies is shown in Table 2. While the studies generally did not provide a population size, the average sample size for the 16 reviewed studies is 289. In seven of the 16 studies reviewed, both the sample size and number of responses were provided. The average response rate for these 7 studies was 55.6 percent of the sample size.

In light of Yamane's (1967) formula, Neuman's (2007) rule-of-thumb, the literature review and the expert opinion of Kotze (2013), the sample size for this study will be 40% of the population of managers, while a response rate of at least 75 percent of the sample size will be targeted. The 40% sample size was chosen by random sampling on the advice of Kotze (2013). The planned sample size would therefore be 283. Refer to Table 3.1 to see the planned sample size for this study relative to similar studies.

The Microsoft Excel database of the population of managers, approximately 707, was obtained from the human resources department of the research site. The database contained basic data relating to the managers, e.g. name, date of birth, grade level, gender, race, etc.

Table 3.1 Sample sizes from the relevant literature

Research Study	Instrument	Sample Size	Returned	Participants
Elm, <i>et al.</i> (1993)	DIT	372	243	Managers from four manufacturing companies in the USA
Tudin & Straker (1994)	DIT	68		Students at Wits University
Turner & Barling (2002)	DIT	NA	132	Managers in organisations in Canada and the UK
Chavez (2003)	DIT	300	144	Banking employees in the USA
Forte (2004)	DIT	400	NA	Managers at organisations in the USA
Gala (2006)	DIT	121	NA	Part-time Finance and accounting students in the USA
Maree (2007)	DIT	220	184	1st and 4th year communication students at Tswane University of Technology
Maroney & McDevitt (2008)	DIT	74	NA	MBA Students in a north east USA university
Matarazzo <i>et al.</i> (2008)	DIT	250	NA	Italian Adults
Huang, <i>et al.</i> (2006)	DIT 2	750	137	USA and Japanese expatriate managers
Rose (2012)	DIT 2	68		Nigerian Higher Education Institution
Daniels (2009)	MMJT	460	245	MBA Students, Law Firm Employees from the USA
Edwards (2009)	MMJT	200	40	Graduate college students, Bowling Green State University
Hoover (2010)	MMJT	100	NA	Managers from NGO, retail and government sectors
Franklin (2010)	MMJT	294	69	Adult leaders from various organisations in western USA
Ferns & Thom (2001)	Reason for Action Questionnaire	296	NA	South African Adolescents 12-19 yrs old
This study (planned numbers)	MMJT	283	213	Managers in a South African corporate

Source: Developed by the researcher

3.4 The research instrument

In this study, survey research was used by means of a questionnaire. The research question was based on the construct, *stage/level of moral reasoning*, developed by Kohlberg and measured using the Managerial Moral Judgment Test (MMJT) previously developed by Loviscky, *et al.* (2007) and first used then. The MMJT consists of 6 moral

dilemmas (scenarios), each with twelve associated questions. An example of a dilemma or scenario is the following:

Thandi is managing an employee who uses a sick day to take the previous day off from work. However, Thandi has learned from the employee's co-workers that the employee was not actually sick, but used the day as a "french leave" day, i.e. the employee was not physically sick but felt tired mentally. Alex knows that the company's sick leave policy does not allow for "french leave" to be taken.

The scenarios are representative of dimensions of managerial performance and the types of organizational justice issues that managers are likely to encounter. The authors of the MMJT (Lovinsky, *et al.*, 2007) wrote the dilemmas in terms of the various dimensions of managerial performance included in the taxonomy of managerial performance developed by Borman and Brush (1993). The dilemmas also tap into the three different types of organizational justice issues that are relevant to ethical decision making of managers (Greenberg, 1990), viz. procedural, distributive, and interactional justice. Seven Doctor of Philosophy students in industrial and organisational psychology who were familiar with the three types of organisational justice provided re-translation ratings for the original ten dilemmas. The ratings suggest that the six dilemmas that were eventually chosen to be included in the MMJT represent five different dimensions of managerial performance and all three of the types of organisational justice issues.

Respondents were required to read the scenarios, decide how the manager should respond, evaluate the level of importance of the twelve issues related to the scenarios and identify and lastly rank the four most important issues. The rating responses to the issues were chosen in terms of a 5-point Likert-scale. The twelve issues for each MMJT scenario included one nonsense issue, one stage 2 issue, three stage 3 issues, three stage 4 issues, three stage 5 issues, and one stage 6 issue. The stages are in terms of Kohlberg's (1997) CMD model.

In order to address the hypotheses, additional demographic data relating to the respondents was collected. The demographic data was included with the MMJT

questionnaire. The demographic data related to the respondent's age, gender, race, education level and work tenure.

3.5 Pilot-testing the research instrument

Ferns and Thom (2001) conducted a pilot study in the South African context using the DIT. The pilot results showed that participants had difficulty understanding the scenarios and related questions and generally found them vague and unclear. These researchers then used the Reasons for Action Questionnaire developed by Taylor (1977). In light of this finding, the researcher in the present study conducted a pilot study of the MMJT. The purpose of the pilot study was to test the ease with which respondents understood the questionnaire and the use of language and terms used in the original MMJT.

The original MMJT and the biographical questionnaire was pilot tested with sixteen participants to assess the ease with which the pilot respondents experienced the content of the questionnaire and language usage. The pilot study was conducted with 2 academics and 14 managers in different organisations and whose mother tongue was either English or another of the main languages spoken by managers in the research site. The original MMJT questionnaire and biographical questions were emailed to participants, who were required to provide their responses to the following questions:

- Was the language used in the questionnaire readily understood?
- Were the *Issues* provided understandable given the terms used and content?
- How complex did you find the questionnaire to complete?
- How long did it take to complete the questionnaire?
- Which language is your first language?

The feedback from the pilot study was collated, and resulted in the following amendments being made to the original MMJT:

- The gender of the managers in the scenarios was amended to reflect the male and female gender as opposed to only the male gender in the original questionnaire.
- The names of the managers in some of scenarios were changed to reflect the diversity of names in the South African context. E.g. “Alex” in scenario 1 was changed to “Thandi” and “Fran” in scenario 6 was changed to “Ismail”.
- Terms such as *sub-ordinate*, *upper-management* and *boss* in the original questionnaire were changed to *employee*, *senior management* and *manager* respectively.
- The nonsense items in scenarios 2 and 3 were replaced with nonsense items that could be identified more readily in the South African context; and
- The labels attached to the 5-point Likert scale were changed from “Great”, “Much”, “Some”, “Little” or “No” to “Critically important”, “Highly Important”, “Important”, “Somewhat Important” and “Unimportant”, respectively.

The pilot respondents indicated that they required between 20 and 30 minutes to complete the questionnaire. This fact enabled the researcher to provide the respondents with a realistic indication of the time that will need to be set aside for the completion of the questionnaire.

3.6 Data collection procedure

The amended Managerial Moral Judgment Test, including the biographical questions, was distributed to the members of the sample group via email, with a request that the respondents complete the questionnaire and return such by return email (electronically) or as a hardcopy, should the respondents prefer that mode.

Respondents were provided a window period of seven days from the time of receipt of the email to complete and return the questionnaire. In order to ensure the target 80% response rate, the researcher followed up the initial email to the sample group with two reminder emails to all members of the sample group, one on day three after receiving the email and one on day five. In addition, the researcher offered the members in the

sample an incentive to participate in a competition to win one of twenty sixteen gigabyte flash-drives.

After the window period elapsed the researcher collated all the completed questionnaires, both those electronically received as well as any hardcopies.

Each completed questionnaire was stripped of any association with a respondent (e-mail association) and assigned a number to identify each return. The response data for each return was recorded into a spreadsheet. Upon examining the spreadsheet, questionnaire returns that failed the reliability test provided by the authors of the questionnaire, were discarded. The accepted questionnaires represent the official dataset that was statistically analysed.

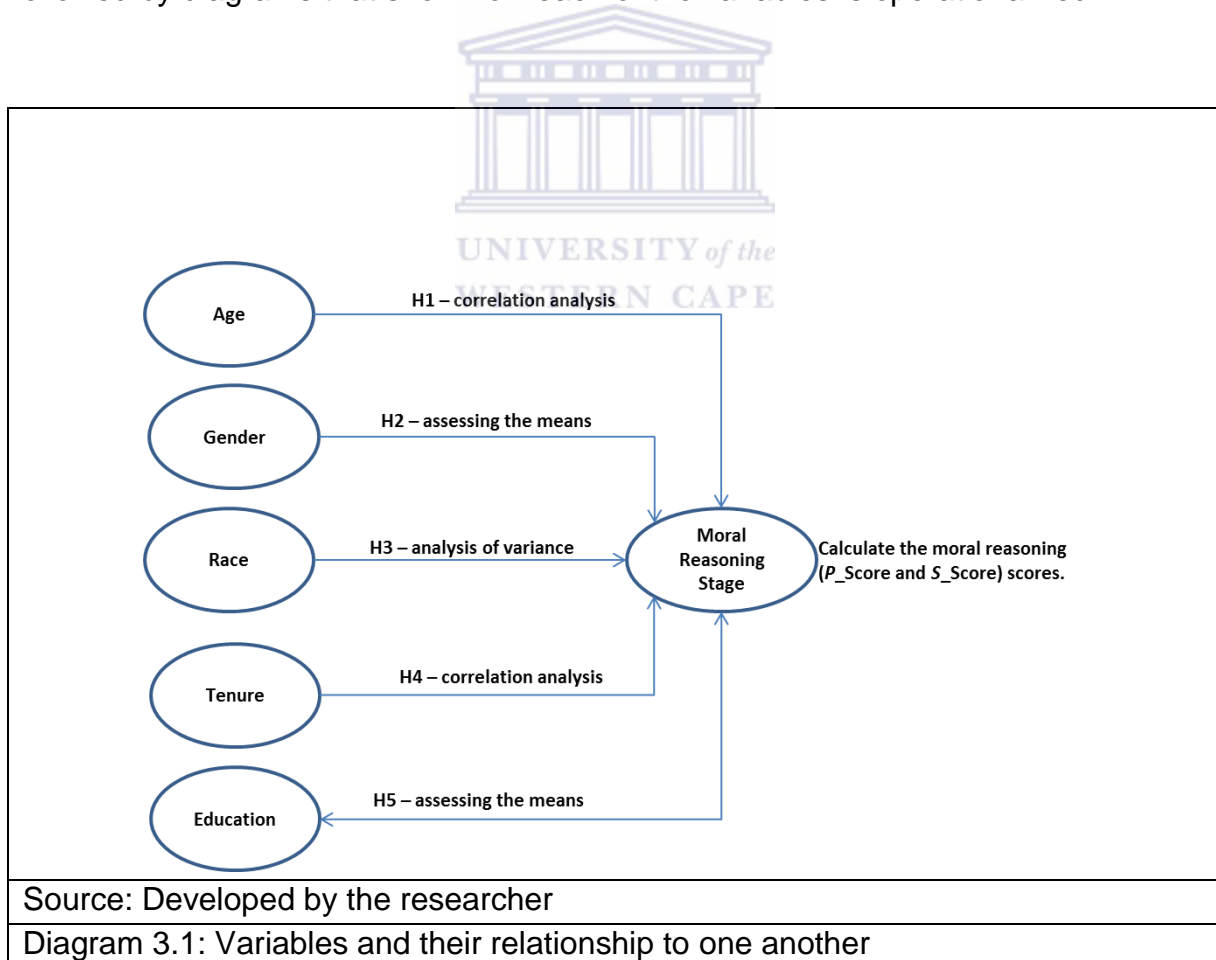
3.7 Operationalisation of variables

The hypotheses for this study were developed in paragraph 2.6 in the previous chapter and are restated below. This paragraph also considers the operationalisation of the independent and dependent variables and discusses the validity and reliability of the questionnaire. The paragraph is concluded with a consideration of some ethical matters relating to this study.

