Characterizing Ethical Cases: A Cross-Cultural Investigation of Individual Differences, Organisational Climate, and Leadership on Ethical Decision-Making

J. R. C. Kuntz · J. R. Kuntz · Detelin Elenkov · Anna Nabirukhina

Abstract The primary purpose of this study was to explore the unique impact of individual differences (e.g. gender, managerial experience), social culture, ethical leadership, and ethical climate on the manner in which individuals analyse and interpret an organisational scenario. Furthermore, we sought to explore whether the manner in which a scenario is initially interpreted by respondents (i.e. as a legal issue, ethical issue, and/or ethical dilemma) influenced subsequent recognition of the relevant stakeholders involved and the identification of intra- and extra-organisational variables significant to the scenario depicted. Data for this study were anonymously collected from professional samples in Russia (Moscow region) and in New Zealand. Findings show a strong effect of social culture (i.e. working in New Zealand or working in Russia) on the manner in which respondents characterised the scenario, on the experience of ethical climate and ethical leadership in their organisations, and on the ability to identify intra- and extra-organisational variables responsible for the situation presented in the scenario, above and beyond other individual and contextual factors.

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Introduction

Research Scope, Context and Variables of Interest

The considerable impact of corporate-based decisions on a wide range of stakeholders, along with heightened public scrutiny regarding these decisions, is a main driving force behind the growing interest in business ethics. Various professional academies are engaged in debate and in research including scholars, business practitioners, and lawmakers. A principle aim of the research field has become the identification of factors influencing moral sensitivity and contributing to the quality and accuracy of ethical decisions. As a result, the growing body of literature has highlighted the role of inter-individual differences (e.g. gender, cultural background), organisation-level variables (e.g. ethical climate and ethical leadership), and extra-organisational variables (e.g. business norms, country's legal system) on ethical reasoning and decision-making (Ford and Richardson 1994; McDevitt et al. 2007) on decision-making processes.

Despite the multitude of descriptive and prescriptive models of ethical decision-making developed across a range of disciplines (e.g. philosophy, psychology, management theory), and their undeniable contribution to our knowledge base in ethics research, these operational

models and frameworks exhibit substantial differences regarding theoretical foci, criteria of variable inclusion, and general aim. In practice, contemporary works on business ethics—both conceptual and empirical—differ with respect to the emphasis ascribed to the impact of socio-cultural embeddedness, ethical climate, ethical leadership, individual differences, and nature of the ethical issue on the decision agents' ethical reasoning and subsequent decisions (Cunha et al. 2010; Jones 1991). As a result, our understanding of the multi-level dynamics underlying moral reasoning and ethical decisions is fragmented at best, and defeats the original intent of existing integrative frameworks. Hence, the purpose of this article is to rely on an integrative framework and simultaneously investigate the impact of individual-level variables and experience of ethical climate and ethical leadership on the manner in which individuals construe and respond to organisational scenarios (see Fig. 1). Furthermore, this study was conducted in two distinct socio-cultural backdrops, Russia and New Zealand, in an attempt to verify the assumption that socio-cultural embeddedness has a significant impact on framing and attitudinal differences with respect to ethical stance. To be clear, the study does not purport to examine ethical attitudes and behaviours in relation to individual stages of moral development, or does it intend to deliver a valence-based appraisal of decision-making processes rooted on decision quality and accuracy criteria. Put simply, we aim at gaining insight into individual, organisational, and contextual factors that account for the interpretation of an organisational event depicting an ethical issue and its ramifications, as the manner in which these events are framed is expected to largely dictate the identification and weight ascribed to different elements of

the event, and ultimately influence decision-making (Provis 2010; Stajkovic and Luthans 1997).

Individual-Level Variables and Ethical Decision-Making

Ascertaining the role of demographic and occupational factors on the manner in which individuals interpret an organisational event and offer solutions to dilemmas has been one of the primary targets of ethical decision-making research in the past two decades (Andreoli and Lefkowitz 2009; Dean et al. 2010). Gender and age remain the most widely researched individual-level variables in relation to moral reasoning and decision-making, and a proportion of the extant research argues that there are significant differences in ethical stance among gender and age groups (Oumlil and Balloun 2009; Vitell and Patwardhan 2008; Westerman et al. 2007). For instance, the sensitivity to particular ethical issues and dilemmas is likely to vary across these demographic groups, as experience with and personal relevance of specific scenarios will deem facets of a dilemma more or less salient to the decision-maker. Scenarios depicting harassment and gender discrimination tend to be more salient to female respondents, as they are more acutely aware of the scenarios' relevance and implications to their professional practice (Franke et al. 1997; McDaniel et al. 2001).

In addition to bio-demographic variables, ethics research has expanded its scope of individual differences to include occupational variables as factors accounting for the characterisation of ethical scenarios and subsequent behavioural responses. The investigation of occupational variables in the context of ethical decision-making has considered

Fig. 1 Hypothesised linkages
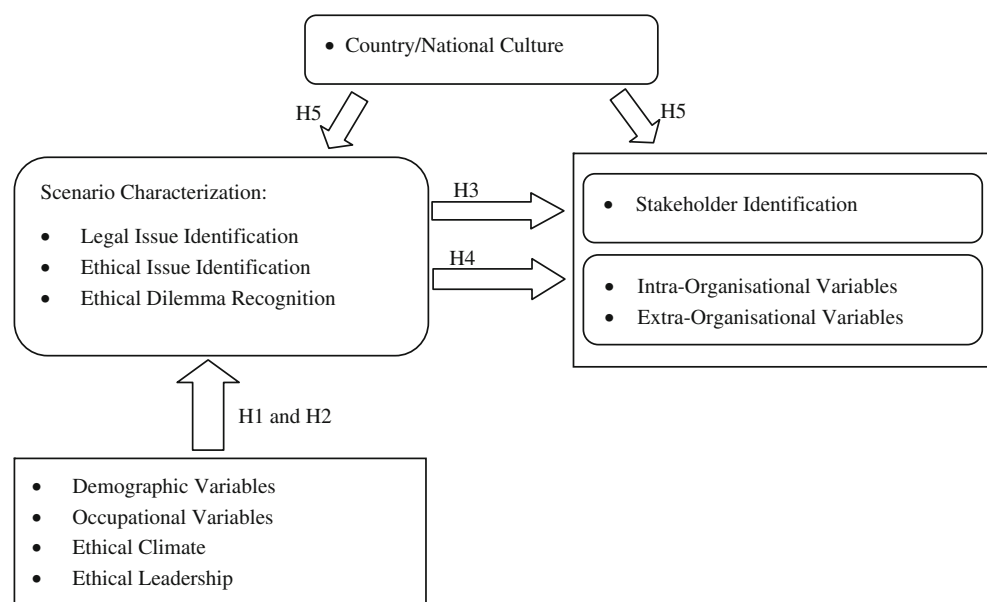
managerial position, work experience, and occupational culture (Akman and Mishra 2009; Dean et al. 2010; Sweeney et al. 2010). With respect to managerial level and work experience, preliminary findings suggest that, while non-managers and entry-level employees exhibit less familiarity with the myriad of ethical dilemmas faced in the workplace and often seek guidance from senior-level co-workers, individuals occupying managerial positions are often expected or pressured to disregard ethical constraints in decision-making processes and preserve organisational interests (Dean et al. 2010). With regards to industry and occupational culture, the evidence points to the significant influence of these variables in determining the moral intensity and salience of ethical issues, particularly when the overarching culture of the organisation is considered (Akman and Mishra 2009; Sweeney et al. 2010).

