

Measuring Ethical Ideology in Business Ethics: A Critical Analysis of the Ethics Position Questionnaire

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ABSTRACT. Individual differences in ethical ideology are believed to play a key role in ethical decision making. Forsyth's (1980) Ethics Position Questionnaire (EPQ) is designed to measure ethical ideology along two dimensions, relativism and idealism. This study extends the work of Forsyth by examining the construct validity of the EPQ. Confirmatory factor analyses conducted with independent samples indicated three factors – idealism, relativism, and veracity – account for the relationships among EPQ items. In order to provide further evidence of the instrument's nomological and convergent validity, correlations among the EPQ subscales, dogmatism, empathy, and individual differences in the use of moral rationales were examined. The relationship between EPQ measures of idealism and moral judgments demonstrated modest predictive validity, but the appreciably weaker influence of relativism and the emergence of a veracity factor raise questions about the utility of the EPQ typology.

KEY WORDS: ethical ideology, Ethics Position Questionnaire, idealism, relativism, veracity

Current theoretical views maintain that an individual's moral philosophy, or ethical ideology, influences ethical judgments of business practices (Ferrell and Gresham, 1985; Forsyth, 1992; Hunt and Vitell, 1986; Stead et al., 1990). While Hunt and Vitell (1986) propose that deontological and teleological evaluations comprise the core dimensions of the individual's moral philosophy, Forsyth (1980, 1992) argues for relativism and idealism as key concepts capable of parsimoniously describing individual differences in moral philosophy. Highly relativistic individuals ostensibly question the value of universal moral principles, while those who adopt a less relativistic stance emphasize the importance of universal moral rules. Individuals high in idealism seek always to avoid harm by assuming that good consequences can, with the proper action, always be obtained. Less idealistic persons pragmatically assume good is often mixed with bad. On the basis of this two-dimensional view of personal moral philosophy, Forsyth made an important contribution to ethics research by constructing the Ethics Position Questionnaire (EPQ), a 20-item instrument designed to assess individual differences in relativism and idealism. This paper reports the findings of two studies that further examine the construct validity of the EPQ.

Individual differences play a prominent role in models of ethical decision making and organizational ethics (Ferrell and Gresham, 1985; Hunt and Vitell, 1986; Jones, 1991; Trevino,

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1986). In view of this key role, it is surprising that personal attributes such as religion, gender, and age and personality variables such as locus of control, neuroticism, extroversion, ego strength, and field dependence are often unrelated to ethical decision making in the business ethics literature (Ford and Richardson, 1994). In short, despite their intuitive appeal, there is a dearth of empirical support for the effects of theoretically meaningful individual difference variables in business ethics research. However, business ethics researchers are using the EPQ. Hence, relativism and idealism may offer some promise in the search for useful individual difference variables in ethical decision making. Of course, the utility of theoretical constructs is contingent upon the reliability and validity of instruments designed to measure those constructs (Randall and Gibson, 1990). Accordingly, the major purpose of this research is to extend the investigation of the EPQ's construct validity by focusing on the convergent, discriminant, and nomological validity of the instrument. In particular, we assess the dimensionality and factor structure with confirmatory factor analysis. Further, this research articulates an expanded nomological network by linking the EPQ's key constructs, relativism and idealism, to other relevant variables. Finally, an empirical test of the relationship among the EPQ factors, ethical judgments, and ethical reasoning in a management context provides a further assessment of nomological validity as well as generalizability to a business ethics context.

The paper begins with an overview of previous empirical work with the EPQ. In Study 1, hypotheses based on variables comprising the nomological network of relativism and idealism are posited and tested. Study 2 provides an additional assessment of convergent and discriminant validity by performing a cross-validation of the confirmatory factor analysis results from Study 1. The paper concludes with a discussion of Forsyth's (1980) typology of ethical ideologies, strengths and weaknesses of the EPQ, and implications for business ethics research.

Theoretical background

Forsyth (1980) asserts that given identical information about an actor and identical behavior, two persons who agree when discussing politics or religion may still manage to reach opposite conclusions when a moral judgment is called for. To explain such differences, Forsyth posits that individual moral beliefs and attitudes are part of an integrated conceptual system of personal ethics. The key characteristics of this system that must be measured to understand differences in moral judgments are the individual's stance toward relativism, the extent to which one rejects universal moral rules, and idealism, the extent to which one optimistically assumes that desirable consequences will necessarily follow from appropriate actions.

Although the EPQ represents the first explicit efforts to measure relativism and idealism, the distinction parallels the dichotomies proposed by others. For example, Hogan (1973) contrasts an inner-focused "ethics of personal conscience" with an "ethics of personal responsibility" based on societal based duties. Similarly, the scoring system for the Moral Judgment Interview (Candee and Kohlberg, 1987) classifies individuals according to stage of moral development and degree of relativism within a particular stage. Finally, Gilligan's (1982) "ethic of caring" underscores gender differences in moral thought by contrasting the female emphasis on a morality that solves conflict without harm and the male concern for applying rational principles.

Theoretically predicted correlations between idealism, relativism and other moral attitude measures provide preliminary evidence for the nomological validity of the EPQ. For instance, Forsyth (1980) found that scores on Hogan's Survey of Ethical Attitudes (SEA, 1970) were negatively correlated ($p = -0.31$) with relativism. Low scorers on the SEA favor a relativistic position emphasizing conscientious behavior fitted to specific circumstances. Leary et al. (1986) reported that scores on the Mach V scale (Christie and Geis, 1970) were negatively related to idealism ($r = -0.48$) and positively related to relativism ($r = 0.20$). In general, Machiavellian individuals are described as rejecting conventional

morality in favor of situationally based ethics in which lying, cheating, or deceit are not invariably viewed as reproachable (Christie and Geis, 1970). Finally, research by Forsyth et al. (1988) indicated that subjects who endorsed an ethic of caring tended to reject moral relativism ($r = -0.13$) while strongly sanctioning idealism ($r = 0.53$).

Forsyth's (1980) two-dimensional model suggests that moral judgments will vary according to one's position on idealism or relativism. However, many studies combine these dimensions to yield a typology of four distinct ethical perspectives: situationism, absolutism, subjectivism, and exceptionism. Situationists (high idealism-high relativism) tend to reject moral rules, while expecting their actions to yield the best possible outcomes given the situation. Absolutists (high idealism-low relativism) regard actions as moral only if they conform to moral absolutes and yield positive consequences. Subjectivists (low idealism-high relativism) reject moral rules and base their judgments on personal feelings about the action and circumstances. Finally, exceptionists (low idealism-low relativism) view conformity to moral rules as desirable, but also regard exceptions as permissible.