- H_0 1: There is no significant relationship between the age of a manager and their level of moral reasoning.
- H_a 1: There is a significant relationship between the age of a manager and their level of moral reasoning.
- H_0 2: There is no significant relationship between the gender of a manager and the level of moral reasoning.
- H_a 2: There is a significant relationship between the gender of a manager and the level of moral reasoning.
- H_0 3: There is a significant relationship between the race of a manager and the level of moral reasoning.
- H_a 3: There is no significant relationship between the race of a manager and the level of moral reasoning.

- H_0 4: There is a significant relationship between the tenure of a manager and their level of moral reasoning.
- H_a 4: There is no significant relationship between the tenure of a manager and their level of moral reasoning.
- H_0 5: There is a significant relationship between the level of education of a manager and the level of moral reasoning.
- H_a 5: There is no significant relationship between the level of education of a manager and the level of moral reasoning.

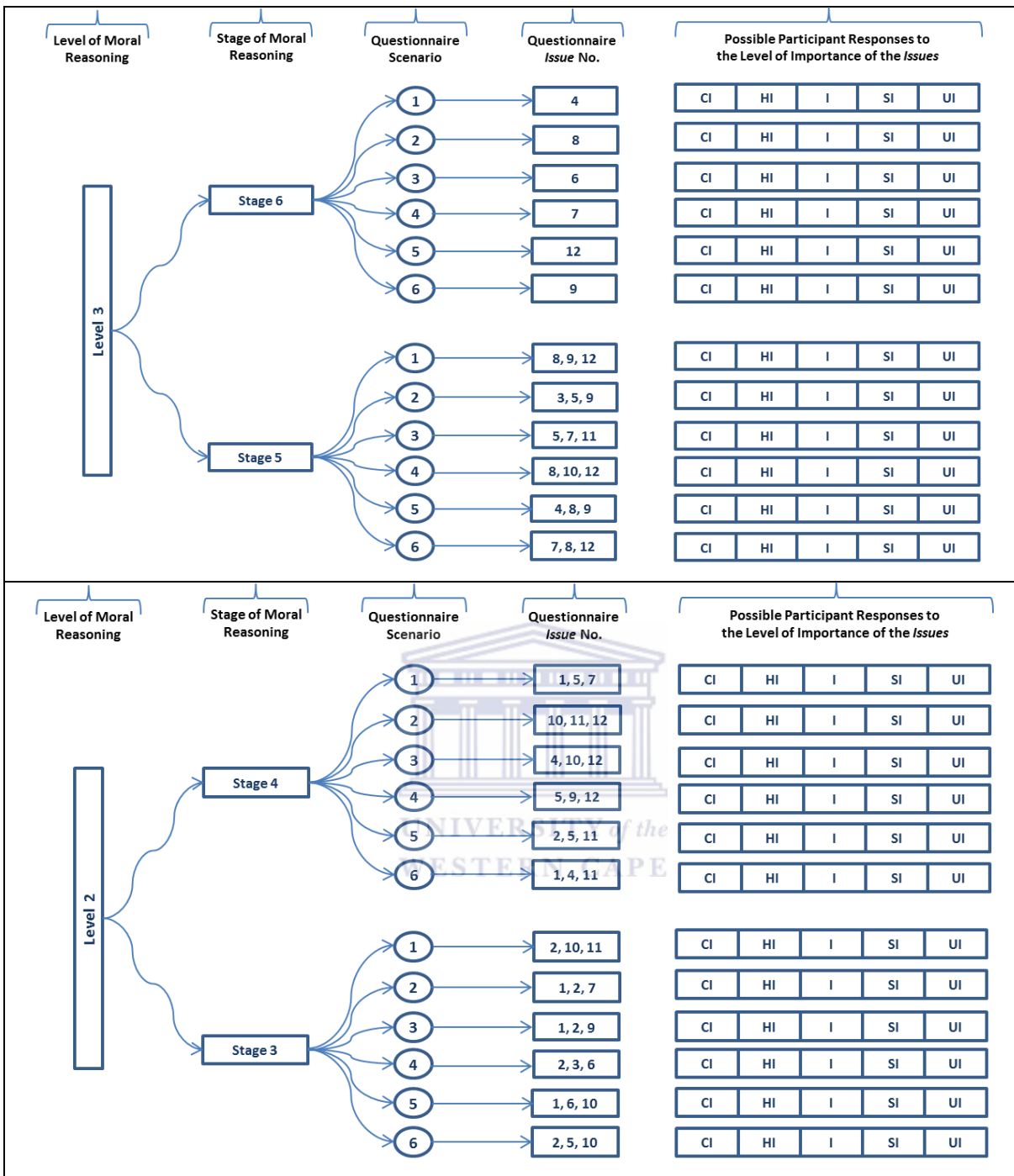
Diagram 3.1 shows the relationship between the independent variables (age, gender, race, tenure and education) and the dependent variable (moral reasoning stage). The nature of the statistical treatment is indicated for each of the hypotheses. This is followed by diagrams that show how each of the variables is operationalized.



3.7.1 Level of moral reasoning

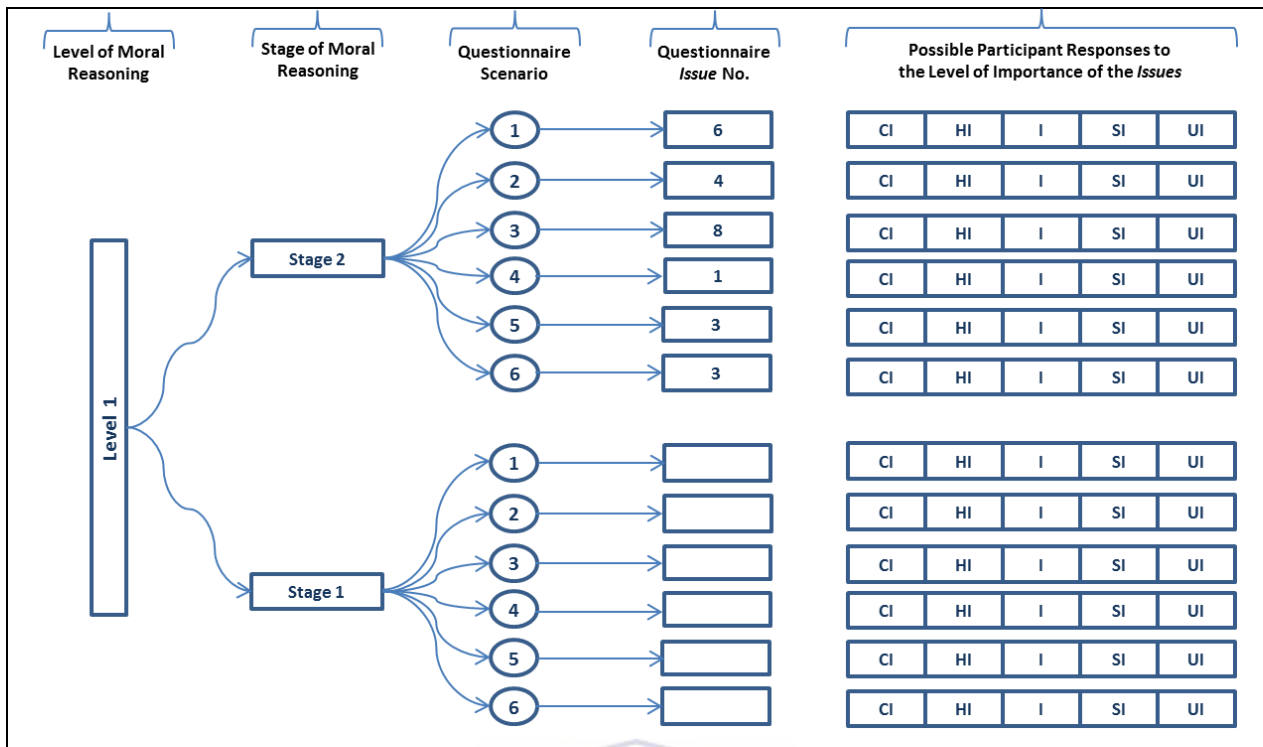
Diagram 3.2 depicts the alignment between the construct *level of moral development, stages* and how this is operationalised in the questionnaire. *Questionnaire Issue No* refers to the number of the issue in the questionnaire that is linked with the corresponding *Stage* and *Level* of moral reasoning. The *Possible Participant Responses* are the choices that the respondent needs to make regarding the issue being considered. CI, HI, I, SI and UI are abbreviations for “Critically important”, “Highly Important”, “Important”, “Somewhat Important” and “Unimportant”, respectively.





Source: Adapted by the researcher from Loviscky, *et al.* (2007)

Diagram 3.2: Operationalisation of the construct moral reasoning



Source: Adapted by the researcher from Loviscky, *et al.* (2007)

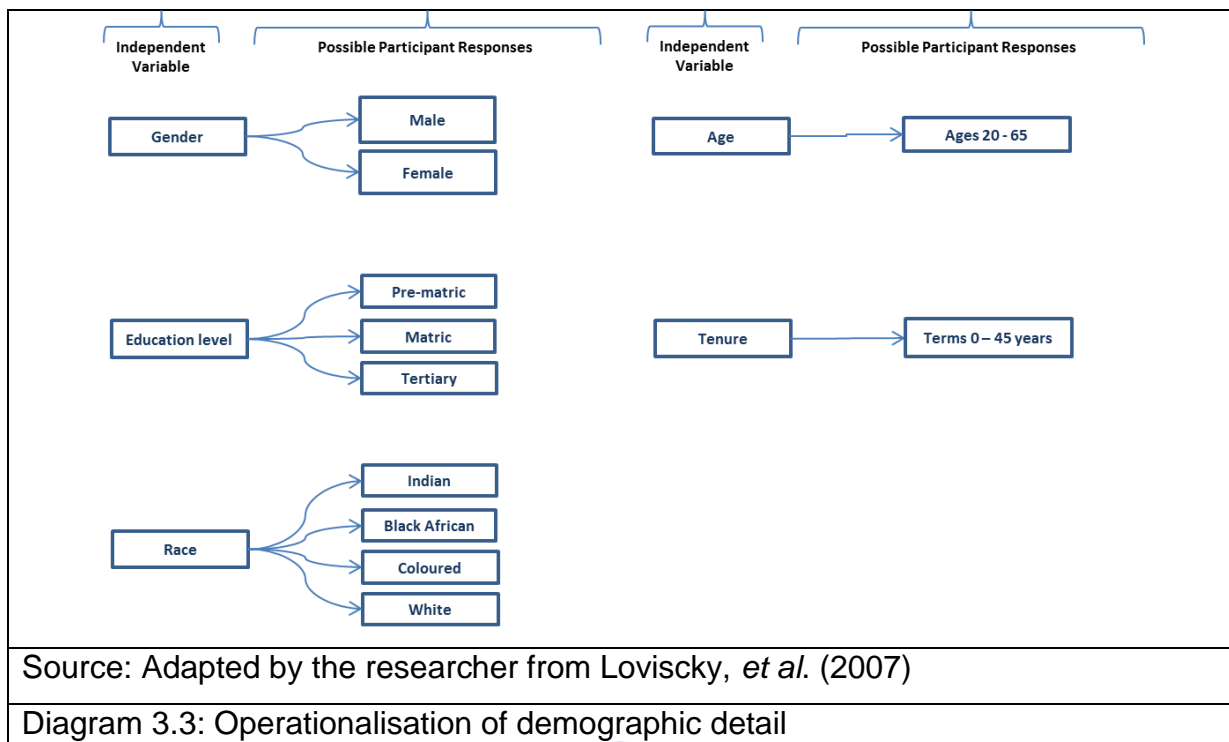
Diagram 3.2: Operationalisation of the construct moral reasoning (continued)

3.7.2 Demographic detail

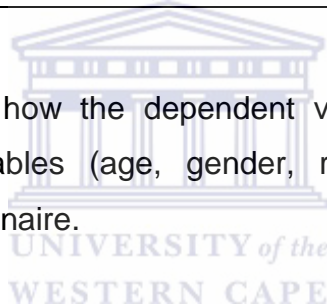


Diagram 3.3 sets out how the independent variables were operationalised in the questionnaire as follows:

- Gender could be either male or female.
- Age would be the current age of the respondent.
- Race could be Indian, Black African, Coloured or White.
- Tenure would be the current length of employment at the research site; and
- Education could be pre-matric, matric or tertiary.