Hypothesis 1a Occupational variables (e.g., managerial position), and demographic variables (e.g., age, gender), impact the manner in which individuals characterize a scenario as a legal issue and/or as an ethical issue.

Hypothesis 1b Occupational variables (e.g., managerial position), and demographic variables (e.g., age, gender), impact the manner in which individuals characterize a scenario as depicting an ethical dilemma.

Herein, we argue that a contextualised approach to bio-demographic variables on ethical decision-making, considering socio-cultural milieu (Pimentel et al. 2010) and socialisation into the workplace (Franke et al. 1997), may elucidate the similarities and contrasts in ethical stance exhibited by different groups of individuals, and clarify some of the conflicting findings in the literature suggesting that specific age and gender groups exhibit unique ethical stances. In practice, characteristics inherent in the social culture, and the organisation in which individuals operate, namely climate, leadership, and formal policies, are likely to operate either as equalizers of bio-demographic differences or to widen existing gaps between groups (Forte 2004; Terpstra et al. 1993; Valentine and Rittenburg 2007). Furthermore, it is also plausible that the interplay of occupational variables and social and organisational characteristics may have a substantial impact on the degree to which features of an ethical issue are identified and on the salience of ethical dilemma components.

Ethical Climate, Ethical Leadership, and Decision-Making

Ethical capability is defined as the organisation's ability to identify and respond to ethical issues in complex business environments (Buller and McEvoy 1999). Though this definition is rooted on ethical competence at the

organisational level of analysis, the degree to which an organisation exhibits ethical capability is contingent upon the interplay of competencies and behaviours of incumbents, the organisational infrastructure (e.g. communication systems), and the ethical stance of organisational leaders. In this sense, employees' ethical conduct is simultaneously the result of and a contributor to the organisation's degree of ethical capability, facilitated by organisational leaders. Based on its conceptual and operational definitions, ethical capability has three underlying sources, supported by the infrastructure: the individual, the leader, and the ethical climate of the organisation.

Ethical climate, or the shared perception of what constitutes ethically appropriate behaviour and knowledge of procedural steps to address an ethical issue (Dickson et al. 2001), is achieved and maintained through the dissemination of formal norms or a code of ethics—via communication systems and training—and the introduction of rewards and enforcement of sanctions for behaviour that meets or deviates from the standards, respectively. The extent to which formal ethics codes are enforced and adhered to throughout the organisation is largely a function of the perceived legitimacy of these codes (Tyler and Blader 2005), the alignment between the codes and the organisational processes (e.g. performance management systems) (Parboteeah et al. 2010; Verbos et al. 2007), and the presence of sound leadership to model and reinforce desirable behaviours (Dickson et al. 2001; Verbos et al. 2007; Weaver et al. 2005). With regards to the latter, ethical leaders are expected to be both moral individuals—conveying an image of honesty, trustworthiness, and consistently enacting moral behaviours in the personal and professional spheres—and moral managers—adequately communicating and enforcing codes of ethics throughout the organisation (Brown and Mitchell 2010; Trevino et al. 2000).

Despite the intuitive appeal of a positive relationship between ethical leadership and organisational members' ability to characterise ethical issues and understand the internal and external contingencies associated, there is surprisingly little empirical research substantiating these causal links. Moreover, the impact of ethical leaders on individuals' ethical reasoning and action, and indeed the leaders' capacity and motivation to behave ethically, appear to be contingent on individual differences, experience with ethical issues, organisational culture, and the legal and socio-cultural environment in which these individuals operate (Brown et al. 2005). Considering this systems approach, we posit that the ethical capability of an organisation relies on its incumbents' ability to recognise, interpret, and appropriately act on ethical issues and dilemmas. We hypothesise that strong ethical climate and ethical leadership have a significant influence on the manner in which individuals identify and characterise an

ethical issue (e.g. recognition of a dilemma), and this in turn will impact their ability to identify critical stakeholders involved, the different outcomes of potential courses of action, and the ability to acknowledge the role of intra- and extra-organisational variables on the factors leading to and stemming from an ethical issue. In this study, we expect that individuals are able to identify stakeholders in accordance with three dimensions: identification of parties (individuals or entities) responsible for the occurrence of an ethical issue, identification of parties impacted by an ethical decision, and identification of parties responsible for taking action (e.g. introducing disciplinary measures) when made aware of an ethical violation.

Hypothesis 2a The ethical climate of the organisation in which individuals operate impacts issue identification (i.e., legal issue, ethical issue) and ethical dilemma recognition.

Hypothesis 2b The ethical leadership of the organisation in which individuals operate impacts issue identification (i.e., legal issue, ethical issue) and ethical dilemma recognition.

Hypothesis 3a Scenario characterization (i.e., the ability to identify an issue (as ethical or legal), and to recognize it as a dilemma), will significantly impact the identification of parties responsible for an ethical issue.

Hypothesis 3b Scenario characterization (i.e., the ability to identify an issue (as ethical or legal), and to recognize it as a dilemma), will significantly impact the identification of parties impacted by an ethical issue.

Hypothesis 3c Scenario characterization (i.e., the ability to identify an issue (as ethical or legal), and to recognize it as a dilemma), will significantly impact the identification of parties responsible for taking action when made aware of an ethical issue.

Hypothesis 4a Scenario characterization (i.e., the ability to identify an issue (as ethical or legal), and to recognize it as a dilemma) will significantly impact the identification of intra-organisational variables (i.e., formal policies regarding ethical conduct and informal ethical climate) responsible for an ethical issue.

Hypothesis 4b Scenario characterization (i.e., the ability to identify an issue (as ethical or legal), and to recognize it as a dilemma), will significantly impact the identification of extra-organisational variables (i.e., social and legal environments and legal context) responsible for an ethical issue.