Using this typology, Forsyth (1978) reported that absolutists were significantly harsher in their appraisals of actions that led to positive and negative consequences. Similarly, Forsyth (1980) found that absolutists were particularly negative in their opinions on moral issues such as the artificial creation of human life, mercy killings, capital punishment, and homosexuality. When appraising the morality of actors who violate (or conform to) moral principles, Forsyth (1985) found that idealists strongly condemned individuals who caused extremely negative consequences.

Ethical ideology in business ethics research

Barnett, Bass and Brown (1994) were among the first researchers to examine the influence of ideology on ethical judgments in a business context. In their initial study, the researchers

found that the ethical judgments of individuals regarding business-related issues varied as a function of their ethical ideology. Interestingly, idealism was significantly related to ethical judgments in twenty-one of twenty-six vignettes used in the research, whereas relativism was not related to ethical judgments in any of the vignettes employed. However, using the four ethical ideologies as independent variables, these researchers reported significant differences in ethical judgments in fourteen of twenty-six vignettes. Highly idealistic individuals proved to be the harshest judges in these fourteen vignettes. Absolutists (high idealism-low relativism) rated the behavior as most unethical in ten instances, while situationists (high idealism-high relativism) rated the behavior as most unethical in the remaining four vignettes. In a subsequent study, Barnett et al. (1996) examined relationships among religiosity, idealism, relativism, and ethical judgments and intentions to report peer wrongdoing. The structural equation model tested in this investigation revealed that idealism was positively related and relativism negatively related to ethical judgments of peer wrongdoing, although the effects of relativism were comparatively weak. Also, religiosity was negatively correlated with subjects' perspective on relativism suggesting that a strong commitment to religious belief is associated with a belief in universal moral principles.

A few researchers have investigated the role of ethical ideology in the context of consumer ethics. Among elderly consumers, Vitell et al. (1991) found that absolutists consistently judged questionable consumer practices as unethical. Taking a cross-cultural perspective, Rawwas et al. (1994) and Rawwas (1996) investigated the ethical beliefs of Egyptian, Lebanese, and Austrian consumers. Consistent with results described above, Rawwas reported that subjectivists regarded questionable consumer practices as ethical, whereas absolutists consistently viewed the same practices as unethical. Although Rawwas et al., did not assess the link between ethical ideology and ethical judgments, they did report that the two groups, Egyptian and Lebanese consumers, differed significantly in their attitudes toward relativism and idealism.

Although empirical research in business ethics frequently asks respondents to express straightforward ethical judgments and intentions, several studies using the EPQ emphasize a different perspective. For example, Giacalone, Fricker and Beard (1995) assessed the effect of ethical ideology on modifiers of ethical decisions and suggested punishment for ethical infractions. Data from this investigation revealed that individual ethical ideology influenced the advocated punishment for various infractions and the choice of non-moral factors people take into account when making ethical decisions. These researchers observed effects for idealism in ten of the thirty punitive sanctions recommended by subjects. In contrast, relativism influenced subjects' recommended sanctions in only two instances. Keyton and Rhodes (1997) examined the relationship between ethical ideology and employees' ability to identify behaviors associated with sexual harassment. In this study, situationists identified fewer verbal cues associated with sexual-social behavior and harassment than did subjects of other ethical categories. In general, the three remaining ethical categories (absolutists, subjectivists, and exceptionists) did not differ in their identification of these verbal cues. Research conducted by Keller (1998) is unique largely because the study used a computer simulation that emulated the filing of tax reports, allowing the researcher to approximate actual behaviors rather than ethical intentions and judgments. In this instance, Keller observed that high idealists and high relativists were more likely to engage in noncompliant tax behavior.

Singhapakdi et al. (1995) argue that individuals must perceive ethics and social responsibility to be important or beneficial to organizational effectiveness if they are to behave more ethically. Data from their mail survey of marketing practitioners revealed that the perceived importance of ethics and social responsibility was related to both idealism and relativism. In a subsequent investigation, Singhapakdi et al. (1999) examined the impact of idealism and relativism on perceived moral intensity. According to Jones (1991), particular characteristics of moral issues or moral intensity influence the manner in which individuals respond to such issues. Singhapakdi

and his colleagues observed that idealism was associated with heightened perceptions of moral intensity, whereas relativism appeared to have a negative effect on those perceptions. Finally, investigators have also examined the impact of idealism and relativism on individuals' sensitivity to ethical issues. Specifically, Shaub et al. (1993) demonstrated that auditors' sensitivity to ethical issues was negatively related to idealism and relativism. In short, less idealistic and less relativistic auditors were more likely to recognize underlying ethical issues in their work. Similarly, using a sample of marketing research practitioners, Sparks and Hunt (1998) found a negative relationship between relativism and ethical sensitivity.

Several observations from previous research using the EPQ are noteworthy. First, though prior investigations based on exploratory factor analysis state that the two-factor structure of the EPQ appears to be stable, these studies failed to conduct or report any tests of dimensionality using confirmatory factor analysis. While exploratory factor analysis has proven useful for reducing the number of scale items and examining the relatedness among items, it lacks an explicit test of the dimensionality provided by confirmatory factor analysis (Gerbing and Anderson, 1988). Second, initial evidence from Forsyth and others notwithstanding, relatively few studies have examined the relationship between EPQ factors and other measures that are conceptually related to relativism and idealism. Moreover, findings from those studies that have linked these constructs to ethical judgments indicate that the effects of idealism are comparatively stronger than the effects of relativism. In general, even research data based upon the combined effects of idealism and relativism suggest that the former construct provides the more potent impact on ethical judgments (see Barnett et al., 1994). In sum, despite preliminary evidence of construct validity, more theoretical development and psychometric testing of the EPQ is warranted and desirable.