This paragraph has set out how the dependent variable moral reasoning and the respective independent variables (age, gender, race, tenure and education) are operationalised in the questionnaire.



3.8 Data analysis

From the completed instrument, the MMJT moral reasoning scores (*P*-Score) and Simple Sum (*S*-Score) were derived for each respondent at two levels (Lovisky, *et al.*, 2007). Firstly, *Moral reasoning scores* measure the preference a respondent has for post-conventional (stage 5 and 6) questionnaire items and is based on the *ranking* data section of the questionnaire. A moral reasoning score was calculated for each of the scenarios provided and then an overall moral reasoning score was obtained by determining an average score for all six of the scenarios (Lovisky, *et al.*, 2007). Higher *P*_Scores are associated with a respondents' preference for higher levels of moral reasoning in terms of Kohlberg's CMD model.

On the other hand, *S*_Scores measure the preference a respondent has for post-conventional (stage 5 and 6) items, while also penalising individuals for pre-conventional

and conventional questionnaire items. The rating scores in the questionnaire were used as the basis for calculating the Simple Sum (Lovicsky, *et al.*, 2007).

While both the *P_Score* and *S_Score* are calculated and analysed, the *P_Score* is the one that is mostly considered in the literature and used for the purposes of comparing studies (Lovicsky, *et al.*, 2007; Rest, 1986).

To examine the relationship between the variables *age*, *gender*, *race*, *tenure* and *education* respectively, and the level of moral reasoning, correlation analysis was employed.

3.9 Response bias

The questionnaire contained two checks for unreliable data (Lovicsky, *et al.*, 2007).

The first check for *response bias* was to determine if respondents' ratings and rankings correspond. Specifically, the check examined whether participants gave their highest ratings to the issues that they ranked as first or second. If respondents were inconsistent in their ratings and rankings for three or more scenarios, their data was removed from further analysis. This response bias check was meant to eliminate data from respondents who do not follow the simple rating and ranking instructions.

The second check was for participants' responses to nonsense items. Participants were forewarned that there may be items that seem like "gibberish," and are instructed to provide the lowest rating possible for items they did not understand (or do not make sense) and to avoid ranking these items.

Data was removed where respondents provided eight or more raw-ranking points to the nonsense items across the six scenarios. This response to nonsense items check was designed to eliminate data from respondents who try to guess at which items might contribute to high scores even though they do not understand the items. Each scenario contains one nonsense item.

3.10 Reliability of the MMJT

Internal consistency reliability was evaluated at the stage level in terms of Kohlberg's cognitive development theory (Loviscky, *et al.*, 2007) using the Cronbach's co-efficient α and then compared with the internal consistency reliability of the DIT. Cronbach's co-efficient α is used to provide a measure of the internal consistency of a test and is expressed as a number between 0 and 1. Internal consistency is the degree to which all items in a test measure the same concept or construct and hence it is connected to the inter-relatedness of the items within the test (Tavakol and Dennick, 2011). Also, it demonstrates the consistency with which participants answered the same stage items across the 6 scenarios (Loviscky, 2007). The evaluation results are shown in Table 3.2. The MMJT contains 6 items each representing stages 2 and 6, and 18 items each for stages 3, 4, and 5. The stage scales represented by 18 items were more reliable than the stage scales represented by 6 items. MMJT scales for stages 3, 4, and 5 had coefficient alphas above 0.70. The DIT contains 5 items pertaining to stage 2, 17 items representing stage 3, 24 items representing stage 4, 16 items representing stage 5, and 5 items representing stage 6. DIT scales for stages 3 and 4 had coefficient alphas above 0.70. The results in Table 3.2 demonstrate internal consistency reliability.

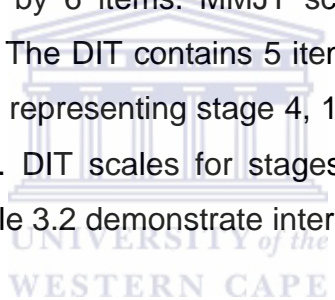


Table 3.2: Co-efficient alpha for MMJT and DIT

Stage	Coefficient Alpha		N		Number of Items	
	MMJT	DIT	MMJT	DIT	MMJT	DIT
2	0.53	0.60	220	213	6	5
3	0.73	0.75	212	216	18	17
4	0.79	0.77	211	210	18	24
5	0.77	0.69	210	207	18	16
6	0.63	0.61	214	213	6	5

Source: Loviscky, *et al.*(2007)

3.11 Construct validity of the MMJT

Construct validity indicates both convergent validity and discriminant validity (Leedy and Ormrod, 2005) and determines the extent to which the MMJT measures the construct of moral reasoning. Convergent validity results when a measure correlates positively with measures of constructs that are conceptually related to it. Discriminant validity, on the other hand, results when measures for those constructs that are conceptually different from the construct are either uncorrelated or correlated negatively with it. Both discriminant and convergent construct validity for the MMJT has been established by Lovisky, *et al.* (2007).

3.12 Ethics considerations for this study

The research site specified that the name of the company may not be published. This will be enforced by not mentioning the name of the company in neither the published dissertation, any publications that may result from this research study or any presentations in the process of fulfilling the requirements for the awarding of the degree.

This research study assesses moral reasoning development at both the individual and aggregate level. It is therefore important to respect the confidentiality of the outcomes from this study, particularly at the individual assessment level. In addressing this concern, the returned questionnaires were stripped from the email application, assigned a unique number and then stored in a separate folder. The association of a returned questionnaire with an email, and therefore the name of a respondent, will thus be eliminated. The associated email was deleted. Also, while the initial data analysis was at the individual level, the research results published will only be at the aggregate level, thus no individual results will ever be evident to readers of the dissertation.

In order to ensure an acceptable response rate to the questionnaire, an incentive was used. The use of an incentive to boost the response rate can create responder bias if the incentive is excessive. This study offered respondents the chance of winning twenty 16 megabyte flash-drives. The winners of the flash-drives were chosen by randomly drawing the first 20 names of respondents from a hat. While the incentive is expected to

encourage a high response rate, the value of the flash-drives and the protocol for drawing the winners' names are not expected to unduly influence the quality of the responses received.

Lastly, based on the pilot study, the questionnaire will take between 20 and 30 minutes to complete. This is a significant amount of time that respondents will devote to completing the questionnaire, given their very busy schedules and work pressures. In addition, the researcher and respondents are expected to use the company email system for non-company purposes. The researcher in this study obtained authorisation from the Human Resources divisional manager to conduct this study, and for the email facilities to be used.

3.13 Summary

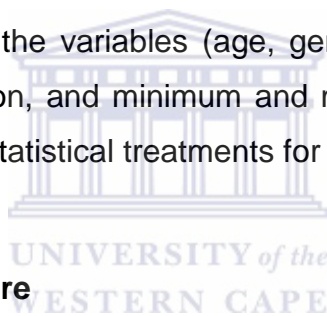
This chapter presented the research design, a description of the research site and participants, the sample, data collection procedures and the data analysis procedures. In addition, the variables and how they are operationalised were specified.

Chapter four will consider the actual data harvested from the returned questionnaires and the findings.

4. RESEARCH FINDINGS AND ANALYSIS

The present quantitative study set out to assess the level of moral development of the managers in a short-term insurance company in South Africa. In addition, the relationship between age, gender, race, education level and employee tenure respectively and the level of moral reasoning is explored. This chapter sets out the findings based on an analysis of the responses to the questions posed in the administered Managerial Moral Judgment Test (MMJT) developed by Loviscky, *et al.* (2007) and the demographic questionnaire. The MMJT assesses the level of moral reasoning of the managerial participants, while the demographic questionnaire captured the age, gender, race, tenure and education level of the participants. The statistical package SPSS was used to analyse the data provided by the respondents

Descriptive statistics for each of the variables (age, gender, race, tenure and education) including mean, standard deviation, and minimum and maximum values are presented in this chapter, followed by various statistical treatments for the variables as appropriate.



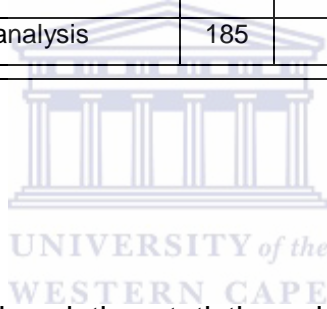
4.1 The sample and procedure

The population of managers at the research site, as contained in the database provided by the Human Resources department, was 707. An analysis of the population data provided showed that the database contained some erroneous data, in that some of the managers in the database had either left the organisation or the data was not accurate. This resulted in 46 data records being deleted, leaving a population size of 661. A sample size of 40% of the population was chosen by random sampling, resulting in a random sample size of 265 managers. Thus, 265 MMJT questionnaires were distributed to these managers as an email attachment. The managers were given 7 days within which to complete and return the questionnaire. By the 7th day, 140 questionnaires were returned, with a promise of more to follow. The researcher extended the cut-off date for completed questionnaires by 3 days, after which the total number of respondents reached 206, a response rate of 77.7%.

Of the 206 respondents, 21 questionnaires (10.2%) were discarded due to their data being unreliable in terms of the protocol for unreliable data. In terms of this protocol, returned questionnaires are discarded if the threshold for responses to “nonsense” items is exceeded and/or a misalignment between the rankings and the ratings are evident. The number of reliable questionnaires achieved was 185 or 69.8%, thus N = 165. These questionnaire results are contained in Table 4.1.

Population of managers	661	The universe
Randomly chosen sample size	265	40% of population
Number of questionnaires distributed	265	40% of population
Number of questionnaires returned	206	Response rate = 77.7% of sample
Number of returned questionnaires discarded	21	10.2% of returned questionnaires
Number of valid returns for data analysis	185	69.8% of sample

4.2 Sample demographics



This paragraph presents the descriptive statistics related to the demographic variables relevant to this study.

4.2.1 Descriptive statistics: age

Table 4.2 shows the descriptive statistics for the age of the respondents (N=185). The mean age of the respondents was 43.4 (SD = 7.81, with the ages ranging between 27 and 62 years of age).

	N	Range	Minimum	Maximum	Mean	Std.	Variance
Age	185	35.00	27.00	62.00	43.3892	7.80885	60.978

4.2.2 Descriptive statistics: gender

The statistics for respondent gender (N=185) is shown in Table 4.3. The percentage females was 39.5 % (n=73) and for males 60.5% (n=112). There are thus 21% more males than females amongst the respondents.