Extra-Organisational Variables in Ethical Decision-Making: The Role of Social Culture

Organisations do not operate as independent systems, and they are deeply embedded in their industrial, social, cultural, and legal environments (Donaldson and Dunfee 1994; Reich 2005). As a result, there is substantial context-dependence with respect to the interpretation of, and decision-making and behaviours pertaining to ethical issues (Jones et al. 2007; Parboteeah et al. 2010; Sweeney et al. 2010). Importantly, recent research has uncovered the relationships between the socio-cultural environment, the relative moral salience of different ethical issues, and the behavioural approaches to these issues once they are framed (Hisrich et al. 2003; Jones et al. 2007; Puncheva-Michelotti et al. 2010). Further evidence in support of socio-cultural embeddedness is provided in studies conducted among expatriate and non-expatriate samples, where expatriate individuals considered a wider array of contingencies (not merely related to local norms) than their non-expatriate counterparts (Spicer et al. 2004). In relation to our study, the significant role of social culture on ethical evaluations in business settings, and in particular the unique way in which professional samples in Russia frame and recognise the ethical ramifications of a scenario, has been underscored in previous research (Beekun et al. 2003; Hisrich et al. 2003; Puncheva-Michelotti et al. 2010). Considering the evidence discussed, we hypothesise the following:

Hypothesis 5a There will be significant differences across countries (Russia and New Zealand) with respect to the manner in which individuals characterize a scenario (ethical issue, legal issue, and ethical dilemma).

Hypothesis 5b There will be significant differences across countries (Russia and New Zealand) with respect to the experience of ethical climate and ethical leadership

Hypothesis 5c There will be significant differences across countries (Russia and New Zealand) with respect to the ability to identify intra-organisational variables (i.e., formal policies regarding ethical conduct and informal ethical climate) responsible for an ethical issue.

Hypothesis 5d There will be significant differences across countries (Russia and New Zealand) with respect to the ability to identify extra-organisational variables (i.e., social environment and legal context) responsible for an ethical issue.

Methodology

Sample

The data for this study were collected via an online questionnaire distributed in New Zealand and Russia (Moscow area). Eligible participants had to be currently employed in an organisation, and hold a resident or citizenship status in

Table 1 Demographic characteristics of participants in New Zealand and Russia

Variable	Russia	New Zealand
Gender		
Male (%)	37.5	41.5
Female (%)	62.7	58.5
Age		
Mean (in years)	31.1	45.4
Years of experience		
Mean (in years)	8.4	13.6
Managerial position		
Yes (%)	39.2	48.4
No (%)	60.8	51.6
Country of origin		
NZ/Russia (%)	93.3 (Russia)	67.9 (NZ)
Other (%)	6.7	32.1

Note $N = 150$ (Russia), $N = 159$ (New Zealand)

the countries where the study was conducted. Overall, 150 Russian residents and 159 New Zealand residents provided complete and usable questionnaires. Table 1 depicts demographic information of participants from each country group.

Most of the participants in the Russian sample were female (62.7 %), the reported mean age was set at 31 years ($SD = 12.5$), with 8 years of experience in their current industry ($SD = 9.5$), and 39.2 % held a managerial position in their organisation. Finally, 93 % of respondents stated Russia as their country of origin.

New Zealand participants were mostly female (58.5 %), with a mean age of 45 years ($SD = 13.2$). The mean for reported length of experience in their current industry was 13 years ($SD = 11.3$). With respect to managerial position, 48.4 % of the respondents claimed to currently hold a managerial position at their organisation. Finally, study participants were asked to indicate their country of origin and country of residence. With the exception of two respondents, the sample surveyed was comprised New Zealand residents. Although, the majority of the participants reported New Zealand as their country of origin (67.9 %), the remainder of the sample exhibited considerable diversity with respect to national background.

Comparing the two samples, there were significant differences with respect to the proportion of males and females, where male respondents were less well-represented in the Russian sample than in the New Zealand sample ($F = 3.84$; $p < .05$), and regarding the years of experience in the current industry, where workers in the New Zealand sample reported significantly longer industry tenure than their Russian counterparts ($F = 3.98$; $p < .05$).

Measures

With the exception of the Ethical Leadership Scale (ELS), the measures and items in the questionnaire were generated for the specific purposes of this research.

Scenario

Participants in both samples were presented with a scenario wherein an office clerk in a reputable accounting firm decides to blow the whistle on the accounting teams' expenditure practices, after several failed attempts to report the issue to senior managers for these teams (see 'Appendix'). The whistleblowing scenario depicting misuse of company funds was selected due to its suitability to the intended sample, i.e. professionals currently employed in organisations across a number of occupations. Due to the broad occupational scope of the sample, it was decided that the analysis and interpretation of the scenario should not involve any occupation-specific knowledge, including accounting standards, environmental law, and bioethics. While the content of the scenarios presented was largely similar for the New Zealand and Russian samples, the character names and the locations of the fictitious accounting firms were altered to reflected the local cultures (e.g. New Zealand participants were informed that the firm operated in a metropolitan area in New Zealand, whereas the scenario presented to participants from Russia were informed that the firm operated in their country).

Scenario Characterisation

After reading the whistleblowing case, participants were asked to answer three questions: (a) whether they considered the scenario to depict a legal issue, (b) whether they considered the scenario to depict an ethical issue, and (c) whether they considered the scenario to depict an ethical dilemma. With regards to the latter, participants were informed that by 'dilemma' the investigators meant 'Does the scenario have at least two morally acceptable solutions?' Responses to these three items were provided in a dichotomous scale (Yes/No).

Identification of Relevant Parties: Responsibility and Decision Impact

Respondents were presented with three open-ended questions, soliciting the identification of relevant parties responsible for the ethical issue, responsible for taking action upon knowledge of the issue, and impacted by the whistleblowing decision. One point was ascribed for each party identified in each of the three response fields. Valid responses included, but were not limited to, CEO, clients, external auditors, and accounting manager(s).

Intra- and Extra-Organisational Variables

Another four items were generated to address participants' perceptions of the degree to which intra-organisational variables—(a) formal organisational policies/procedures and (b) informal ethics climate—and extra-organisational variables—(a) the organisation's social context and (b) the organisation's legal environment—influenced the scenario depicted. Responses were provided along a 5-point Likert-type scale with anchors from 1 (*strongly disagree*) to 5 (*strongly agree*).

Ethical Climate

Due to the scarcity of well-established and parsimonious measures of ethical climate suitable for the occupational diversity represented in the study's intended sample, a three-item measure was developed for the purpose of this research. The three items encompassed knowledge, communication, and support for ethical conduct in the respondents' own organisations: 'I possess current knowledge of my organisation's policies and procedures regarding appropriate ethical conduct', 'In my organisation, policies and procedures regarding appropriate ethical conduct are adequately communicated to all employees', and 'There is great emphasis on positive ethical behaviours in my organisation (e.g., environmental responsibility programs)'. The internal consistency obtained for this three-item scale was .82. Participants responded along a 5-point Likert-type scale with anchors from 1 (*strongly disagree*) to 5 (*strongly agree*).