An extended nomological network

To further assess the construct validity of the EPQ, we posit three individual difference variables that are likely to comprise the nomological network of the measure's constructs: dogmatism, empathy, and altruism. Notions of dogmatism are discussed in connection with relativism, while the concepts of empathy and altruism are described in relation to idealism. Consistent with previous research, we also consider the predictive validity of the EPQ with respect to moral judgments of business practices. Schwab (1980) and Kerlinger (1986) argue that a proposed set of theory based relationships, or nomological network, is the key to assessing construct validity. Accordingly, collective testing of the hypothesized linkages among these variables comprises our evaluation of construct validity.

Dogmatism. According to Rokeach (1960), dogmatism refers to a tendency of some individuals to maintain a relatively closed central core of beliefs and disbeliefs about reality, organized around some strong convictions about absolute authority that provide a framework for patterns of intolerance and qualified tolerance toward others. The closed central core of beliefs and the strong convictions about absolute authority parallel the non-relativist's insistence that moral absolutes govern ethical decisions and behavior. In contrast, highly relativistic individuals embrace a personal moral philosophy based on skepticism. This position, virtually the antithesis of dogmatism, explicitly rejects notions of moral absolutes and undisputed moral authority. Accordingly, the following hypothesis posits that individuals who eschew universal moral principles (high relativists) will exhibit less dogmatism.

Hypothesis 1: Relativism is negatively related to dogmatism.

Empathy. According to Forsyth et al. (1988), idealistic individuals "insist that one must always avoid harming others (p. 244)." Forsyth and his colleagues have marshaled evidence for this argument by linking the idealist's emphasis on avoiding harm, conceptually and empirically, to

Gilligan's (1982) ethic of caring. One may argue that a concern for the welfare of others is contingent upon the capacity to take on the perspective of the other and, perhaps, to experience feelings of the other as if they were one's own. These abilities, perspective-taking and affective responsivity, reflect the cognitive and emotional components of empathy (Davis, 1980). On the basis of this cognitive-affective distinction, the following predictions relating individual differences in empathy and idealism are tested:

Hypothesis 2: Idealism is positively related to perspective taking.

Hypothesis 3: Idealism is positively related to empathic concern.

Altruism. Forsyth (1992) asserts that highly idealistic individuals believe that harming others is avoidable, and they would prefer not to choose between the lesser of two evils which lead to negative consequences for other people. In effect, Forsyth's concept of idealism emphasizes the individual's concern for the welfare of others. This emphasis suggests that Forsyth's idealism is comparable to the notion of altruism. For example, the concept of altruism was derived from the French "altruisme" meaning for another or others (Barnhart, 1995). Moreover, altruistic behavior is defined as behavior that promotes the welfare of others without conscious regard for one's own self-interest (Hoffman, 1981). Although there is controversy regarding the consistency of altruistic behavior across situations as well as notions of an "altruistic personality" (Rushton et al., 1981), researchers actively employ altruism as an individual difference variable. Indeed, much of what is called organizational citizenship behavior has an altruistic character (Smith et al., 1983). Interestingly, Bateson (1991) has presented theoretical arguments and empirical data demonstrating an empathy-altruism connection. Similar to the explanation linking empathy and idealism, Bateson contends that empathic emotion evokes altruistic motivation. Given that the welfare of others is central to idealism and altruism and that empathy has been posited as a meaningful antecedent to both constructs, it is reasonable to

expect that altruistic individuals will exhibit a predilection for high idealism when making moral judgments. Hence,

Hypothesis 4: Idealism is positively related to altruism.

Moral judgments. Evidence for the predictive validity of the EPQ's key constructs, relativism and idealism, reflects another approach subsumed under the principles of construct validation (Campbell, 1976). Previous studies conducted by Forsyth do suggest that persons who vary in relativism and idealism divaricate when making moral judgments and when evaluating contemporary moral issues (Forsyth, 1980; Forsyth and Pope, 1984; Forsyth, 1985). Similarly, preliminary evidence indicates these constructs predict differences in sensitivity to moral issues and moral concern when examined in a business ethics context (Davis et al., 1998; Shaub et al., 1993). To be sure, the utility of the instrument hinges upon the issue of predictive validity. Accordingly, the following hypotheses specify relationships among relativism, idealism, and moral judgments of business practices.

Hypothesis 5: Judgments of immorality vary as a function of the individual's stance toward idealism.

Hypothesis 6: Judgments of immorality vary as a function of the individual's stance toward relativism.

The hypotheses presented above focus solely upon the independent effects of idealism and relativism on individuals' ethical judgments. However, as noted previously, Forsyth's (1980) original formulation consisted of a typology of four distinct ethical perspectives intended to represent individual differences in ethical ideology. Thus, Forsyth (1978, 1980, 1985) and others (e.g., Barnett et al., 1994) frequently dichotomize and cross idealism and relativism in order to assess whether the unique combination of these variables (i.e., the typology) reliably predicts ethical judgments. Accordingly, the final hypothesis, which considers the interaction between idealism and relativism, is intended to

test the validity and utility of this typological perspective.

Hypothesis 7: Judgments of immorality vary as a function of the individual's stance toward idealism *and* relativism.

The seven hypotheses erect a nomological network for idealism and relativism. Thus, they represent one facet of our construct validation strategy. In addition, our evaluation of the EPQ also tests the measure's dimensionality (discriminant validity), that is, the extent to which two distinct factors – relativism and idealism – underlie ethical ideology.

Study 1

Method

Sample

The sample consisted of 285 graduate and undergraduate business students enrolled in organizational behavior courses at a large, public university in the south. The sample comprised 82 percent Caucasian, 14 percent Asian, 3 percent African-American and 1 percent Hispanic respondents. Fifty-seven percent of the respondents were male and subject median age was 24 years old.

Measures

Ethics Position Questionnaire. Forsyth's (1980) EPQ contains two 10-item scales measuring idealism and relativism. For each item, respondents indicate degree of agreement or disagreement using a 9-point scale ranging from "completely disagree" to "completely agree." Forsyth reports Cronbach alpha coefficients of 0.80 and 0.73 for idealism and relativism respectively.

Dogmatism. Ray's (1970) Balanced Dogmatism Scale is a 36-item measure derived from Rokeach's (1960) "D" scale. This balanced

version incorporates negative items (reverse scored) to alleviate response acquiescence tendencies. Subjects respond to items such as “There are two kinds of people in this world: those who are for the truth and those who are against the truth.” All items employ a 5-point scale ranging from “strongly disagree” to “strongly agree.” Using independent samples, Ray obtained reliability estimates ranging from 0.78 to 0.91.