	Frequency	Percent	Valid Percent
Female	73	39.5	39.5
Male	112	60.5	60.5
Total	185	100.0	100.0

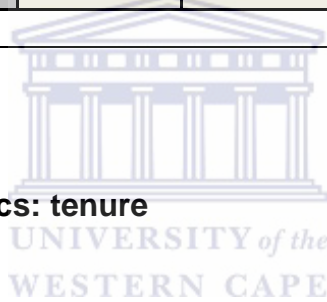
4.2.3 Descriptive statistics: race

Table 4.4 shows the respondents' (N=185) race-related statistics relative to the race composition within the sample and the population in the subject organisation. Black Africans made up 8.1% (n=15), Coloureds 22.2% (n=41), Indians 11.4% (n=21) and whites 58.4% (n=108) of the respondents. The number of white respondents (58.4%) (n=108) exceeds the aggregate percentage (41.6%) of the other races. The percentage of Black African and Indian managers in the population of managers is relatively small, despite the employment targets for managerial levels in terms of the Employment Equity Act, Act 55 of 1998. The frequency of the responses per race group is more or less reflective of the race ratios of the population and sample of managers in the names database provided by the Human Resources department of the research site. Black African and Indian respondents make up a seemingly small percentage of the total respondents at 8.1 and 11.4% respectively. However, these percentages are greater than their respective representations in the sample and

population of managers and therefore are an adequate reflection of both the sample and population (Hendricks, 2013; Luus, 2013).

Table 4.4: Respondent race relative to the population and sample

	Population		Sample		Respondents		
	Frequency	Percent of Total Population	Frequency	Percent of Total Sample	Frequency	Percent of Total Respondents	Valid Percent
Black African	46	7.0	20	7.5	15	8.1	8.1
Coloured	108	16.3	53	20.0	41	22.2	22.2
Indian	73	11.0	31	11.7	21	11.4	11.4
White	434	65.7	161	60.8	108	58.4	58.4
Total	661	100.0	265	100.0	185	100	100



4.2.4 Descriptive statistics: tenure

Table 4.5 shows the statistics for employee tenure, which represents the length of time that the manager is employed at the research site. For the 185 participants, a wide range (37 years) was evident with a mean tenure of 11.8 years (SD = 9.69).

Table 4.5: Respondent tenure

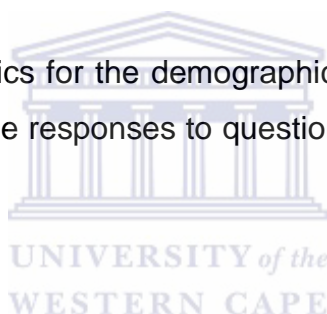
	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance
Tenure	185	37.00	.00	37.00	11.7676	9.69060	93.908

4.2.5 Descriptive statistics - education

The statistics for respondent education is shown in Table 4.6. 17.3% (n=32) of respondents have matric and 82.7% (n=153) have a tertiary qualification.

	Frequency	Percent	Valid Percent
Matric	32	17.3	17.3
Tertiary	153	82.7	82.7
Total	185	100.0	100.0

The sample descriptive statistics for the demographic variables were presented above. The descriptive statistics for the responses to question 1 of the MMJT questionnaire will now be presented.



4.3 Respondents' initial decisions (Question1 of the questionnaire)

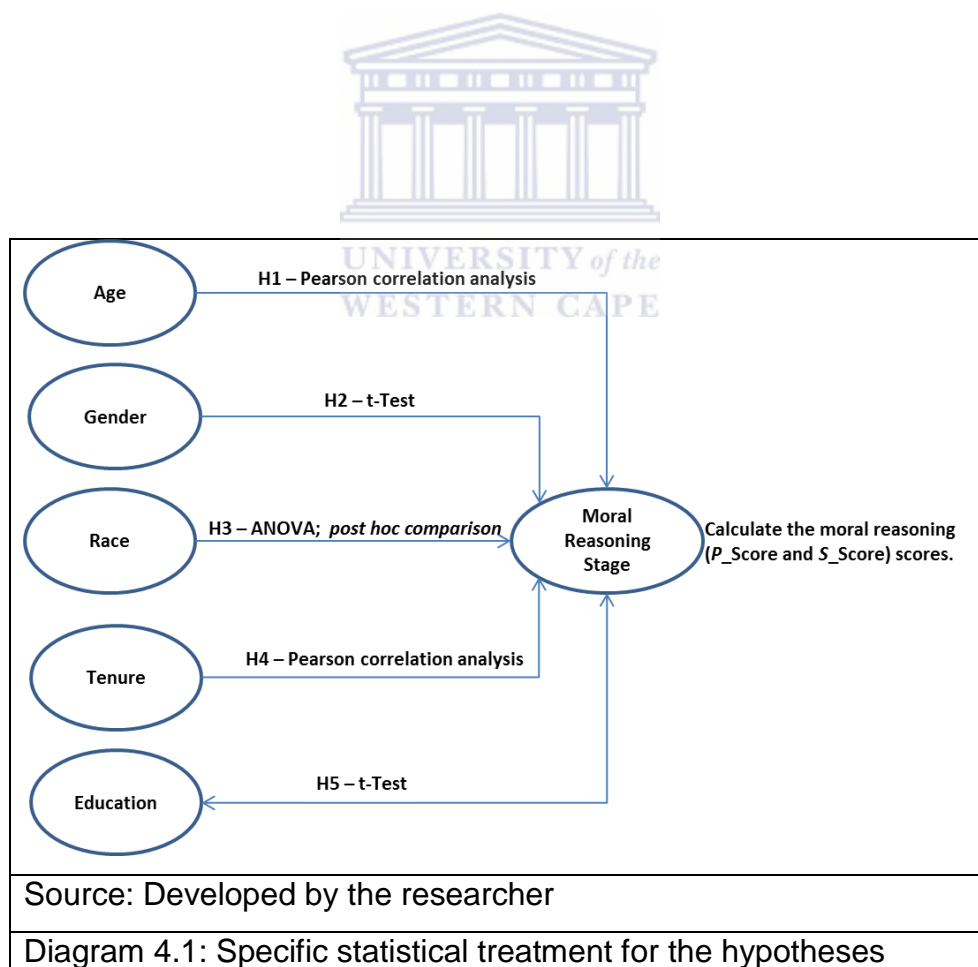
The research questionnaire consisted of 6 scenarios, with question 1 of each scenario requiring the respondent to indicate how they would respond (either "Should", "Cannot Decide" or "Should Not").

	Should		Cannot Decide		Should Not		N	Total %
	Frequency	%	Frequency	%	Frequency	%		
Scenario 1	176	95.1%	2	1.1%	7	3.8%	185	100.0%
Scenario 2	140	75.7%	10	5.4%	35	18.9%	185	100.0%
Scenario 3	26	14.1%	5	2.7%	154	83.2%	185	100.0%
Scenario 4	181	97.8%	1	0.5%	3	1.6%	185	100.0%
Scenario 5	179	96.8%	4	2.2%	2	1.1%	185	100.0%
Scenario 6	129	69.7%	24	13.0%	32	17.3%	185	100.0%

Table 4.7 shows the responses to question 1 in the questionnaire. A clear majority answered “Should” in scenarios 1, 2, 4, 5 and 6, while a majority responded “Should not” for scenario 3. A relatively low percentage of respondents opted for “cannot decide” in all the scenarios, which indicates a high level of decisiveness applied in responding to the scenarios.

4.4 Hypothesis testing and inferential statistics

This paragraph details the findings for each hypothesis resulting from the applicable statistical treatment. The statistical treatment applied to each hypothesis is shown in Diagram 4.1 below. For each hypothesis, a conclusion is drawn about the acceptance or not of the null hypothesis.



4.4.1 Summary S_Scores and P_Scores

From the completed MMJT instrument, the MMJT moral reasoning scores (*P_Scores*) and Simple Sum (*S_Scores*) were derived for each respondent at two levels (Loviscky *et al.*, 2007). Firstly, *P_Scores* (*Principled Score*) measures the preference a respondent has for post-conventional (stage 5 and 6) questionnaire items and is based on the *ranking* data section of the questionnaire. A moral reasoning score is calculated for each of the scenarios provided and then an overall moral reasoning score is obtained by determining an average score for all six of the scenarios (Loviscky *et al.*, 2007). Higher *P*-Scores are associated with a respondents' preference for higher levels of moral reasoning in terms of Kohlberg's CMD model. The *P*-scores are also the most widely reported score in the literature on moral reasoning and is the one that is mainly used for comparison with other studies (Loviscky *et al.*, 2007).

On the other hand, the Simple Sum scores (*S_Score*) measure the preference a respondent has for post-conventional (stage 5 and 6) items, while also penalising individuals for pre-conventional and conventional questionnaire items. The rating scores in the questionnaire are used as the basis for calculating the Simple Sum (Loviscky *et al.*, 2007).

Table 4.8 displays the means and standard deviations for each scenario in the questionnaire in terms of the respective *S_* and *P_*Scores.

	Count	Mean S_Score	SD S_Score	Mean P_Score	SD P_Score
Scenario 1	185	36.39	3.97	46.27	21.15
Scenario 2	185	33.18	4.09	45.19	26.34
Scenario 3	185	32.70	3.86	47.03	24.61
Scenario 4	185	30.68	3.87	31.19	21.43
Scenario 5	185	33.06	4.25	39.35	25.78
Scenario 6	185	34.82	4.28	52.00	24.38

The group *S_* and *P_* Scores are shown in Table 4.9. For the 185 participants the mean *S_Score* was 33.47 (SD = 2.31) and the *P_Score* mean was 43.50 (SD = 12.02).

	S-Score	P-Score
N	185	185
Mean	33.47	43.50
Median	33.17	43.33
SD	2.31	12.02
Min	27.00	18.33
Max	40.50	78.33

4.4.2 Hypothesis 1: Moral reasoning and age

In terms of moral reasoning and age, the following hypotheses have been set:

- H_0 1: There is no significant relationship between the age of a manager and their level of moral reasoning.
- H_a 1: There is a significant relationship between the age of a manager and their level of moral reasoning.

Table 4.10 contains the descriptive statistics for age and moral reasoning. The mean age is 43.4 years with SD = 7.80885 (N=185). The *S_Score* has a mean of 33.5, with a SD = 2.31051 (N=185). The *P_Score* has a mean of 43.5 with a SD = 12.01498 (N=185).

	Mean	Std. Deviation	N
Age	43.4	7.80885	185
<i>S_Score</i>	33.5	2.31051	185
<i>P_score</i>	43.5	12.01498	185

A Pearson correlation (2-tailed) test was applied to the 185 responses. This test was utilised because the variables being compared, age and moral reasoning, both involve continuous data. The results of the test are shown in Table 4.11.

		Age	S_Score	P_score
S_Score	Pearson Correlation (r)	-.047	1	.609**
	Sig. (2-tailed)	.523		.000
	N	185	185	185
P_Score	Pearson Correlation (r)	.056	.609**	1
	Sig. (2-tailed)	.450	.000	
	N	185	185	185

** . Correlation is significant at the 0.01 level (2-tailed)

Finding:

For the S_Score, the Pearson correlation reflects $(r-(185) = -0.047, p=0.523)$, whereas for the P_Score, the Pearson correlation is $(r-(185) = 0.056, p=0.450)$.

This study has found that for both the P_Score and S_Score there is no significant relationship between the age of a manager and their level of moral reasoning ($p > 0.01$). Therefore $H_0 1$ is accepted.

4.4.3 Hypothesis 2: Moral reasoning and gender

In terms of moral reasoning and gender, the following hypotheses have been set:

- $H_0 2$: There is no significant relationship between the gender of a manager and the level of moral reasoning.
- $H_a 2$: There is a significant relationship between the gender of a manager and the level of moral reasoning.

The statistics for gender and moral reasoning are provided in Table 4.12. The mean *S_* and *P_* Scores for males are 33.3125 and 42.5741 respectively with a standard deviation of 2.22087 (n=112) and 11.74788 (n=112) respectively. The mean *S_* and *P_* Scores for females are 33.7164 and 44.9315 respectively with a standard deviation of 2.43693 (n=73) and 11.74788 (n=73) respectively.