Ethical Leadership Scale (ELS)

Ethical Leadership was measured using a scale developed and validated by Brown et al. (2005). The measure is comprised ten items reflecting individual perceptions of their leader's ethical conduct. Examples of items include '(The leader in my organisation) Disciplines employees who violate ethical standards' and '(The leader in my organisation) Sets an example of how to do things the right way in terms of ethics'. The reported internal consistency for this 10-item scale is .92 (Brown et al. 2005). The coefficient alpha obtained in this study was .96. Participants responded along a 5-point Likert-type scale with anchors from 1 (*strongly disagree*) to 5 (*strongly agree*).

Procedure

Russian Sample

Using the principal researchers' local contacts, individuals currently employed in a variety of organisations in the

Moscow region were invited to participate in the study. The questionnaire used for this sample was translated into Russian by a Russian native and verified by a principal researcher fluent in English and Russian. Volunteering participants were instructed to access the web link directing them to the questionnaire.

New Zealand Sample

The questionnaire was advertised and distributed in two New Zealand newspapers targeting a professional audience, and through a professional Human Resource Management group. In the advert, respondents were instructed to access a web link connecting them to the questionnaire page. All respondents were informed of the purpose of the research, conditions of participation, and deadlines for survey completion. They were assured that the results would only be reviewed by the principal researchers and that any publications resulting from the study would contain no information that could be traced to any individual respondents. The questionnaire used in this study was comprised 41 questions grouped into three sections: (1) respondents' demographic and occupational information, (2) a whistleblowing scenario followed by a series of questions pertaining to that scenario, and (3) a section containing questions that addressed the respondents' perceptions of ethical climate and ethical leadership in their organisation.

Results

Scenario Characterisation, Stakeholder Identification, and Contextual Factors: A Preliminary Examination of Country Effects

With respect to the three items covering issue identification and dilemma recognition, the majority of Russian and New Zealand respondents acknowledged that the scenario depicted an ethical issue (93.3 % of Russian participants and 98.7 % of New Zealand participants agreed with the statement). In addition, when enquired about whether the scenario illustrated an ethical dilemma, both New Zealand and Russian respondents were divided: 62 % of the Russian respondents considered the scenario to represent an ethical dilemma and 59.1 % of the New Zealand participants also deemed the case described to have at least two morally acceptable solutions. Despite these similarities, the two samples exhibited opposite stances regarding the legal facet of the scenario presented. While 61 % of the respondents in the New Zealand sample considered the scenario to depict a legal issue, only 36.7 % of Russian participants agreed with this assessment.

Regarding the significance of these findings, chi-square tests of association reveal that there is significant association between social culture group and identification of the scenario as depicting an ethical issue ($\chi^2 = 4.82$, $p < .05$), and between social culture group and identification of the scenario as depicting a legal issue ($\chi^2 = 18.97$, $p < .01$). These results provide partial support for Hypothesis 5a. While the recognition of the scenario as depicting a legal issue elicited different response patterns from the Russian and New Zealand samples, and the identification of an ethical issue was marginally greater for the New Zealand sample, a similar proportion of participants from both countries considered the scenario to depict an ethical dilemma. In view of these results, country differences will be included in subsequent analyses investigating the manner in which participants characterised the scenario presented.

Three open-ended questions prompted the identification of relevant parties responsible for the ethical issue or impacted by the whistleblowing decision (beyond those introduced in the scenario). A description of response frequencies for each question can be found in Table 2.

Table 2 Frequencies for identification of other parties responsible for ethical issue, for taking action, and/or impacted by whistleblowing decision by country

Variable	New Zealand		Russia	
	Freq.	%	Freq.	%
Responsible for ethical issue				
0 Parties identified	51	32.1	92	61.3
1 Party identified	54	34.0	47	31.3
2 Parties identified	34	21.4	5	3.3
3 Parties identified	15	9.4	5	3.3
4 Parties identified	2	1.3	1	0.7
5 Parties identified	3	1.9	0	0
Responsible for taking action				
0 Parties identified	50	31.4	97	64.7
1 Party identified	61	38.4	44	29.3
2 Parties identified	31	19.5	8	5.3
3 Parties identified	16	10.1	1	0.7
4 Parties identified	1	0.6	0	0
Impacted by action				
0 Parties identified	54	34.0	100	61.3
1 Party identified	31	19.5	47	31.3
2 Parties identified	52	32.7	1	0.7
3 Parties identified	15	9.4	2	1.3
4 Parties identified	6	3.8	0	0
5 Parties identified	0	0	0	0
6 Parties identified	1	0.6	0	0

Note $N = 150$ (Russia), $N = 159$ (New Zealand)

Russian Sample

37.9 % of respondents identified between one and three relevant parties responsible for the issue, whereas 61.3 % chose not to identify parties responsible or were unable to do so. In addition, 35.3 % of respondents listed between one and three relevant parties responsible for taking action, whereas 64.7 % chose not to identify parties responsible or were unable to do so. Finally, 33.3 % of participants identified between one and three relevant parties impacted by the whistleblowing decision, while 61.3 % chose not to identify parties responsible or were unable to do so.

New Zealand Sample

64.8 % of respondents identified between one and three relevant parties responsible for the issue, whereas 32 % chose not to identify parties responsible or were unable to do so. In addition, 68 % of respondents identified between one and three relevant parties responsible for taking action, whereas 31.4 % chose not to identify parties responsible or were unable to do so. Finally, 61.6 % of participants identified between one and three relevant parties impacted by the whistleblowing decision, while 34 % chose not to identify parties responsible or were unable to do so. As expected, the differences between culture groups were significant for the three variables pertaining to the identification of critical parties, where the sample from New Zealand consistently identified a greater number of parties responsible for the situation ($t = 5.79$, $p < .01$), responsible for taking action ($t = 6.55$, $p < .01$), and impacted by the whistleblowing decision ($t = 8.54$, $p < .01$).

It should be noted that, beyond the significant differences in responses pertaining to scenario framing and stakeholder identification, participants also differed with respect to their experience of ethical climate and ethical leadership across country samples. In support of hypothesis 5b, respondents in the New Zealand sample reported significantly more experience of a positive ethical climate in their respective organisations ($M = 4.10$, $SD = .85$), compared to the sample from Russia ($M = 3.32$, $SD = .99$) ($t = 5.96$, $p < .01$). Similarly, participants from the New Zealand sample reported significantly greater experience of ethical leadership in their organisations ($M = 3.82$, $SD = .90$) than the sample from Russia ($M = 3.35$, $SD = .91$) ($t = 3.72$, $p < .01$).