Empathy. Davis’ (1980) Empathy Scale consists of four 7-item subscales. Each item is composed of a 5-point scale anchored at each end with the statements “Does not describe me very well” and “Describes me very well.” The *fantasy* subscale reflects respondent tendencies to identify with fictitious characters in books or movies (e.g., “After seeing a play or movie, I have felt as though I were one of the characters.”). *Empathic concern* items assess respondent tendencies to experience warmth or compassion for others undergoing negative experiences (e.g., “When I see someone being taken advantage of, I feel kind of protective of them.”). Alternatively, the *personal distress* subscale is comprised of items concerned with respondent discomfort or anxiety when observing the negative experiences of others (e.g., “When I see someone who badly needs help in an emergency, I go to pieces.”). Finally, *perspective-taking* items reflect the ability to adopt the point of view of others (e.g., “When I’m upset at someone, I usually try to ‘put myself in his shoes.’”). Davis obtained a mean subscale reliability estimate of 0.76 with values ranging from 0.70 to 0.78.

Altruism. Rushton et al. (1981) Self-Report Altruism Scale (SRA) consists of 20 items in which respondents indicate the frequency with which they have engaged in various altruistic behaviors (e.g., “I have given money to a charity.”). Respondents rate the frequency using the categories “Never”, “Once”, “More Than Once”, “Often”, or “Very Often”. The authors report scale reliability estimates from five independent samples ranging from 0.78 to 0.86.

Moral judgments. Five scenarios (see Appendix) constructed by the researchers (or adopted from previous research) were employed in the study. The scenarios represented the following problem categories: cutting retiree benefits, misleading customers, labor exploitation, controlling health care costs, and environmental pollution. Subjects evaluated the morality of individual (or firm) actions depicted in each scenario by responding to three 7-point Likert items anchored at each end by the following descriptors: “moral – immoral,” “very wrong – not wrong at all,” and “ethical – unethical.”

Results

Confirmatory factor analysis of the EPQ

Confirmatory factor analysis using Amos (Arbuckle, 1996) was performed to assess the fit between the present data and the two-factor solution previously derived from EPQ research. The first test employed a single-factor model. As seen in Table I, the results indicated that the fit of this null model was unacceptable (CFI = 0.34). The two-factor, a priori structure proposed by Forsyth (1980) also failed to achieve an acceptable fit (CFI = 0.783). Prompted by these results, the model was respecified based on an examination of the EPQ item content and the modification indices (Anderson and Gerbing, 1988) produced by the Amos program. Specifically, two items that address the issue of veracity were deployed as a third factor. In

TABLE I
Confirmatory factor analysis of the Ethics Position
Questionnaire summary statistics

Model	χ^2	Df	Δ	ρ
Null	1891.70	190		
1 Factor	1144.32	170	0.43	0.43
2 Factor	537.94	169	0.78	0.77
3 Factor	302.44	149	0.91	0.91

Note: Δ refers to Bentler’s (1990) comparative fit index. ρ refers to Bollen’s (1989) incremental fit index.

addition, a third item with correlated measurement error was eliminated from the analysis. Estimation of the alternative three-factor model produced a comparative fit index sufficiently large to support interpretation of the parameter estimates (CFI = 0.91).

Reliability and nomological validity of EPQ measures

Table II presents scale reliability coefficients and correlations among the EPQ factors and the study variables. As shown in Table II, the scale reliabilities were 0.83 for idealism, 0.81 for relativism, and 0.85 for veracity. Thus, each scale displayed acceptable internal consistency (Nunnally, 1978). Consistent with Forsyth (1980) idealism and relativism were essentially orthogonal ($r = 0.06$; $p > 0.15$). Veracity was significantly related to relativism ($r = 0.37$; $p < 0.01$), but not idealism ($r = -0.12$; $p > 0.15$).

As predicted (Hypothesis 1), measures of Dogmatism were negatively correlated with subjects' positions on Relativism ($r = -0.28$, $p < 0.01$). Thus, highly relativistic individuals are likely to be less dogmatic in their beliefs, whereas individuals who reject relativism are more likely to hold dogmatic attitudes. Subjects' responses to the idealism scale were positively related to empathy scores ($r = 0.29$, $p < 0.01$), and three of the four empathy subscale measures.

Specifically, perspective taking ($r = 0.17$, $p < 0.05$), empathic concern ($r = 0.31$, $p < 0.01$), and personal distress ($r = 0.18$, $p < 0.05$) were all positively related to idealism. These data support hypotheses 2 and 3, which link idealism with the cognitive and affective components of empathy. In effect, subjects high in idealism indicate a stronger tendency to adopt the perspective and experience the feelings of others. With respect to Hypothesis 4, the data indicate no relationship between self-reports of altruistic behaviors and measures of idealism. Hence, Hypothesis 4 was not supported. Finally, subject scores on the veracity scale (Factor 3) were negatively correlated with two study variables, empathic concern and dogmatism.

EPQ predictions of moral judgments

Subject responses to the three items accompanying each of the five vignettes were averaged to form a moral judgment scale. Coefficient alphas for the scale ranged from 0.85 to 0.91 with an average reliability value of 0.89. Table III presents the results of analyses in which moral judgments were regressed on EPQ scale scores for idealism, relativism, and veracity.

A perusal of Table III indicates that the subjects' attitude toward idealism was a significant predictor of moral judgments in all five scenarios. In general, subjects high in

TABLE II
Correlations between latent EPQ factors and Study 1 variables ($N = 285$)

	1	2	3	4	5	6	7	8	9	10
1. Idealism	0.83									
2. Relativism	0.06	0.81								
3. Veracity	-0.12	0.37**	0.85							
4. Dogmatism	-0.07	-0.28**	-0.14*	0.79						
5. Empathy (total score)	0.29**	0.08	-0.01	-0.11	0.80					
6. Empathic concern	0.31**	-0.06	-0.14*	-0.06	0.67**	0.58				
7. Perspective taking	0.17**	-0.03	-0.04	-0.21**	0.51**	0.34**	0.74			
8. Personal distress	0.18**	0.19**	0.10	0.06	0.52**	0.09	-0.11	0.82		
9. Fantasy	0.10	0.05	0.03	-0.09	0.76**	0.40**	0.17**	0.20**	0.80	
10. Altruism	0.01	-0.10	-0.02	-0.09	0.08	0.22*	0.12*	-0.20**	0.10	0.78

Note. Reliability estimates (alpha) are along the diagonal. * $p < 0.05$. ** $p < 0.01$.