	Gender	N	Mean	Std. Deviation	Std. Error Mean
S_Score	Male	112	33.3	2.22087	.20985
	Female	73	33.7	2.43693	.28522
P_score	Male	112	42.6	11.74788	1.11007
	Female	73	44.9	12.35873	1.44648

An independent samples t-Test was conducted on the 185 valid respondents. This test determines whether a statistically significant difference exists between the means of two groups (Male and Female) and a single continuous variable (*S_Score* or *P_Score*). The results are shown in Table 4.13.

Table 4.13: Independent samples test for gender and moral reasoning

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Diff.	Std. Error Diff.	95% Confidence Interval of the Difference	
									Lower	Upper
S_Score	Equal variances assumed	2.270	.134	-1.163	183	.246	-.403	.34722	-1.089	.28113
	Equal variances not assumed			-1.141	143.7	.256	-.403	.35410	-1.103	.29598
P_Score	Equal variances assumed	.167	.683	-1.307	183	.193	-2.357	1.80387	-5.916	1.20165
	Equal variances not assumed			-1.293	148.3	.198	-2.357	1.82334	-5.960	1.24566

The *S_Score* for males ($M = 33.3125$, $SD = 2.22$) was not significantly different from the *S_Score* for females ($M=33.7164$, $SD = 2.43$). $t(185) = -1.163$, $p = 0.246$. The confidence interval of 95% for the difference between population means was between -1.089 and 0.28113.

The *P_Score* for males ($M = 42.5741$, $SD = 11.74788$) was not significantly different from the *P_Score* for females ($M=44.9315$, $SD = 12.35873$). $t(185) = -1.307$, $p = 0.193$. The confidence interval of 95% for the difference between population means was between -5.916 and 1.20165.

Finding:

While the *S_* and *P_Scores* were marginally higher for females relative to males, no significant difference was found in the *S_* or *P_Scores* ($p > 0.05$) for gender.

This study has found that for both the P_Score and S_Score there is no significant relationship between the gender of a manager and their level of moral reasoning ($p > 0.05$). Therefore $H_0 2$ is accepted.

4.4.4 Hypothesis 3: Moral reasoning and race

In terms of moral reasoning and race, the following hypotheses have been set:

- $H_0 3$: There is a significant relationship between the race of a manager and the level of moral reasoning.
- $H_a 3$: There is no significant relationship between the race of a manager and the level of moral reasoning.

Tables 4.14 and 4.15 present the S_Scores and P_Scores per race category

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Race	N	Subset for alpha = 0.05
Coloured	41	32.7
Indian	21	33.1
White	108	33.7
Black	15	34.3
Sig.		0.073

Race	N	Subset for alpha = 0.05
Coloured	41	40.5
White	108	44.3
Indian	21	44.4
Black	15	44.7
Sig.		0.652

Leedy and Ormrod (2005) propose analysis of variance (ANOVA) as an appropriate statistical technique where one wants to assess differences amongst three or more groups (Black, Coloured, White and Indian) within and across groups and its relationship with one continuous variable ($S_$ or P_Scores). ANOVA was thus chosen as the statistical technique to test this hypothesis. Table 4.16 shows the results of the ANOVA analysis.

Table 4.16: ANOVA analysis for race gender and moral reasoning

		Sum of	df	Mean	F	Sig.
S_Score	Between	44.750	3	14.917	2.880	.037
	Within	937.524	181	5.180		
	Total	982.274	184			
P_Score	Between	481.554	3	160.518	1.114	.345
	Within	26080.622	181	144.092		
	Total	26562.177	184			

Where $F > Sig(p)$, F is deemed significant and the converse is also true. Where F is deemed significant, Leedy and Ormrod (2005) propose that the F-Test should be followed up with comparing various pairs of means using a *post hoc comparison of means*.

The ANOVA analysis seen in Table 4.16 reveals a significant difference between the group means $F(df=3, 184) = (2.88, p=0.037)$ for the S_Score , since $p=0.037 < 0.05$.

The ANOVA analysis reveal no significant difference between the group means for the P_Score $F(df=3, 184) = (1.114, p=.345)$, since $p=.345 > 0.05$.

Now continuing to a Scheffe *post hoc comparison of means* for the S_Score (See Table 4.17) it reveals, however, that no significant differences between groups for S_Scores , since for all between groups, significance (p) < 0.05 .

Table 4.17: Scheffe *post hoc* comparison of means

Dependent Variable	(I) Race	(J) Race	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
S_Score	Black	Coloured	1.64667	.68677	.129	-.2914	3.5847
		White	.63463	.62711	.795	-1.1351	2.4043
		Indian	1.22762	.76939	.469	-.9436	3.3988
	Coloured	Black	-1.64667	.68677	.129	-3.5847	.2914
		White	-1.01204	.41749	.122	-2.1902	.1661
		Indian	-.41905	.61073	.925	-2.1425	1.3044
	White	Black	-.63463	.62711	.795	-2.4043	1.1351
		Coloured	1.01204	.41749	.122	-.1661	2.1902
		Indian	.59299	.54278	.755	-.9387	2.1247
	Indian	Black	-1.22762	.76939	.469	-3.3988	.9436
		Coloured	.41905	.61073	.925	-1.3044	2.1425
		White	-.59299	.54278	.755	-2.1247	.9387
P_Score	Black	Coloured	4.17463	3.62223	.723	-6.0472	14.3965
		White	.33500	3.30761	1.000	-8.9990	9.6690
		Indian	.30762	4.05803	1.000	-	11.7593
	Coloured	Black	-4.17463	3.62223	.723	-	6.0472
		White	-3.83963	2.20196	.388	-	2.3742
		Indian	-3.86702	3.22117	.696	-	5.2231
	White	Black	-.33500	3.30761	1.000	-9.6690	8.9990
		Coloured	3.83963	2.20196	.388	-2.3742	10.0535
		Indian	-.02738	2.86281	1.000	-8.1062	8.0514
	Indian	Black	-.30762	4.05803	1.000	-	11.1440
		Coloured	3.86702	3.22117	.696	-5.2231	12.9571
		White	.02738	2.86281	1.000	-8.0514	8.1062

Finding:

This study has found that for both the *P_Score* and *S_Score* there is no significant relationship between the race of a manager and their level of moral reasoning ($p > 0.05$). Therefore H_0 3 is rejected.

4.4.5 Hypothesis 4: Moral reasoning and tenure

In terms of moral reasoning and tenure, the following hypotheses have been set:

- H_0 4: There is a significant relationship between the tenure of a manager and their level of moral reasoning.
- H_a 4: There is no significant relationship between the tenure of a manager and their level of moral reasoning.

Table 4.18 contains the descriptive statistics for tenure and moral reasoning. The mean tenure is 11.7676 years with SD = 9.69060 (N=185). The S-Score has a mean of 33.4719, with a SD = 2.32051 (N=185). The P-scores has a mean of 43.50 with an SD = 12.01498 (N=185).

	Mean	Std. Deviation	N
Tenure	11.7676	9.69060	185
S_Score	33.4719	2.31051	185
P_Score	43.5043	12.01498	185

A Pearson correlation (2-tailed) test was applied to the 185 responses. This test was utilised because the variables being compared, tenure and moral reasoning, both involve continuous data. The results of the test are shown in Table 4.19.

		Tenure	S_Score	P_Score
S_Score	Pearson Correlation (r)	.068	1	.609**
	Sig. (2-tailed)	.357		.000
	N	185	185	185
P_Score	Pearson Correlation (r)	.045	.609**	1
	Sig. (2-tailed)	.542	.000	
	N	185	185	185

** . Correlation is significant at the 0.01 level (2-tailed).

Finding:

For the S_Score , the Pearson correlation reflects $(r(185) = 0.068, p=0.357)$, whereas for the P_Score , the Pearson correlation is $(r(185) = 0.045, p=0.542)$.

This study has found that for both the P_Score and S_Score there is no significant relationship between the tenure of a manager and their level of moral reasoning ($p > 0.01$). Therefore $H_0 4$ is rejected.

4.4.6 Hypothesis 5: Moral reasoning and level of education

In terms of moral reasoning and education, the following hypotheses have been set:

- $H_0 5$: There is a significant relationship between the level of education of a manager and the level of moral reasoning.
- $H_a 5$: There is no significant relationship between the level of education of a manager and the level of moral reasoning.

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The descriptive statistics for education and moral reasoning are provided in Table 4.20. The mean S_Score and P_Score for tertiary education are 33.6216 and 43.8876 respectively with $SD = 2.257$ ($n=153$) and 12.19038 ($n=153$) respectively. The mean S_Score and P_Score for matric education are 32.75663 and 41.6719 respectively with $SD = 2.46366$ ($n=32$) and 11.13588 ($n=32$) respectively.

Group Statistics					
	Education	N	Mean	Std. Deviation	Std. Error Mean
S_Score	Tertiary	153	33.6216	2.25700	.18247
	Matric	32	32.75663	2.46366	.43552
P_Score	Tertiary	153	43.8876	12.19038	.98553
	Matric	32	41.6719	11.13588	1.96856

An independent samples t-Test was conducted on the 185 valid respondents. This test determines whether a statistically significant difference exists between the means of two groups (matric and tertiary education) and a single continuous variable (*S_Score* or *P_Score*). The results are shown in Table 4.21.

The *S_Score* for tertiary education ($M = 33.6216$, $SD = 2.257$) was not significantly different from the *S_Score* for matric education ($M=32.7563$, $SD = 2.46366$). $t(185) = 1.941$, $p = 0.054$. The confidence interval of 95% for the difference between population means was between -1.01423 and 1.74487 .

The *P_Score* for tertiary education ($M = 43.8876$, $SD = 12.19038$) was not significantly different from the *P_Score* for matric ($M=41.6719$, $SD = 11.13588$). $t(185) = 0.948$, $p = 0.344$. The confidence interval of 95% for the difference between population means was between -2.39361 and 6.82502 .

Table 4.21: Independent Samples Test for education

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Diff.	Std. Error Diff.	95% Confidence Interval of the Difference	
									Lower	Upper
<i>S_Score</i>	Equal variances assumed	.107	.744	1.941	183	.054	.86532	.44579	-.01423	1.74487
	Equal variances not assumed			1.833	42.571	.074	.86532	.47220	-.08724	1.81787
<i>P_Score</i>	Equal variances assumed	2.392	.124	.948	183	.344	2.21571	2.33618	-2.39361	6.82502
	Equal variances not assumed			1.006	47.873	.319	2.21571	2.20148	-2.21097	6.64239



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Finding:

While the S_{-} and P_{-} Scores were marginally higher tertiary educated managers relative to those with matric, no significant difference was found in the S_{-} or P_{-} Scores ($p > 0.05$) for education.

This study has found that for both the P_{-} Score and S_{-} Score there is no significant relationship between the education of a manager and their level of moral reasoning ($p > 0.05$). Therefore $H_0 5$ is rejected.

4.5 Reliability

Internal consistency reliability was measured at the stage level using Cronbach's α . Cronbach's co-efficient α is used to provide a measure of the internal consistency of a test and is expressed as a number between 0 and 1. Internal consistency is the degree to which all items in a test measure the same concept or construct and hence it is connected to the inter-relatedness of the items within the test (Tavakol and Dennick, 2011). Also, it demonstrates the consistency with which participants answered the same stage items across the 6 scenarios (Lovisky, 2007). Cronbach's α co-efficient was calculated at the stage level in terms of Kohlberg's cognitive development theory and these results are shown relative to the original MMJT and DIT scores in Table 4.22.