Finally, Hypotheses 5c and 5d concerning country differences in the identification of intra- and extra-organisational variables accounting for an ethical issue were tested. Independent t tests reveal that, although the two samples did not significantly differ with respect to the ability to acknowledge that social context and legal environment contributed to the scenario presented, respondents from the

Russia sample exhibited significantly greater ability to acknowledge the impact of formal ethics codes and policies on the scenario ($t = -2.80$, $p < .01$), whereas participants in the New Zealand sample tended to ascribe greater responsibility to the informal ethical climate of the fictitious organisation than their Russian counterparts ($t = 8.26$, $p < .01$). Considering these significant findings in partial support of Hypotheses 5c and 5d, country membership will be taken into account in subsequent analyses involving contextual variables (intra- and extra-organisational).

Scenario Framing: Examining the Impact of Individual Variables and Organisational Setting

In order to test the first and second sets of hypotheses, concerning the influence of demographic, occupational, and organisational variables on issue identification and dilemma recognition, a series of binary logistic regressions were conducted.

A first series of binary logistic regressions were performed to examine significant demographic, occupational and organisational antecedents of identification of the scenario as depicting a legal issue, an ethical issue, and an ethical dilemma (Table 3).

Forward stepwise (Wald) method was selected to conduct the regressions. The demographic variables included in the original model did not elicit significant findings. As shown in Table 3, country (Russia or New Zealand) and experience of ethical leadership in the respondents' organisation were the only significant determinants of legal issue identification. In practice, participants working in New Zealand were able to identify the legal ramifications of the scenario presented, and respondents with experience of ethical leadership in their respective organisations were

also more likely to characterise the scenario as depicting a legal issue.

The second series of binary logistic regressions investigated antecedents of identification of the scenario as depicting an ethical issue. The findings suggest that perceptions of ethical climate in the respondents' organisations were the sole variable significantly impacting the identification of an ethical issue, though it should be noted that the effect found is too small to allow any robust interpretations.

The final series of binary logistic regressions explored the antecedents of recognition of the ethical scenario as depicting an ethical dilemma. Managerial position emerged as a significant predictor of dilemma recognition. Holding a managerial position was associated with lower likelihood of recognizing an ethical dilemma, though the effect found is also modest.

Based on these findings, we reject Hypothesis 1a proposing a significant influence of demographic and occupational variables on issue identification, and partially accept Hypotheses 1b, 2a, and 2b. With respect to Hypothesis 1b, respondents who did not occupy a managerial position were more inclined to consider that the scenario had more than one morally acceptable solution. The occupational requirements and knowledge base associated with a managerial role offer a possible explanation for this finding. Consistent with previous research claims (Dean et al. 2010), managers may be more likely to tie the interpretation of an ethical issue to formal policies and procedures, from which a clear course of action is derived, and discard alternative or competing solutions to a given organisational problem. Considering the magnitude of the effect found, further inquiry is necessary to clarify the motivations underlying managerial interpretations of ethical issues.

Table 3 Binary logistic regressions: dependent variables (DV)—identification of legal issue, identification of ethical issue, and recognizing ethical dilemma (Yes = 1, No = 2)

Variables	DV: legal issue			DV: ethical issue			DV: ethical dilemma		
	β	SE	Wald	β	SE	Wald	β	SE	Wald
Country	.94**	.29	10.34						
EthicalLeader	−.33*	.16	4.17						
EthicalClimate				−.72*	.32	4.91			
Mgr							−.84**	.27	9.34
−2 Log likelihood		302.25			77.64			303.92	
Cox and Snell R^2		.08			.02			.04	
Nagelkerke R^2		.11			.07			.05	

Country Russia or New Zealand, *EthicalLeader* respondents' perceptions of ethical leadership in their organisation, *EthicalClimate* respondents' perceptions of ethical climate in their organisation; *Mgr* current managerial role

* $p < .05$, ** $p < .01$

Regarding Hypotheses 2a and 2b, the experience of ethical leadership had a significant impact on the ability to identify legal ramifications of an organisational scenario, but not on the ability to identify an ethical issue. In addition, experience of ethical climate in the organisation emerged as an antecedent of the ability to characterise a scenario as representing an ethical issue, but not as a legal issue.

Impact of Issue Identification and Dilemma Recognition on Identification of Relevant Parties and Contextual Variables

Sets of Hypotheses 3 and 4 investigated whether responses to questions addressing: (a) ascription of responsibility for ethical issue and for taking action, (b) identification of relevant parties impacted by the decision, and (c) acknowledgment of intra- and extra-organisational variables pertinent to the scenario, were influenced by whether the scenario was characterised as a legal issue, an ethical issue, and/or an ethical dilemma. A series of hierarchical multiple regressions were conducted to test these assumptions.

As illustrated in Table 4, the identification of parties responsible for the situation depicted in the scenario, of parties responsible for taking action, and of parties impacted by the whistleblowing decision, were largely influenced by country differences ($\Delta R^2 = .12$, $p < .01$; $\Delta R^2 = .15$, $p < .01$; and $\Delta R^2 = .23$, $p < .01$, respectively). It should be

noted that not only the identification of parties impacted by the whistleblowing decision was mainly determined by country differences but also, to a modest extent, by whether respondents identified the scenario as depicting a legal issue ($\Delta R^2 = .02$, $p < .05$), and an ethical dilemma ($\Delta R^2 = .02$, $p < .05$). Hence, Hypotheses 3a and 3b are rejected, and Hypothesis 3c partially confirmed (Table 5).

Regarding the influence of scenario characterisation on the recognition of intra- and extra-organisational variables responsible for the situation presented, the effect of country was again significant to the recognition of the role of formal policies and procedures ($\Delta R^2 = .03$, $p < .01$) and the informal ethical climate of the fictitious organisation ($\Delta R^2 = .23$, $p < .01$), beyond any scenario characterisation effects. Interpreting the scenario as depicting an ethical issue added modestly to the variance explained in the ascription of responsibility to formal organisational policies ($\Delta R^2 = .03$, $p < .01$). Moreover, while no country effects were identified for the recognition of the impact of the social/legal environment on the scenario presented, respondents who identified the scenario as depicting a legal issue were more likely to associate these extra-organisational factors to the scenario described ($\Delta R^2 = .06$, $p < .01$). In view of these findings, Hypothesis 4a is partially supported (for the role of formal policies) and Hypothesis 4b is supported.