TABLE III
Summary of regression analyses for EPQ factors and moral judgments

Scenario	R ²	Idealism β	Relativism β	Veracity β	Idealism \times Relativism β
Retiree benefits	0.06	0.11*	-0.10	-0.14*	—
Consumer deception	0.05	0.15*	-0.02	-0.13*	—
Foreign labor	0.05	0.22**	-0.02	0.07	—
Health care benefits	0.05	0.64**	0.94**	-0.04	-1.06**
Environmental pollution	0.04	0.17*	-0.03	-0.09	—

Note. * $p < 0.05$. ** $p < 0.01$.

idealism were morally opposed to actions potentially harmful to others (e.g., reducing or capping benefits, labor exploitation, misleading customers, or polluting the environment). Respondents' position on veracity accounted for differences in moral judgments in two scenarios. Specifically, subjects who disapproved of lying regardless of circumstances perceived the reduction in retiree benefits and customer misinformation as morally wrong. Relativism was unrelated to moral judgments in all but one scenario. Although the data indicate that individuals low on relativism (i.e., individuals who believe in universal moral rules) perceived the cap on health care benefits as morally inappropriate, the regression included a significant idealism \times relativism interaction. Subsequent analysis revealed that relativism moderates the relationship between idealism scores and respondent judgments of immorality. Specifically, among respondents low on relativism there was a significant positive relationship between idealism scores and perceptions of immorality. In contrast, among subjects high on relativism, there was no relationship between idealism and judgments of immorality.

In sum, examination of the relationship between EPQ factors and moral judgments indicates idealism had the strongest influence on individual judgments of morality (Hypothesis 5), whereas any effects due to relativism were largely absent (Hypothesis 6). Finally, the predicted interaction between idealism and relativism was observed for moral judgments of only one

vignette. Hence, there was little support for Hypothesis 7.

Discussion

Consistent with previous investigations (Barnett et al., 1994, 1996), these results indicate that EPQ factors do account for differences in ethical judgments of business practices. Subsequent analyses revealed the pattern of relationships was unchanged when age and gender were included in the regression equations. Predictive validity notwithstanding, the mean R² for the five regression analyses equaled 0.05, suggesting that the relationship between EPQ factors and ethical judgments is a modest one. The evidence for construct validity indicates that idealism is conceptually and empirically related to notions of empathy, while holding a relativistic perspective is negatively related to maintaining a dogmatic belief system. These findings are consistent with the heavy weight that idealists place on avoiding harm when making ethical choices and the importance of moral absolutes to the non-relativist (Forsyth, 1980).

Although the three-factor structure of idealism, relativism and veracity has face validity, the solution resulted from post-hoc model modifications. Such modifications are frequent in applications of covariance structure analysis. However, revisions based on empirical criteria are unlikely to replicate (Bollen, 1989). In order to increase confidence in the replicability of the

current model, we conducted a second study to cross-validate the three-factor model of the EPQ using an independent sample.

According to Reidenbach and Robin (1990) one may reasonably assume that individuals use more than one rationale when making ethical judgments. In their review of the moral philosophy literature, Reidenbach and Robin (1988) identified five major dimensions underlying "ethical-unethical" judgments: justice, relativism, egoism, utilitarian, and deontological. The 33-item Multidimensional Ethics Scale (MES) (Reidenbach and Robin, 1988) and subsequent versions of the scale (Reidenbach and Robin, 1990; Cohen et al., 1993) represent ongoing efforts to measure why individuals believe an action is ethical or unethical. If most personal moral philosophies can be described and contrasted in terms of the individual's position on idealism and relativism, then individuals who differ along these dimensions should also vary in the underlying moral rationale they apply when making ethical judgments. In effect,

Hypothesis 8: The degree that individuals emphasize various moral criteria when making ethical judgments varies as a function of the individual's stance toward idealism and relativism.

Study 2 provides a test of this hypothesis by incorporating a multidimensional measure of ethics designed to capture the underlying normative philosophies that individuals use in the judgment process.

Study 2

Method

Sample

The sample consisted of 196 graduate business students enrolled in organizational behavior and accounting courses at a large, public university in the south. The sample comprised 84 percent Caucasian, 11 percent Asian, 4 percent African-American and 1 percent Hispanic respondents.

Fifty-eight percent of the respondents were male and subject median age was 27 years old.

Measures

Ethics Position Questionnaire. As in the previous study, we used Forsyth's (1980) EPQ. Our intention was to assess the multidimensional factor structure of the EPQ by testing the originally hypothesized two-factor structure against the alternative three-factor structure that emerged in Study 1.

Multidimensional Ethics Scale (MES). Reidenbach and Robin (1988, 1990) proposed and refined the first MES. The scale items represent a set of ethical evaluative criteria based on normative moral philosophies (e.g., deontology or justice) that permits an assessment of various rationales that individuals use in making ethical decisions. The scale format presents subjects with ethical scenarios as stimuli for the evaluation process. We employed the health benefits and labor exploitation scenarios from Study 1 as well as a confidentiality scenario (see Appendix) used in a previous MES study conducted by Cohen et al. (1993). Further, we adopted the revised 15-item scale because Cohen, Pant, and Sharp reported a utilitarian factor that had not emerged with use of the original 8-item scale. In addition to the utilitarian dimension, initial evidence suggests that the revised scale identifies justice/relativist, deontological, and egoist dimensions.

Moral judgments. After responding to the MES items, subjects evaluated the morality of the action depicted in each scenario by responding to four bipolar items. Two items served as an evaluative measure ("not wrong at all" versus "wrong" and "ethical" versus "unethical"). The remaining two items provided measures of intention ("The probability that I would undertake the same action is high [low]" and "The probability that my peers would undertake the same action is high [low]"). The latter item permits an examination of possible "halo" or "social desirability" effects.

Results

Factor analysis of the MES

Following Reidenbach and Robin (1988) and Cohen et al. (1993), responses to the three scenarios were tested with principal components factor analysis using varimax rotation. We retained factors with an eigenvalue greater than 1.0, and only items loading greater than 0.60 are considered to be included in a factor. The results of a natural factor solution are presented in Table IV.