Table 4.22: Comparative coefficient α for this study, MMJT and DIT

STAGE	Coefficient Alpha			N			Number of Items		
	THIS STUDY	MMJT	DIT	THIS STUDY	MMJT	DIT	THIS STUDY	MMJT	DIT
2	0.41	0.53	0.60	185	220	213	6	6	5
3	0.74	0.73	0.75	185	212	216	18	18	17
4	0.75	0.79	0.77	185	211	210	18	18	24
5	0.69	0.77	0.69	185	210	207	18	18	16
6	0.66	0.63	0.61	185	214	213	6	6	5

This table shows that Cronbach's α for this study is largely consistent at the stage level with Cronbach's α for the MMJT and DIT instruments, with the stage 2 Cronbach's α showing weak reliability. All other stages show good reliability, which is consistent with the MMJT and DIT experience.

Finding:

In terms of the outcomes from the test as indicated in the preceding sections this study has shown overall internal consistency reliability.

4.6 Summary

Chapter 4 set out to report the findings of the data analysis. Each hypothesis was tested using an appropriate statistical test. The results showed that none of the independent variables (age, gender, race, tenure and education) significantly influenced the dependent variable, namely, moral reasoning, thus for H_0 1 and H_0 2 was accepted and H_0 3, H_0 4 and H_0 5 were rejected. The statistical analysis also tested the internal consistency reliability at the stage level. This analysis confirmed the internal consistency reliability.

The next chapter will consider the findings in the context of the literature on moral reasoning, highlight the limitations of this study and conclude with recommendations for future studies.

5. SUMMARY, CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS

Chapter 5 presents an overview of this study by summarizing the different chapters, reviewing the research findings the context of the relevant literature and conclusions relating to the hypotheses. Also, this chapter will provide recommendations for practice and further studies.

5.1 Summary

In the context of the present world economic crisis and corruption in companies across the world, this study set out to assess the level of moral development of the managers in a short-term insurance company. In addition, the influence of the age, gender, employee tenure, race and education level of the participants on the level of moral reasoning was explored.

Chapter 1 introduced the study, locating the study in the world economic crisis and corruption in companies worldwide. Emphasis was placed on the concern for the corruption in South African companies, particularly companies in the short-term insurance industry. The research questions were formulated and the scope of the study delimited, while the research methodology to be employed was outlined.

Chapter 2 presented a review of the relevant literature relating to ethical leadership, moral development theory and business ethics. The literature review considered the main leadership theories from the earliest theories up to the contemporary leadership theories. Also, the main ethics theories were reviewed in order to understand what business ethics is and the scope thereof. Kohlberg's theory of cognitive moral development was explored as the theoretical underpinning for the study. The chapter concluded with the development of the research hypotheses

Chapter 3 discussed the research methodology to employed in the study, including the research site, sample and an elaboration of the research instrument used. The data collection process was outlined and the variables operationalised. The chapter

concluded with a discussion of the validity and reliability of the questions and ethical issues relating to this study.

Chapter 4 presented the statistical treatment for each of the hypotheses that were tested and published the descriptive and inferential statistics derived from the questionnaire responses. Conclusions were drawn about the hypothesised relationships between the chosen variables and the level of moral reasoning of the managers.

Chapter 5 presented an overview of this research study and a discussion of the findings in the context of the relevant literature. This chapter concluded with recommendations for practice and further study.

Chapter 5 was followed by a presentation of the bibliography and appendices.

5.2 Conclusions and discussion

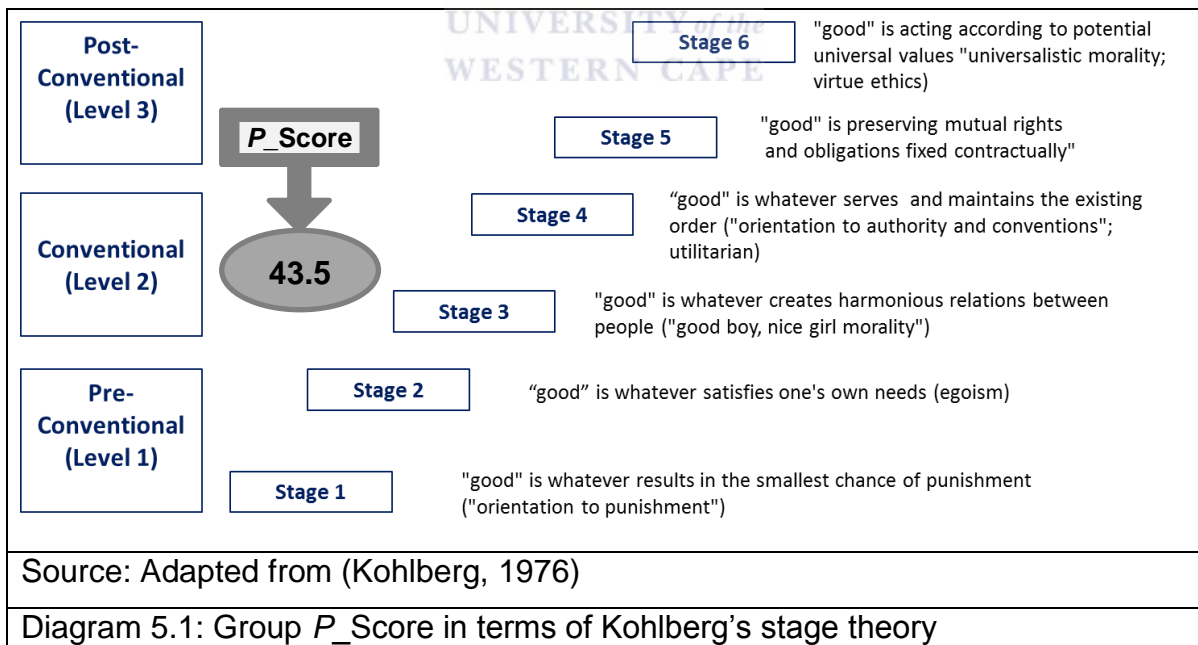
The present study set out to assess the level of moral reasoning of the managers at a large short-term insurance company in South Africa in terms of Kohlberg's theory of cognitive moral development. This assessment addressed the primary research question about the level of moral reasoning of the managers at the research site. To address the secondary research questions, this study also assessed the hypothesized relationships between the independent variables age, gender, race, tenure and level of education respectively and the level of moral reasoning.

5.2.1 The level of moral reasoning

This study had as its main purpose the assessment of the level of moral reasoning of managers in a short-term insurance company. While both the *P_Score* and *S_Score* were calculated and analysed, the *P_Score* is the one that is mostly considered in the literature and used for the purposes of comparing studies (Loviscky, *et al.*, 2007; Rest, 1986).

The mean P_Score of 43.5 for the group represents the relative importance that the group of respondents has assigned to principled moral considerations in making a decision about a dilemma (Rest, 1986). The group P_Score of 43.5 is located in terms of Kohlberg's stage theory in Diagram 5.1.

A P_Score of 50 and more is regarded as evidence of principled moral reasoning, whereas the mean P_Score of 43.5 achieved in this study would be regarded as evidence of conventional moral reasoning. At the conventional level of moral reasoning, in terms of Kohlberg's cognitive moral development theory, the participants are concerned with serving and maintaining the existing order. Also, there is an orientation toward obeying authority and convention with a focus on the best outcomes, despite how this may be achieved. While this finding is in line with the level of moral reasoning of managers in general across the world, it does highlight that when faced with an ethical dilemma managers will not necessarily invoke principled reasoning, but will consider acting in the interests of the company only, which may result in conflict with the interests of other important stakeholders.



5.2.2 Age and moral reasoning

This study found that age is not associated with the level of moral reasoning. This finding is consistent with the findings of Daniels (2009), Galla (2007), Chavez (2003) and Harris (1990). However, the finding of this study is not supported by Hoover (2010), who found that younger age is associated with higher stages of moral reasoning. Hyppolite (2004) and Peninno (2002) also found that age is a factor in the stage of moral reasoning, but they found that older age is associated with higher stages of moral reasoning.

The literature is therefore not conclusive on whether age is associated with different stages of moral reasoning.

5.2.3 Gender and moral reasoning



There is significant evidence from the literature that gender does not influence the level of moral reasoning, (Hoover, 2010; Daniels, 2009; Forte, 2004; Hyppolite, 2004; Smith & Rogers, 2000; Rest, 1986). The present study found that gender does not influence the level of moral reasoning and therefore lends support to this body of literature. However, (Elm, Kennedy and Lawton, 2001; Cohen, Pant, & Sharp, 1992) have found that females reason at higher levels of moral reasoning than males. They concur with Gilligan (1982) that this is expected because females base their decision-making on the inter-relatedness of people and the ethic of care, which is more indicative of principles reasoning. This is opposed to males who see morality as based on a sense of justice or rights, which is associated with conventional reasoning.

5.2.4 Race and moral reasoning

In the literature reviewed, (Passini, 2010; Wimalasiri, 2004; Endicott, Bock and Narvaez, 2003; Deemer, 1989; Rest, 1986) it is suggested that one's cultural experience and identity could influence one's level of moral reasoning. Although they used a different research methodology, Correa (2009), Sommers (2007), Coleman (2003) and Locke and Tucker (1988) found that moral judgments are influenced by race.

Using race as a proxy for cultural experience and identity, the results of this study show that race classifications in terms of the Population Registration Act, Act 30 of 1950, does not influence the level of moral reasoning. This supports the findings of Kruger (2009) and Smith and Parekh (1996), but contradicts the findings made by Passini (2010), Wimalasiri (2004), Endicott, Bock and Narvaez (2003), Deemer (1989) and Rest (1986) as well as the findings of Correa (2009), Sommers (2007), Coleman (2003) and Locke and Tucker (1988).

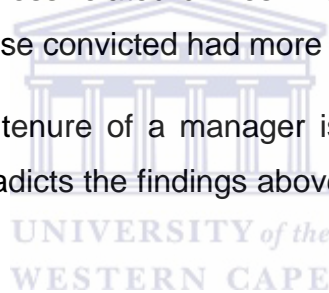
The findings of both this study and Kruger (2009) showed that blacks reason at marginally higher levels of moral reasoning relative to the other race groups, but that the difference was not statistically significant.

The use of race as a proxy for culture may be too simplistic to capture the multitude of cultural experiences that an individual is exposed to. Therefore race as a variable in moral reasoning may not be adequate. On the other hand, the post-2004 transformation in South Africa has meant that Coloured, Indian and Black African managers in organisations have greater access to career and work opportunities and wealth. This together with greater urbanisation and materialism could mean that the cultural experiences of an individual play a diminished role in determining the level of moral reasoning. Instead, when managers present themselves in the workplace, the considerations when making decisions may be much more homogenous than would be expected (Smith and Parekh, 1996). This may explain the finding in this study that race has no influence on the level of moral reasoning.

5.2.5 Tenure and moral reasoning

Studies by Peninno (2002), Latif (2001), Kruger (1999) and Elm and Nichols (1993) found that more tenured managers demonstrated lower levels of principled moral reasoning. Peninno (2002), Elm and Nichols (1993) argue that older employees also generally will have longer tenure at an organisation and would have developed loyalty and familiarity to the organisation, which may encourage complacency and less objectivity and principled reasoning when making decisions in a situation of a moral dilemma. In contrast, shorter tenured employees will tend to be more objective in their decision-making because they do not necessarily have the loyalty and complacency associated with longer tenured employees. These findings find some support from Dunkelberg and Robin (1998), who studied the age and tenure of those convicted of reported business-related crimes in the USA between 1990 and 1997. They found that 72% of those convicted had more than 10 years of tenure.

This study found that the tenure of a manager is not associated with the level of moral reasoning and contradicts the findings above, but lends support to the findings of Forte (2004).