Considering the substantial differences found between participating countries with respect to the identification of

Table 4 Hierarchical multiple regressions for stakeholder and impact identification

Variables	DV: responsible for situation			DV: responsible for taking action			DV: impacted by decision		
	β	ΔF	ΔR^2	β	ΔF	ΔR^2	β	ΔF	ΔR^2
Country	−.31**	33.56**	.12						
Country				−.35**	42.88**	.15			
Country							−.43**	72.87**	.23
Country, Legal							−.12*	4.60*	.02
Country, Legal, Dilemma							.11*	3.84*	.02

Country Russia or New Zealand, *Legal* scenario framed as depicting a legal issue, *Dilemma* scenario framed as depicting an ethical dilemma

* $p < .05$, ** $p < .01$

Table 5 Hierarchical multiple regressions for identification of intra- and extra-organisational variables

Variables	DV: formal policies			DV: informal climate			DV: legal/social environment		
	β	ΔF	ΔR^2	β	ΔF	ΔR^2	β	ΔF	ΔR^2
Country	.22**	7.85**	.03						
Country, Ethical	−.18**	8.05**	.03						
Country				−.49**	68.14**	.23			
Legal							−.22**	10.41**	.06

Country Russia or New Zealand, *Legal* scenario framed as depicting a legal issue, *Ethical* scenario framed as depicting an ethical issue, *Dilemma* scenario framed as depicting an ethical dilemma

* $p < .05$, ** $p < .01$

relevant stakeholders and the role of intra-organisational variables, supplemental analyses were conducted to examine country-specific effects. In the New Zealand sample, the identification of a legal issue was associated to the ability to subsequently identify a greater number of parties responsible for the scenario ($\Delta R^2 = .05$, $p < .01$), a greater number of parties responsible for taking action upon knowledge of the ethical issue ($\Delta R^2 = .05$, $p < .01$), and to acknowledge that the external environment of the fictitious organisation had a significant influence on the occurrence of the situations depicted ($\Delta R^2 = .14$, $p < .01$). Furthermore, recognizing that the scenario depicted an ethical dilemma significantly impacted the respondents' ability to identify a greater number of parties impacted by the whistleblowing decision ($\Delta R^2 = .03$, $p < .05$).

Findings obtained from the Russian sample were largely different from those reported for the New Zealand sample. First, identifying a legal issue, ethical issue, or ethical dilemma did not significantly influence the respondents' ability to identify parties responsible for the scenario, or did it impact the ability to identify parties responsible for taking action upon knowledge of the problem depicted. Second, acknowledging that the scenario depicted a legal issue was significantly related to participants' capacity to identify a greater number of parties impacted by the whistleblowing decision ($\Delta R^2 = .03$, $p < .05$), whereas in the New Zealand sample characterizing the scenario as depicting an ethical dilemma was associated to the identification of parties impacted. Third, participants in the Russia group who characterised the fictitious scenario as depicting an ethical issue were also better able to recognise the impact of that organisation's formal policies and procedures regarding ethical conduct on the events reported ($\Delta R^2 = .05$, $p < .01$). The only similarity found between the two country samples concerned the relationship between identifying the scenario as depicting a legal issue and acknowledging the influence of the legal and socio-cultural environments on the events reported in the scenario ($\Delta R^2 = .04$, $p < .05$).

Summary of Findings

Hypothesis 1

The model depicted in Fig. 1 proposed that specific demographic and occupational variables would influence the manner in which respondents characterised a scenario: as a legal issue and/or an ethical issue (Hypothesis 1a), and as an ethical dilemma (Hypothesis 1b). The only significant findings for this set of hypotheses revealed that respondents occupying managerial positions were less likely to characterise the scenario as depicting an ethical dilemma. Hence, Hypothesis 1b is partially supported.

Hypothesis 2

In addition to bio-demographic and occupational variables, the present study suggested that the extent to which respondents had the experience of an ethical climate (Hypothesis 2a) and ethical leadership (Hypothesis 2b) in their own organisations would determine scenario characterisation. The results indicate that the experience of an ethical climate was associated with the recognition of ethical implications in the scenario presented, partially supporting Hypothesis 2a, and the experience of ethical leadership was linked to the identification of legal ramifications in the scenario depicting the use of company funds for employee use, in partial support of Hypothesis 2b.

Hypothesis 3

The third set of hypotheses proposed that the manner in which respondents characterized the scenario—as a legal issue, an ethical issue, and an ethical dilemma—would influence their capacity to identify individuals or entities responsible for the situation described in the scenario (Hypothesis 3a), impacted by the whistleblowing decision (Hypothesis 3b), and responsible for taking action upon becoming aware of the use of company funds for personal purposes. While issue characterisation was not significantly associated with the identification of a greater number of parties responsible for the situation or responsible for taking action (Hypotheses 3a and 3c rejected), recognizing the legal and the ethical ramifications of the scenario was significantly related to the identification of a greater number of parties impacted by the whistleblowing decision. Hence, Hypothesis 3b is supported.

Hypothesis 4

The study also posited that scenario characterization would influence respondents' perspective on the role played by the fictitious organisation's formal policies and informal climate (Hypothesis 4a) and its social and legal environment (Hypothesis 4b) on the situation described in the scenario. As predicted, respondents that identified the scenario as depicting an ethical issue also ascribed responsibility to the fictitious organisation's formal policies regarding ethical conduct (e.g., lack of clarity, lack of accountability for conduct). In addition, participants that acknowledged the legal ramifications of the scenario considered that the social and legal environments may have accounted for the seemingly acceptable practice of employing company funds for personal use. Therefore, Hypotheses 4a and 4b were partially confirmed.

Consistent with the final set of hypotheses, the respondents' country (Russia or New Zealand) had a significant

impact on: (a) scenario characterisation, where significantly less respondents in the Russia sample acknowledged legal and ethical ramifications of the scenario presented (Hypothesis 5a supported); (b) the experience of ethical climate and ethical leadership, where New Zealand participants reported significantly greater experience of ethical climate and ethical leadership in their respective organisations (Hypothesis 5b supported); and (c) the identification of intra- and extra-organisational factors responsible for the situation described. Regarding the latter, while no significant differences between countries were found with respect to the ascription of responsibility to the fictitious organisation's social and legal environments (Hypothesis 5d rejected), participants in the Russia sample were more inclined to recognise the impact of formal ethics codes and policies on the scenario presented, and respondents from the New Zealand sample ascribed greater responsibility to the informal ethical climate of the fictitious organisation (Hypothesis 5c supported).

Discussion

This study sought to investigate the unique impact of individual differences (e.g. gender, managerial experience), and organisational and contextual factors on the interpretation of a scenario depicting an ethical issue. In addition, we attempted to uncover whether the initial characterisation (i.e. recognition of the scenario as depicting an ethical issue, legal issue, and/or ethical dilemma) determined the identification of relevant parties involved, and of intra- and extra-organisational variables relevant to the scenario.