The factors that emerged across all scenarios are consistent with those defined by Cohen et al. (1993). Examining the factor loadings for the confidentiality scenario reveals a three-factor solution with a strong utilitarian factor along with deontological and egoist factors. Three factors also emerged for the health benefits scenario. A perusal of the item loadings suggests the presence of justice/relativist, deontological, and utilitarian factors. Finally, analysis of the labor exploitation scenario produced a four-factor solution that included justice, relativist, deontological, and egoist factors.

Confirmatory factor analysis of the EPQ

To test the 2-factor structure of the EPQ, a confirmatory factor analysis model was specified using Amos (Arbuckle, 1996). As seen in Table V, the results indicated that the fit of this two-factor model was unacceptable (CFI = 0.85). Subsequent estimation of the three-factor model produced a comparative fit index sufficiently large to support interpretation of the parameter estimates (CFI = 0.90). Table VI displays the factor loadings for the confirmatory factor structure.

Internal-consistency estimates indicated that the scale reliabilities were 0.87 for idealism, 0.85 for relativism, and 0.83 for veracity. Similar to the results from Study 1, relativism and idealism were not significantly correlated in this sample ($r = -0.13$; $p > 0.15$). However, veracity was significantly correlated with idealism ($r = -0.25$; $p < 0.01$) and relativism ($r = 0.62$; $p < 0.01$).

TABLE IV
MES factor structure for three scenarios

Variables	Confidentiality			Health benefits			Foreign labor			
	Util	Deo	Ego	Just/Rel	Util	Deo	Just	Relative	Deo	Ego
1. Just/Unjust				0.80			0.64			
2. Fair/Unfair				0.81					0.61	
3. Culturally acceptable/Unacceptable								-0.63		
4. Individually acceptable/Unacceptable				0.81			0.64			
5. Traditionally acceptable/Unacceptable								0.88		
6. Acceptable to my family/Unacceptable				0.76			0.70			
7. Self promoting/Not			0.75		0.81					-0.68
8. Self sacrificing/Not	0.70									0.67
9. Personally satisfying/Not							0.81			
10. Produces the greatest utility/Least	0.74				0.66					
11. Maximizes the benefits while minimizes the harm/Maximizes	0.82									
12. Leads to the greatest good for the greatest number/Least good	0.81				0.66					
13. Violates an unwritten contract/Does not		-0.82				-0.91			-0.85	
14. Obligated to act this way/Not obligated		0.63								
15. Violates an unspoken promise/Does not		-0.82				-0.93			-0.85	

TABLE V
Confirmatory factor analysis of the Ethics Position
Questionnaire summary statistics (Study 2)

Model	χ^2	Df	Δ	ρ
Null	1800.70	190		
1 Factor	1116.97	170	0.41	0.42
2 Factor	406.57	169	0.85	0.85
3 Factor	326.41	167	0.90	0.90

Note: Δ refers to Bentler's (1990) comparative fit index. ρ refers to Bollen's (1989) incremental fit index.

TABLE VI
Standardized estimates of factor loadings from the
Ethics Position Questionnaire

Item	Factors		
	Idealism	Relativism	Veracity
1	0.73	0.00	0.00
2	0.72	0.00	0.00
3	0.75	0.00	0.00
4	0.74	0.00	0.00
5	0.77	0.00	0.00
6	0.77	0.00	0.00
7	0.49	0.00	0.00
8	0.69	0.00	0.00
9	0.62	0.00	0.00
10	0.25	0.00	0.00
11	0.00	0.39	0.00
12	0.00	0.61	0.00
13	0.00	0.79	0.00
14	0.00	0.55	0.00
15	0.00	0.79	0.00
16	0.00	0.73	0.00
17	0.00	0.66	0.00
18	0.00	0.65	0.00
19	0.00	0.00	0.84
20	0.00	0.00	0.85

Note. All estimated parameters are significant ($p < 0.01$).

EPQ predictions of moral judgments

Subject responses to the two evaluation items were averaged to form a moral judgment scale.

Coefficient alphas for the scale ranged from 0.74 to 0.88 with an average reliability value of 0.80. The EPQ scale scores were used to predict the moral judgment measure and the two measures of intention. Table VII presents the three separate multiple regression results (one for each measure) for each scenario. Results from Table VII indicate that the EPQ factors predict moral judgments in all three scenarios. As in Study 1, idealism appears to have the strongest influence on moral judgments. Relativism predicted moral judgments in only one scenario, while veracity was not related to moral judgments in any of the scenarios. In the labor exploitation scenario respondents high in idealism and low in relativism tended to view the action as immoral. Interestingly, the relationship between idealism and judgments of immorality was negative in the confidentiality scenario. Perhaps idealists treat the breach in confidentiality as a morally desirable outcome because it protects one of the customer firms from negative financial consequences, while no action of the portrayed decision-maker could have prevented the bankruptcy of the other customer firm.

At first glance, results from the scenario dealing with the cap on health care benefits for HIV infected employees reveal a significant interaction between idealism and relativism that parallel results from Study 1. However, the moderating relationship contrasts directly with the previous study. Among respondents high (rather than low) on relativism there was a significant positive relationship between idealism scores and judgments of immorality. The relationship between idealism and moral judgments was non-significant among respondents low on relativism.

EPQ predictions of intentions

Table VII shows that EPQ factors have significant explanatory power for measures of personal intentions (the probability that I would undertake the same action) in two of the three scenarios. In this instance, none of the EPQ factors predicted intentions in the confidentiality scenario. The significant interaction between

TABLE VII
Regression of moral judgments, personal intentions, and colleague intentions on EPQ scale scores

Scenario	R^2	Idealism β	Relativism β	Veracity β	Idealism \times Realism β
Dependent variable: Moral judgments					
Confidentiality	0.022	-0.154*	-0.002	-0.053	—
Health care benefits	0.095**	-0.164	-0.465	-0.130	0.637*
Foreign labor	0.145**	0.331**	-0.186*	-0.042	—
Dependent variable: Personal intentions					
Confidentiality	0.091	-0.047	0.096	0.050	—
Health care benefits	0.074**	-0.232	-0.555*	-0.110	0.650*
Foreign labor	0.122**	0.261**	-0.133	-0.075	—
Dependent variable: Colleague intentions					
Confidentiality	0.003	-0.049	0.005	-0.046	—
Health care benefits	0.019	0.049	-0.036	-0.044	—
Foreign labor	0.062**	0.241**	-0.113	0.103	—

Note. * $p < 0.05$. ** $p < 0.01$.

idealism and relativism (health care benefits scenario) is consistent with results from the previous analysis using moral judgments. However, idealism alone predicted intentions in the labor exploitation scenario. Finally, EPQ factors predicted colleague intentions (the probability that my peers or colleagues would undertake the same action) in only one scenario. Specifically, idealism predicted colleague intentions in the labor exploitation scenario.