5.2.6 Education and moral reasoning

In the literature, the level of education has generally been found to influence the level of moral reasoning (Hines, 2011; Maree, 2007; Chavez, 2003; Rest, 1986). This study, however, did not find a statistically significant influence of educational level on moral reasoning level and therefore does not support the generally accepted findings. This study does, however, support the finding of Huang (2006). A possible explanation for the lack of support for these findings is that the levels of education provided as options in the demographic questionnaire did not make sufficient distinction between the possible levels of education, therefore preventing more detailed analysis. The options in the questionnaire were either “less than matric”, “matric” and “tertiary” education, whereas in other studies the options were more

granular, allowing for more in depth analysis. Further study is required to enable analysis at a more granular level.

5.2.7 Ethical leadership and business ethics

The literature review in chapter 2 located ethical leadership in the contemporary leadership notion of transformational leadership, with special emphasis on the authentic and counter-cultural leadership theory proposed by Conger and Kanungo (1998). In reflecting on the current political and business leadership in the context of South Africa, the literature reviewed highlights the views of Ramphele (2010), Jansen (2009) and Jansen (2010), who expand on Conger and Kanungo's (1998) notion of counter-cultural leadership and Greenleaf's (1977) servant leadership. Ramphele and Jansen call for leadership that is transcendent, against the grain, nation-serving and does what is right, while understanding the humanity of those that are being led and the leader's own vulnerability.

In speaking about the scope of ethical considerations for the ethical leader, the literature review proposed that ethical leadership should be concerned with all of the key theoretical perspectives on business ethics. These key theoretical perspectives are: ethical actions (deontology), ethical outcomes (teleology), ethical character (virtue ethics), ethics in context (ethical relativism). These different perspectives, the literature review suggests, should be drawn together in a social contract between leaders and followers. In addition, the literature review highlighted the scope of business ethics with particular emphasis on the governance codes and government regulations and programmes.

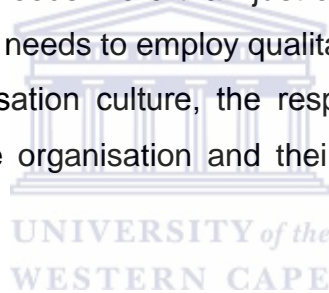
5.3 Limitations of this study

In any study of this nature there are limitations. This research project was restricted to 60 credits of a 180 credit programme and therefore the scope of study was confined to the aspects dealt with.

The findings in this study are in respect of the research site only and therefore no conclusions can be drawn about the level of moral reasoning at other companies, neither about the relationship between the studied variables and the level of moral reasoning.

The random sampling method used in this study may not be sufficiently appropriate to ensure an adequate number of respondents to support the categories for each variable and robust statistical analysis. This may be true for the variables *race* and *education* in particular (Hendricks, 2013; Luus, 2013). This may have led to the study's findings for the variables race and education possibly being skewed.

The nature of the research methodology employed (quantitative and by questionnaire) lends itself to polling large numbers of people and getting a significant response rate as was the case in this study. However, the intangible nature of the construct of moral reasoning suggests that one needs more than just a well-constructed questionnaire to assess it. The researcher also needs to employ qualitative methods to better understand contextual factors like organisation culture, the respondent's personal circumstances and the ethical climate in the organisation and their impact on the responses to the dilemmas.



5.4 Recommendations for practice and further study

The results of a study of this nature locate the level of moral reasoning of the managers of the subject organisation at both an individual and group level. The results positioned the group of management respondents at the conventional level of moral development and reasoning. At this level the dominant considerations of the managers when facing an ethical dilemma is the preservation of the conventional order (status quo) and pleasing others. This level of reasoning is below the post-conventional, or principled reasoning level, which ideally is the level at which one intuitively expect leaders to operate at.

In the light of this, recommendations can be separated 2 distinct categories as set out below.

5.4.1 Recommendations for practice at the research site

- Training in ethics and education levels has been found in most studies to improve moral reasoning levels (Palmer 2011; Maree, 2007; Chavez, 2003; Galla, 2006; Chavez, 2003; Armon and Dawson, 1997; Rest, 1996). Although this study found that education level does not influence the level of moral reasoning, some shortcomings in the research design were discussed in paragraph 5.1.6. The studies referred to above suggest that ethics training and improving the education level will improve the awareness of the nature and scope of ethics and the moral reasoning process and considerations. Given the focus of research studies in moral reasoning of managers in the financial industry and insurance companies especially (outlined in Paragraph 1.1), training in business ethics and improving the education levels of managers could be especially relevant.
- At the recruitment and selection stages of employment, the human resources department may want to consider using the MMJT as an assessment tool for positions that require the preeminence of a particular level of moral reasoning. Thus, as an example, a candidate for a job that primarily requires much principled reasoning can be assessed using the MMJT to locate the candidate's level of moral reasoning.

5.4.2 General recommendations

- Weber (1990) found that leaders exercise lower levels of moral judgment when making decisions in the business context compared with their decision-making in the context of life in general. By way of recommendations for further study then, it is necessary to understand what difference the business context makes to variations in the level of moral reasoning of a manager, so that

organisations can engage in interventions that minimise the effects of these differences.

- In the South African context the employment of race as a proxy for cultural experience or political affiliations may be too simplistic. More study is required to explore whether the findings on race in this study are replicated with managers in other business settings. This should provide a more definitive view of whether race indeed does play any significant role when faced with an ethical dilemma in the business context?
- Other methods of sampling may yield adequate numbers of responses for more accurate statistical analysis for variables like race and education. An example of such methods is stratified sampling, where one first identifies a set of mutually exclusive and exhaustive categories, and then use a random selection to select cases for each category (Neuman, 2007).
- From the literature (Loviscky, 2007), principled reasoning is associated with higher levels of moral reasoning. Companies should therefore consider using MMJT as an assessment tool for understanding the level of moral reasoning in their organisation, with a view to understanding the need for any interventions to improve the level of moral reasoning.

5.5 Conclusion

The primary purpose of this study was to assess the level of moral reasoning in terms of cognitive moral development theory and the relationship between the independent demographical variables of age, gender, race, tenure and education respectively and the dependent variable moral reasoning.

This study has located the level of moral reasoning of the participants at the research site at the conventional level. On the other hand, this study also established that there

was no significant relationship between any of the demographic variables and the level of moral reasoning.

Further, this study located ethical leadership in the authentic, transformational school of leadership. Ethical leadership plays itself out when the leader is concerned with and ethical action, ethical outcomes, ethical character, ethical context and endeavours to bring this together in a social contract with followers and stakeholders.

Lastly, this study validated the internal reliability consistency of the MMJT research instrument.



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APPENDIX 1: Invitation to participate in the research study



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SCHOOL OF BUSINESS AND FINANCE

14 July 2013

PARTICIPATION IN A RESEARCH STUDY ON MANAGERIAL MORAL REASONING

Dear *Research-Site* Manager

I am currently reading for the MComm Degree at the University of the Western Cape. My research topic is in the field of ethical leadership and focuses on ethical and moral reasoning of managers. I am excited about the benefits that this research can have for the *Research Site* and the field of ethical leadership and herewith invite you to participate in this research, which will require approximately 25 minutes of your time.

Please note the following:

- Your participation is voluntary.
- Completion of this questionnaire will be deemed to be consent for your participation.
- Your responses will be treated with the strictest confidentiality.
- The research findings will be presented in aggregate form only, hence no individual responses will be published.
- To enhance the integrity of this research, you are required to answer the questions in an honest manner; and
- You have to complete all questions

Should you wish to contact me to clarify any aspect of your participation or the questionnaire itself, please do not hesitate to contact me using any of my contact details below.

Please accept my sincere thanks and appreciation for your participation in this research. Your participation will enable the *Research Site* to learn much about ethical leadership as well as assist me to fulfill an important goal in my life.

Yours with appreciation,

A handwritten signature in blue ink, appearing to read "Simon Morilly".

Simon Morilly

021 915 7805

082 898 0039

Study Leader:

A handwritten signature in blue ink, appearing to read "DJ (Kobus) Visser".

DJ (Kobus) Visser PhD

Professor and Chair of Management

School of Business and Finance

APPENDIX 2: The research questionnaire

RESEARCH QUESTIONNAIRE

The Managerial Moral Judgment Test (Lovisky, 2007)

Adapted by: Simon Morilly (Researcher) – July, 2013



INSTRUCTIONS FOR COMPLETING THE QUESTIONNAIRE

This questionnaire requires you to complete the biographical data detail below and provides six scenarios that you have to familiarise yourself with. Each scenario requires you to respond to three different questions as follows: (Please note: All questions must be answered!)

Question 1: You are required to choose the response to the ethical dilemma presented in the scenario, which best represents how you would respond if you were faced with this dilemma.

Question 2: For each of the twelve *Issues* listed you are required to select one response (**Critically Important, Highly Important, Important, Somewhat Important or Unimportant**) that for you best represents your opinion on the importance of the issue in evaluating the scenario. Mark your response with an **X** in the appropriate column.

Example:

Level of Importance of the <i>Issue</i> to you					<i>Issue</i>
<i>Critically Important</i>	<i>Highly Important</i>	<i>Important</i>	<i>Somewhat Important</i>	<i>Unimportant</i>	
		X			1. Every time an employee escapes punishment for a policy violation, doesn't that just encourage more violations?
	X				2. Was Thandi a good friend of the employee?
				X	3. What is the value of health prior to society's perspective on personal values?

Please note: The list of 12 *Issues* for each scenario contains one "nonsense" item. Should you identify this, you should be assigning the lowest possible level of importance to it.

Question 3: For the twelve *Issues* listed, select the four most important issues to you and rank them in the order of importance to you.

REQUIRED BIOGRAPHICAL DATA (Mark your response to the biographical data with an X in the block provided)

Current Age:		Years
Years at Santam:		Years

Gender:	Male		Female							
Highest education level:	Pre-matric		Matric		Tertiary					
Race: *	Indian		Black African		Coloured		White			
Manager grade level:	7 or D or E		6 or C		5 or B		4 or A		3	

***Note:** While it is appreciated that requiring a response to the question of race may be sensitive and even offensive, the literature on ethical decision-making identifies race as a possible influencing variable. This study, amongst other things, will explore the relevance of race as a variable.

SCENARIO 1

Thandi is managing an employee who uses a sick day to take the previous day off from work. However, Thandi has learned from the employee's co-workers that the employee was not actually sick, but used the day as a "french leave" day, i.e. the employee was not physically sick but felt tired mentally. Thandi knows that the company's sick leave policy does not allow for "french Leave" to be taken.

1. Should Thandi reprimand the employee according to the company policy?

Select one of the three options by marking your selection with an X in the appropriate box.

Should reprimand		Cannot decide		Should not reprimand	
------------------	--	---------------	--	----------------------	--

2. For each of the 12 Issues, select one response (Critically Important, Highly Important, Important, Somewhat Important or Unimportant) that for you best represents your opinion. Mark your selection with an X in the appropriate column.

Level of Importance of the Issue to you					Issue
Critically Important	Highly Important	Important	Somewhat Important	Unimportant	
					1. Every time an employee escapes punishment for a policy violation, doesn't that just encourage more violations?
					2. Was Thandi a good friend of the employee?
					3. What is the value of health prior to society's perspective on personal values?
					4. What values are going to be the basis for how companies treat their employees?
					5. Whether there is any law that requires employers to allow employees to take sick days for mental health problems.
					6. Whether reprimanding the employee or overlooking the transgression would be the best for the company.
					7. Can society afford to let everybody take off from work when they are not physically sick.
					8. Does the company have the right to force their definition of health on their employees?
					9. Whether the policy in this case is interfering with an maintaining his or her health.
					10. How could anyone be so cruel as to reprimand an employee who needed a day off?
					11. Whether the employee's co-workers are in favour of reprimanding the employee or not.
					12. What values Thandi has set in his or her own personal code of behaviour.

3. From the twelve Issues in exercise 2 above, select the four most important issues to you and rank these 4 issues in the order of importance to you.