Consistent with a growing body of evidence suggesting the significant role of social culture on moral sensitivity and interpretation of ethicality in a business setting (Brunton and Eweje 2010; Cohen et al. 2002), our data highlight significant differences in responses between the two countries surveyed with respect to (1) the manner in which an organisational scenario was interpreted (e.g. as a legal issue), (2) the relationship between this interpretation and the identification of relevant contingencies (e.g. intra- and extra-organisational variables), and (3) the experience of ethical climate and ethical leadership in the respondents' organisations.

Characterizing Ethical Scenarios

The manner in which participants characterised the situation described in the scenario (legal issue, ethical issue, and/or ethical dilemma) was largely determined by their country/national affiliation, beyond the effects of demographic and occupational variables. In the study, a significantly greater proportion of New Zealand participants characterised the scenario as depicting an ethical issue compared to the sample from Russia, and this difference was even more salient with regards to the identification of legal ramifications in the scenario presented, where only one-third of the Russian respondents identified the scenario as holding legal implications and two-thirds of the New Zealand respondents characterised the scenario as depicting a legal issue.

These findings should be interpreted in view of previous research. In relation to the smaller proportion of respondents in the Russia sample to identify the scenario as depicting a legal issue, the results are consistent with previous studies contrasting perceptions of ethicality and social responsibility between professional samples from Russia and samples from other Eastern and Western countries (Beekun et al. 2003; Hisrich et al. 2003; Puncheva-Michelotti et al. 2010). In particular, business responsibility to behave in a socially responsible manner and general ethical attitudes tend to be lower in Russian samples than in samples from Western countries like the US, and Westernised countries like Bulgaria and Slovenia (Hisrich et al. 2003; Puncheva-Michelotti et al. 2010). In relation to the present scenario, the low proportion of respondents identifying the scenario as depicting a legal issue and an ethical issue may be explained by perceptions of ethicality and justice rooted on socio-cultural factors. Previous research shows that, when assessing a scenario, Russians may deem an action to be more acceptable to the extent that it benefits the in-group, whereas in Western cultures there tends to be no difference with respect to appraisals of justice and ethicality in decisions concerning in- and out-groups (Beekun et al. 2003). In the present scenario, participants were informed that the use of company funds for personal/recreational purposes might contribute to increased team morale at a time of high pressure. This prompt may have influenced the perceptions of legality associated to the scenario by introducing the theme of employee merit and need to offer 'informal' rewards to the team.

Identifying Contingencies in Ethical Scenarios

In addition to characterisation differences, the samples investigated varied significantly with respect to the identification of contingencies related to the scenario, and the relationship between these contingencies and previous interpretation of the ethical situation depicted. In essence, participant interpretations and responses to the scenario were anchored on dissimilar decision-making paths, i.e. similar cues and sources of information triggered different associations across the two cultures. While the relationship between characterizing the scenario as a legal issue and

recognizing the impact of the firm's legal environment on the scenario held for both culture groups, the identification of ethical implications of the scenario prompted unique responses from these groups with respect to the detection of contingencies. For instance, unlike participants in the New Zealand sample, the recognition of an ethical issue or dilemma was not associated with Russian participants' willingness or ability to identify a greater number of parties impacted by the situation. However, it did elicit reflexion with respect to the lack of clear intra-organisational guidelines for ethical conduct, and it was the recognition of legal—not ethical—ramifications that found a significant association with the detection of a greater number of parties impacted by the whistleblowing decision. These findings are consistent with the claim defending that normative models of ethical decision-making may be susceptible to individual, interpersonal, and contextual factors (Rogerson et al. 2011). In this instance, it is plausible that socio-cultural differences not only account for dissimilar interpretations of scenarios but also influence the weight ascribed to specific sources of information and the decision-making path followed by individuals faced with an ethical dilemma.

Ethical Climate and Ethical Leadership: Differences Across Socio-Cultural Settings

New Zealand respondents reported significantly greater experience of an ethical climate and exposure to an ethical leader in their respective organisations than their Russian counterparts. Though not surprising, this finding underscores both the responsibility and the challenges faced by multinational companies (MNCs) planning on expanding or conducting business in Russia, particularly when articulated with other results in this study. Specifically, Russian respondents exhibited less recognition of the scenario's ethical and legal ramifications than the New Zealand participants, and this recognition was related to lower exposure to an ethical climate and ethical leadership in their respective organisations. While modest, the relationships found suggest that deficiencies in behavioural modelling and organisational sanctions regarding ethical and unethical conduct may account for some of the challenges reported by MNCs. On an optimistic note, respondents in the Russia sample ascribed significantly greater weight to formal guidelines of conduct as determinants of the ethical and legal ramifications depicted in the scenario, whereas New Zealand participants deemed the informal ethical climate of the firm as holding greater impact on the situation presented. In practice, clear ethical guidelines and sanctions may substitute for, or at least mitigate the negative impact of, the scarcity of role models and an informal ethical climate in Russian business environments.

Limitations

Notwithstanding its contributions, this study holds several limitations that need to be outlined. First, the relatively small sample sizes obtained, along with the voluntary nature of the survey, require a pondered approach to the generalisability of results and inferences drawn. The sample sizes, while allowing for the detection of significant effects, represent modest samples of the populations surveyed. In addition, voluntary participation on a business ethics study may have attracted individuals that have greater interest in the topic or perceive it to be personally meaningful given their personal experiences. Responses provided in the open-ended comment section suggest that this self-selection effect may have been more prevalent in the New Zealand sample. A number of participants expressed considerable interest in the subject matter and/or reported having experienced a situation similar to the one depicted in the scenario.

Second, the investigation of the impact of socio-cultural and legal environments on the interpretation of the scenario depicted would have benefited from further manipulation of the scenario presented. In essence, participants from each country group were provided with a scenario that took place in their respective locations (large metropolitan city in Russia or in New Zealand). By creating two additional survey forms for each country group—one where the fictitious organisation was located in their country, and another where the organisation was located in a different socio-cultural environment—it would have been possible to ascertain whether respondents are in fact sensitive to the impact of external environment contingencies on ethical situations.

Finally, the study relied on a single scenario illustrating the use of company funds to cover personal expenses, and the whistleblowing decision that ensued. Expanding this approach to include several scenarios depicting different ethical issues would have provided information regarding the salience of different business ethics issues across demographic, occupational, and socio-cultural groups.

Implications and Directions for Future Research

Despite its limitations, this study provides direction for future research and applications in business practice. It fulfilled its pledge to address the call to investigate the impact of primary factors shaping ethics perceptions in business environments—individual, societal, and organisational—on the interpretation of ethical situations (Stajkovic and Luthans 1997), by surveying professional samples from two countries with markedly different socio-cultural environments. Although social culture emerged as the principal variable accounting for differences in scenario

characterisation, our findings also suggest that an organisational (e.g. ethical climate) and individual factors (e.g. managerial level) have a significant impact on the manner in which individuals interpret an ethical scenario.