Following Cohen et al. (1993) we compared the mean differences between the two measures of intention as a check for “social desirability” effects. Our results replicate the patterns reported by Cohen et al. Specifically, respondents rated the probability of undertaking the actions described in each scenario as lower for themselves than for their peers ($p < 0.001$). Hence, social desirability effects do appear to influence the behavioral intention measures.

Relationships among latent EPQ factors and MES dimensions

Table VIII contains the correlations among the EPQ measures and the MES factor scores that emerged with this sample. In the confidentiality scenario, we find that high idealism is inversely related to a utilitarian rationale. Specifically, idealists apparently emphasize the good that comes from *violating* confidentiality given the potential harm that might occur by withholding information about an impending bankruptcy. In the health care benefits scenario, the degree of idealism relates to the respondents’ use of justice/relativism and utilitarian rationales. Not surprisingly, idealists regard the treatment of the HIV-infected employee as a violation of justice precepts inasmuch as the outcome does not result in an equal distribution of good and bad. At the same time, high idealism is associated with a utilitarian rationale implying that the benefits program does *not* produce the greatest possible good for all employees even though the health benefits for a majority of employees are

TABLE VIII
Correlations between EPQ scale scores and MES factor scores

EPQ Scale	Confidentiality				Health Benefits			Foreign Labor		
	Util	Deo	Ego	Just/Rel	Util	Deo	Just	Relative	Deo	Ego
Idealism	-0.215*	-0.041	0.139	0.165*	0.198*	-0.028	0.309*	0.136	0.186*	-0.103
Relativism	0.026	0.024	0.018	-0.047	0.136	-0.002	-0.132	0.074	-0.164*	-0.034
Veracity	0.019	-0.003	-0.023	0.068	0.078	0.040	-0.203*	0.157	-0.092	-0.069

Note. * $p < 0.05$. ** $p < 0.01$.

ostensibly protected by the cap on HIV-related illnesses. Apparently, the idealist's emphasis on avoiding harm to others influences the "calculation" of utility in this scenario. In the labor exploitation scenario, all three EPQ factors account for differences in the use of normative philosophical rationales. First, idealism is positively related to the use of justice concepts. Alternatively, respondents low in relativism (i.e., those who embrace universal moral laws) emphasize deontological reasoning in their judgments. Finally, those who see the morality of lying (i.e., veracity) as based on circumstances tended to see the hiring of unemployed foreign laborers from a relativist's view, regarding the action as culturally and traditionally acceptable even though the workers faced considerable health risks.

General discussion

The key objectives of this research, pursuant to the recommendations of Randall and Gibson (1990), were to further evaluate the construct validity of the EPQ and re-assess the measure's utility in business ethics research. One aspect of the analysis involved testing the EPQ's factorial validity by assessing the "fit" of the two-factor model proposed by Forsyth (1980). Specifically, it was "hypothesized" that two latent variables – idealism and relativism – would account for the relationships among the 20 EPQ items. However, results from the first study indicated a 3-factor model, which includes a "veracity" factor in addition to Forsyth's original dimensions, provided a superior fit to the data. Subsequent

cross-validation using an independent sample also supported a three-factor model.

With respect to Forsyth's original factors, the evidence for reliability and validity is promising. Across both studies, the idealism and relativism scales exhibited moderately high internal consistency with reliability coefficients surpassing those reported in previous research. In addition, the absence of any correlation between idealism and relativism supports Forsyth's (1980) contention that these factors address different issues. Hence, these results bolster arguments for discriminant validity. Theoretically predicted correlations between idealism, relativism, and other individual difference variables provide evidence of nomological validity. These data indicate that individuals who reject relativism tend to embrace more dogmatic belief systems. By comparison, individuals inclined toward idealism report greater empathy for others both in terms of cognitions (e.g., perspective taking) and feelings (e.g., experiences of compassion and warmth).

Results from Study 2 revealed a convergence between the EPQ measures and MES factor scores. These data demonstrate that differences in relativism and idealism influence the individual's emphasis on various moral criteria when making ethical judgments. For example, individuals high in idealism display a predilection for invoking rules about justice and fairness. Not surprisingly, an emphasis on deontological thinking or duty characterizes individuals who reject relativism and embrace the notion of a universal moral code.

Although support for predictive validity of the EPQ was mixed, we still believe the measures

have utility for business ethics researchers. At the same time, it is important for researchers to recognize the instrument's limitations. First, the emergence of the veracity dimension challenges the assertion of a stable two-factor structure. On the one hand, confirmatory factor analyses from both studies suggest that veracity is a unique factor underlying responses to the EPQ. The discriminant validity of the veracity scale was supported by factor loadings. In addition, internal-consistency reliability estimates for the veracity scale were reasonably high and comparable to estimates for the idealism and relativism scales. On the other hand, the veracity and relativism measures were significantly correlated in both studies. Moreover, in at least one vignette the evidence suggests that individuals prone to accept "situational" lying emphasize a relativist rationale when making ethical judgments. In short, it is not altogether clear whether veracity should be treated as a distinct factor.

Regarding veracity as a unique factor creates a seeming contradiction in which non-relativists regard lying as an exception to the set of universal moral rules. The relativist, by definition, regards the morality of lying as based on circumstance. Hence, there is no inconsistency. Of course, even the most righteous non-relativist knows that "lies" permeate the working environment of organizations. Individuals tell white lies to protect others as much as themselves. Exaggeration or stretching the truth is common practice. Speaking the absolute truth in all circumstances would make social intercourse challenging indeed. Thus, perhaps some non-relativists embrace the notion of universal moral rules, but relegate lying to a "rule of thumb" rather than absolute standard. As such, moral absolutes exist, but the non-relativists need not regard total, uncompromising truth as a categorical imperative never to be overridden.