	Issue No		Issue No		Issue No		Issue No
Most Important		2 nd Most Important		3 rd Most Important		4 th Most Important	

SCENARIO 2

Chris has followed industry trends and decided that his direct reports would benefit greatly from a particular training programme. In fact, Chris has as much as promised these employees that they will receive the training in the near future. The employees were excited and looked forward to this development opportunity. At the same time that Chris made that statement he felt that his budget would easily cover the training. However, senior management recently sent Chris and the other managers at his level a memo demanding increased efficiency over the next quarter, and outlining new rules saying funds could only be spent on essential functions. Chris believes that this focus on short-term goals would be detrimental to the long-term functioning of the unit that he manages because his employees would not be as knowledgeable as employees in competing companies.

1. Should Chris schedule the training?

Select one of the three options by marking your selection with an **X** in the appropriate box.

Should schedule		Cannot decide		Should not schedule	
-----------------	--	---------------	--	---------------------	--

2. For each of the 12 Issues, select one response (Critically Important, Highly Important, Important, Somewhat Important or Unimportant) that for you best represents your opinion. Mark your selection with an **X** in the appropriate column.

Level of Importance of the <i>Issue</i> to you					<i>Issue</i>
<i>Critically Important</i>	<i>Highly Important</i>	<i>Important</i>	<i>Somewhat Important</i>	<i>Unimportant</i>	
					1. Whether Chris has a desire to develop the employees or cares more about what senior management might think.
					2. Isn't it only natural for a manager to want to look out for his or her employees' best interests and do what was possible to help them?
					3. What effect would delaying the training have on the employees' ability to compete on a level-playing field?
					4. Whether Chris could make it appear like he or she scheduled the training before the memo with the new spending rules was sent.
					5. Would providing the training in the long-run benefit more people to a greater extent?
					6. Whether Chris has experienced training Rhino poachers in the Kruger National Park.
					7. Would the employees lose faith in Chris if the training was not scheduled?
					8. Would sticking by his or her word be consistent with principles of fairness?
					9. Would Chris be following principles, which Chris believes, are above any form of company policy?
					10. Does Chris have any right to spend the company's money as he or she sees fit?
					11. Did Chris promise that the employees would receive the training in this quarter, or did Chris just promise to provide training in the future?
					12. Does management have a right to make the rules about how the business should be run or not?

3. From the twelve *Issues* in question 2 above, select the four most important issues to you and rank these 4 issues in the order of importance to you.

	Issue No		Issue No		Issue No		Issue No
Most Important		2 nd Most Important		3 rd Most Important		4 th Most Important	

SCENARIO 3

Karen manages a unit in a company that calls itself a “total quality management” organisation. Part of the organisation’s mission statement says that employees should strive to continually improve their performance. Lately Karen’s work unit has been extremely busy trying to get its work done on several important projects. Karen asked her manager for advice about how to meet all of the deadlines, and the manager basically told her that her unit would have to cut corners on quality in order to get everything done on time. The manager also told Karen that meeting deadlines is the best way to keep clients off their backs, and that the clients rarely complain about substandard work because its effects show up later. However, Karen knows that doing substandard work for clients will only hurt the company’s reputation in the long run.

1. Should Karen instruct her direct reports to focus on meeting the deadlines at the expense of doing quality work?

Select one of the three options by marking your selection with an **X** in the appropriate box.

Should instruct		Cannot decide		Should not instruct	
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2. For each of the 12 Issues, select one response (Critically Important, Highly Important, Important, Somewhat Important or Unimportant) that for you best represents your opinion. Mark your selection with an X in the appropriate column.

Level of Importance of the Issue to you					Issue
Critically Important	Highly Important	Important	Somewhat Important	Unimportant	
					1. Whether cutting corners would stir up discontent among Karen’s direct reports.
					2. Whether other employees are in favour of cutting corners or not.
					3. Whether the National Sea Rescue Institute’s quality indicators are resonant with the organisations goals.
					4. Would allowing the subordinates to cut corners now encourage them to cut corners in future after the deadlines are met?
					5. Can the company allow quality to be somewhat compromised and still satisfy customers in the long term?
					6. Can knowingly producing a substandard product ever be considered to be responsible?
					7. How would the public good best be served?
					8. Is Karen willing to risk his or her manager’s anger in order to preserve the company’s reputation for doing good work?
					9. Will cutting corners anger customers and give the business a bad name?
					10. Is Karen more responsible to the customers or to senior management?
					11. Would cutting corners to meet deadlines be consistent with Karen’s own ethical beliefs?
					12. Whether senior management stayed within the limits of its authority by ignoring the mission statement.

3. From the twelve Issues in question 2 above, select the four most important issues to you and rank these 4 issues in the order of importance to you.

	Issue No		Issue No		Issue No		Issue No
Most Important		2 nd Most Important		3 rd Most Important		4 th Most Important	

SCENARIO 4

Thabo has been looking forward to the day that an employee is rotated out of his work unit. The employee usually works up to performance standards, but is very abrasive, mean-spirited, and hardly anyone can stand interacting with him. The employee is due to be rotated out of the work unit in two days. But, today Thabo has learned that the employee has made a serious mistake. When others made the same mistake, Thabo has followed company policy by providing negative feedback and constructive criticism after writing a formal letter of discipline for the employee's personnel file. In this situation, Thabo has written a formal letter of discipline for the employee, but does not know whether it is worth the time and effort to engage in what will probably be a very unpleasant interaction with the employee. After all, the employee will be rotated out of the unit very soon.

1. Should Thabo reprimand the employee according to the company policy?

Select one of the three options by marking your selection with an **X** in the appropriate box.

Should interact		Cannot decide		Should not interact	
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2. For each of the 12 Issues, select one response (Critically Important, Highly Important, Important, Somewhat Important or Unimportant) that for you best represents your opinion. Mark your selection with an X in the appropriate column.

Level of Importance of the Issue to you					Issue
Critically Important	Highly Important	Important	Somewhat Important	Unimportant	
					1. Is Thabo willing to risk a very unpleasant interaction for the chance that it might help the subordinate?
					2. Would Thabo confront the employee to really help him or her, or would it be used as a chance to criticise the employee?
					3. Would avoiding the confrontation make the other employees angry with Thabo?
					4. What benefits would discipline have apart from for society, especially for a charitable manager?
					5. Wouldn't it be a manager's duty to do what is possible to help develop employees regardless of the circumstances?
					6. If an employee needs guidance, should it not be provided regardless of what the employee's interpersonal skills are like?
					7. Is having the interaction consistent with principles of due process?
					8. If Thabo does not speak with the employee, would Thabo be preventing the employee from providing an explanation for the mistake?
					9. Every time an employee escapes discipline for serious mistakes, does that not just encourage more misconduct?
					10. What effect would failure to provide feedback have on the employee's ability to improve his behaviour?
					11. Would Thabo's conscience allow him to avoid the interaction?
					12. Whether a company's policies are going to be upheld?

3. From the twelve Issues in question 2 above, select the four most important issues to you and rank these 4 issues in the order of importance to you.

	Issue No		Issue No		Issue No		Issue No
Most Important		2 nd Most Important		3 rd Most Important		4 th Most Important	

SCENARIO 5

Pat is responsible for providing expenditure estimates for his work unit to the controller in his company, who then determines the budget for all units in the company. Senior management has always emphasised the importance of providing timely and accurate financial estimates and they have backed this up with policy by disciplining managers for inaccurate or late estimates. Pat recently realised that the figures he supplied contained a mistake. The mistake was that an expense was projected to be larger than it should have been. It will affect the ability of the company to stay within the budget. However, the money could be used to cover other company expenditures. Up to this point, no one else has identified the mistake and it is unlikely that they will.

1. Should Pat report the mistake?

Select one of the three options by marking your selection with an **X** in the appropriate box.

Should report		Cannot decide		Should not report	
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2. For each of the 12 Issues, select one response (Critically Important, Highly Important, Important, Somewhat Important or Unimportant) that for you best represents your opinion. Mark your selection with an **X** in the appropriate column.

Level of Importance of the <i>Issue</i> to you					<i>Issue</i>
<i>Critically Important</i>	<i>Highly Important</i>	<i>Important</i>	<i>Somewhat Important</i>	<i>Un-important</i>	
					1. Whether Pat was really loyal to his company.
					2. Can the company afford to have employees who themselves determine which policies to apply?
					3. Could Pat receive a more harsh punishment if the company finds the mistake without his help?
					4. What values Pat has set for himself in his own personal code of behaviour.
					5. Whether or not company policy ought to be respected by all employees.
					6. Whether Pat has been a good employee for a long time to prove the he is not a bad person.
					7. Does Pat have the freedom of speech to remain silent in this case?
					8. Would keeping the mistake to himself be consistent with Pat's own ethical beliefs?
					9. Would reporting the mistake do any good for Pat or society?
					10. Whether Pat's employees and peers would lose faith in Pat if he is caught instead of reporting the mistake himself.
					11. Given Pat's job responsibility, does Pat not owe it to the company to be honest?
					12. What values are going to be the basis for how people behave in employment contexts?

3. From the twelve Issues in question 2 above, select the four most important issues to you and rank these 4 issues in the order of importance to you.

	Issue No		Issue No		Issue No		Issue No
Most Important		2 nd Most Important		3 rd Most Important		4 th Most Important	

SCENARIO 6

A position has recently become available in the work unit that Ismail manages. Ismail will primarily be responsible for determining who fills the position. The position is a desirable one to Ismail's employees because it is quite visible to senior management, and the people who have held it in the past have been promoted to other desirable positions. Since the last time the position was vacant a relatively inexperienced employee has impressed Ismail by performing very well and often going beyond the call of duty. Since the company weighs employee development highly, Ismail thinks that promoting this potential high-flyer as soon as possible would contribute to his own goal of getting promoted out of the work unit in the next round of promotions. However, this employee is so new that the work unit has not yet benefited from its investment in training her. Furthermore, promoting someone with much less experience than other workers in the unit would likely cause low morale. Ismail thinks that both of these factors could probably be detrimental to the unit in the long run.

Should Ismail promote this potential high-flyer?

Select one of the three options by marking your selection with an **X** in the appropriate box.

Should promote		Cannot decide		Should not promote	
----------------	--	---------------	--	--------------------	--

1. For each of the 12 Issues, select one response (Critically Important, Highly Important, Important, Somewhat Important or Unimportant) that for you best represents your opinion. Mark your selection with an **X** in the appropriate column.

Level of Importance of the Issue for you					Issue
Critically Important	Highly Important	Important	Somewhat Important	Un-important	
					1. Whether the more experienced employees' seniority has to be honoured.
					2. Whether Ismail would be making the decision to help his own career or doing this solely to help someone else.
					3. Whether promoting the potential high-flyer or not would be best for the performance of Ismail's work unit.
					4. Whether Ismail should be influenced by the feelings of the other employees when it is Ismail who knows best what would benefit the company.
					5. Whether Ismail has a bias against young people or whether he would mean nothing personal by promoting someone else.
					6. Whether the high-flyer would receive commercial endorsements for promoting the company.
					7. Who would the majority of people in Ismail's local community feel is deserving of the promotion, the potential superstar or a high performing veteran employee?
					8. Would promoting the newer employee in any way violate the rights of the other employees?
					9. What principles of fairness are appropriate in such a situation?
					10. Could Ismail be so hard-hearted as to refuse the job to a veteran employee, knowing that it would mean so much to him or her?
					11. Is Ismail more responsible to the more experienced employees or to the highest performing employees?
					12. Would promoting the newer employee bring about more total good for more people or not?

3. From the twelve Issues in question 2 above, select the four most important issues to you and rank these 4 issues in the order of importance to you.

	Issue No		Issue No		Issue No		Issue No
Most Important		2 nd Most Important		3 rd Most Important		4 th Most Important	