Second, the results support a departure from an exclusively normative approach to ethical decision-making processes, and suggest that additional research is needed to uncover the causality nexus underlying the characterisation of ethical scenarios. In particular, more research is needed to determine whether the magnitude and direction of causal linkages between characterisation and decisions made on ethical situations are stable across demographic, cultural, and occupational groups. This research will expectedly further our understanding of the intra- and inter-individual dynamics that underlie ethical decision-making processes, and increase the potential for improved ethics training and management in organisational settings.

From a practical standpoint, this study has provided a preliminary account of the factors contributing to socio-cultural differences in ethical stance, and raised a number of issues for researchers and practitioners to consider and explore. First, our quantitative and qualitative findings reveal that some individuals, irrespective of socio-cultural background, are able to establish a distinction between ethical and legal ramifications of a scenario, whereas others appear to find the constructs indistinguishable. Moreover, a significantly greater proportion of participants in the Russia sample made this distinction between ethics and law than in the New Zealand sample. These findings underscore the need to further the debate on whether organisational and occupational ethics codes should exhibit greater plasticity to accommodate the values and expectations associated with specific socio-cultural environments, and if so, how should they be drafted to ensure the quality and accuracy of ethical decision-making. Furthermore, the results obtained for the New Zealand sample show substantial overlap between the identification of ethical and legal ramifications of an organisational scenario, and the significant impact of ethical leadership on the consideration of legal ramifications in that scenario. This suggests that current organisational ethics training programs may not be providing a suitable distinction between law and ethics, either by failing to incorporate legal guidelines with the overall training content and clearly differentiating between these and ethical features or by deliberately merging the two elements. Whether this is indeed the case, and what implications it holds for the effectiveness of ethics training in organisations, and accurate legal and ethical framing of organisational events, should be addressed in future research.

A number of suggestions for practice are indicated by results of our analyses. Organisations operating with international offices may find it difficult to draft successful ethical codes that rely solely on statements of ethical principles, since the interpretation of whether those principles are to be applied is likely to differ across individuals and social and occupational contexts. In essence, companies opting for conditional models of ethical behaviour, which stipulate necessary and/or sufficient conditions for specific actions, will encounter some implementation obstacles, as the ethical values of the company may not be coextensive across employees' moral values in varieties of international contexts. Put simply, a rigid code of conduct that does not take into account the underlying normative perspective of those to whom it applies will likely be very difficult to implement effectively. The results of our study suggest that there are disparities in normative perspectives across the sampled demographic and occupational groups, namely country and managerial status. Nevertheless, it is likely that some moral values are consistent across groups. For example, support garnered for Hypothesis 3b suggests that respondents tend to associate ethical wrongdoing with the identification of several impacted parties. Further research might outline the similarities, as well as the scope and distance of disparities in normative perspectives between countries, a sort of geographical map of normative perspectives. Such a map has been suggested (Donaldson and Dunfee 1994), but, to our knowledge, a comprehensive attempt to systematise intra-demographic normative perspectives has yet to be undertaken.

We indicated partial support for Hypothesis 1, as respondents in managerial positions were less likely to characterise the scenario as depicting an ethical dilemma. This suggests a pigeonholing of cases in accordance with managerial playbooks, which may overlook aspects of the case that underscore a deeper ethical issue. One way of avoiding this kind of myopia is for organisations to implement a non-hierarchical structure for identifying and prompting ethical discussions. That is, all levels of an organisational structure should be in position to set in motion discussions about apparent ethical issues, and attempts should be made to avoid managerial filtering of ethical relevance. On a similar note, support for Hypothesis 2 indicates that the perception of the ethical leadership of an organisation is linked with the identification of legal ramifications. It is not hard to imagine that standard operative principles in dealing with ethical issues at the managerial level concern representing and dealing with the case in primarily legalistic frameworks.

A related avenue of research concerning the perception of ethical climate of an organisation might seek to devise whether stakeholders' (both internal and external to the organisation) perceptions of ethicality are driven by concepts of fairness or by concepts of appropriate rule-following, or some other fundamental concept(s) of ethicality. Understanding what guides perceptions of ethicality will enable organisations to better manage employee conduct

by fostering climates that promote attention to ethical features of intra- and extra-organisational behaviour and conduct.

Conclusion

To date, research has suggested that several demographic and occupational variables (e.g. gender, managerial experience, cultural background), and experiences in organisational setting (e.g. perceptions of ethical climate and ethical leadership in the workplace) influence the manner in which individuals identify, interpret, and make decisions on an ethical issue. This article sought to examine the relationships among individual and contextual variables accounting for differences in the identification and interpretation of an ethical scenario, and to compare these dynamics across samples of professionals from two countries: New Zealand and Russia.

Appendix: Scenario for New Zealand Sample

Larry James works as clerk for Finance Dynamics, a medium-size accounting firm operating in a large metropolitan area in New Zealand.

Finance Dynamics has been expanding its client portfolio and several of its accountants are actively pursuing new clients. Six weeks into Larry's contract, Jim Carson, an accountant at the firm, walks into Larry's office and requests a $200 check. The money, according to Jim, is to reimburse for expenses he incurred entertaining a prospect client the night before. Jim produces restaurant and lounge receipts for that amount.

Later that day, Larry overhears Jim discussing the wedding proposal to his fiancée, which had taken place at a high-end restaurant the night before. Larry realises that the expenses were related to this personal meeting, rather than to a commercial contact.

Larry decides to share this information with a senior accountant in Jim's team, Clara Reid. Clara dismisses Larry's concern, stating that her team has been under a lot of pressure to expand the client portfolio, and that the accountants need to be given some slack. Clara suggests that the matter should not be discussed any further.

Dissatisfied with the outcome of this meeting, Larry decides to discuss the issue with a senior accountant from another team, John Sutton. John tells Larry that this is none of his concern, and that Larry should not make a big fuss over small amounts of money. He also argues that taking this matter further can seriously compromise employee morale, especially when competition for business expansion and survival is top priority.

Larry experiences internal conflict. On the one hand, he fears that taking the matter further will cost him his job. Moreover, the company holds a strong public image of sound ethical standards, and has clear policies and procedures in place to ensure these standards are upheld. Maybe a small amount of money put into employee R&R is indeed harmless. On the other hand, Larry suspects that this may become common practice among some groups of employees, and that in the long-run it may bring about serious repercussions for corporate finances, reputation, and staff relations.

Decision In the end, Larry feels uneasy about the expenditure practices and decides to disclose the information to Finance Dynamics' Board of Directors.

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