Second, investigating the typology of ethical philosophies created by combining relativism and idealism encourages researchers to categorize continuous variables. Although previous research with the EPQ in a business context employed the four ethical ideologies, Forsyth and Nye (1990) warn researchers that the "typological approach

assumes discontinuity (where none may exist) and may reify complex processes through labeling (p. 411)." To be sure, categorization of continuous variables leads to serious loss of information (Cohen, 1983) and is regarded as a dubious practice at best (Pedhazur and Schmelkin, 1991). In fact, following Forsyth and Nye (1990) we analyzed data from both studies using median scores for idealism and relativism to group individuals into one of the four ethical ideologies. Using categorized variables, fewer than half of the ANOVA models were statistically significant. This loss of predictive power casts some doubt on the utility of the typological approach in business ethics research.

Third, as in previous investigations, the effects of relativism on moral judgments were rather meager. However, the idealism scale exhibited a reasonable degree of validity when employed as a predictor of moral judgments. Its predictive strength, though modest, did not change even when personal attributes such as age and gender were included as factors in the regression model. Thus, differences among individuals in their concern for the welfare of others may be a particularly useful "personality" variable for investigating moral judgment.

Research directions

Several interesting directions for research are indicated by the present set of studies. First, a key limitation of this research is the use of student samples. Hence, a replication using a nonstudent or manager sample is needed to resolve the issue of generalizability. Second, the work of Singhapakdi et al. (1999) suggests that the influence of relativism and idealism should be examined in the context of Jones' (1991) issue-contingent model of ethical decision making. One could argue that Jones' model assumes individuals are always relativistic to some extent inasmuch as features of the situation presumably influence moral judgment and behavior. Because "magnitude of consequences" and "concentration of effect" are integral to Jones' moral intensity construct, it is conceivable that a personal attribute such as idealism will moderate the

impact that moral intensity has on moral decisions and behavior. Moreover, one could investigate whether the individual's stance toward relativism reduces the variability in moral judgments presumably caused by differences in issue specific moral intensity. In effect, incorporating idealism (or relativism) measures with experimental manipulations of moral intensity invite the use of an attribute-treatment-interaction design (Pedhazur and Schmelkin, 1991). Such an approach addresses the person-situation interactionist feature of current ethical decision making models.

Third, the veracity factor that emerged from this investigation should be examined more closely. For example, recent debates on deception in negotiation consider the role that lying has in facilitating mutually advantageous agreements (Strudler, 1995). Further, empirical work indicates that self-benefit and role conflict, which are presumably a function of the situation, influence lying in organizations (Grover and Hui, 1994). Accordingly, one's stance toward "situational lying" – as measured by the EPQ – may be relevant to understanding the use of deception in negotiation and the relationship between role conflict and lying.

Conclusion

Previous research has examined the influence of ethical ideology on moral judgments of business and consumer related issues. Findings from this set of studies replicated that influence and extended the nomological network of two key constructs, relativism and idealism, used to contrast differences in personal moral philosophy. While the emergence of a third dimension, veracity, yields new questions about the Ethical Position Questionnaire, the measure remains a promising tool for understanding individual differences in the ethical decision-making process.

Appendix

Vignettes

Retiree benefits. CSM, Inc., a sporting goods manufacturer, has experienced significant financial losses over three consecutive years. To improve their financial position, several cost cutting measures were considered (e.g., reducing salaries and eliminating perquisites such as country club memberships given top level managers). Ultimately, the firm decided upon a 15 percent reduction in retirement benefits to future retirees.

Consumer deception. Kotler, Inc., a electronic communications firm, has been developing components for communication networks over twenty years. Constant changes in communications technology compel the firm to continually modify its key products to ensure that customers who adopt their devices remain at the cutting edge. Three years ago Kotler embarked on a radically new product design. In announcing the project, Kotler indicated the new design would increase communications efficiency tenfold without significant changes to the older systems of established customers. Hence, many customers have been awaiting the arrival of this new component instead of upgrading with the products of rival communication firms. Recently, management at Kotler discovered the device will take an additional three years to develop at a very high cost. Choosing the less costly alternative, Kotler informed its customers that the project had been scrapped, although minor improvements were made to the existing design. Despite these improvements, the current design will be obsolete in less than a year.

Foreign labor. Hampton Chemical is a chemical waste management firm. Currently, the company is recruiting new hires for a project that requires frequent exposure to hazardous materials. Although Hampton has been fined for minor violations by OSHA, their safety record is average for the industry. Nevertheless, there are risks and American workers generally command high wages to compensate for the hazardous working conditions. Hence, the company is recruiting most of its workforce from Mexico and Central America where the cost of labor is less expensive compared to the United States. The majority of these employees would simply have no work were it not for the jobs provided by Hampton.

Health care benefits. Deans' Appliance Depot is a retailer of household appliances employing over 400 management, staff, and sales personnel. To reduce the increasing cost of health care benefits the company has decided to convert to a self-funded insurance program. The management team planning the change recently learned that an employee of the firm has contracted the AIDS virus (HIV positive). It is well known that AIDS-related medical costs are very expensive. In fact, the financial burden of the disease can threaten the capacity to provide adequate medical coverage to other employees. Consequently, the new self-insured plan places a \$5,000 cap on all AIDS-related medical claims.

Environmental pollution. Wicklund Petrochemical has a refinery and chemical manufacturing facility located in a third-world, African country. Many plants dominate the landscape where over 500,000 people live and work. The area has the highest level of pollutants in rainfall recorded anywhere as well as more reported cases of cancer and stillbirths than any other region in Africa. The government does not impose strict pollution controls on industry (foreign or domestically owned) because the cost would significantly reduce profits and capital investment, which are essential to the economic well-being of this developing nation. Wicklund Petrochemical, a U.S. firm, complies with the minimal controls imposed by the host government rather than the stricter criteria required in the United States.

Confidentiality. Cipro, Inc. (a CPA firm) serves as the auditor for Fitzgerald Enterprises. Fitzgerald's market share has declined drastically, and Cipro knows that the company will soon go bankrupt. Another of Cipro's clients is Wilson, Inc. While auditing Wilson's accounts receivable, Cipro discovers that Fitzgerald Enterprises owes Wilson, Inc. \$500,000. After completing their audit, Cipro warns Wilson Inc. that Fitzgerald will soon go bankrupt.

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