

Finding an Equilibrium Ethical Framework in a Heterogeneous Society: The Role of Rules and Values

D. Y. Dzansi* and P. K. Hoeyi

School of Entrepreneurship, Faculty of Management Sciences, Central University of Technology Free State, South Africa, 9301

KEYWORDS Rules. Values. Ethics. Morals. Person-Situation Framework. Cognitive Biases

ABSTRACT This study adopted the interpretivist position on social science enquiry to understand why moral values do not always inspire firms and individuals to act ethically and to consider whether rules promote ethics and if so, to what extent. Design wise, the qualitative methodology was used with the specific method being desk research where the literature on ethics was analysed to understand what previous researchers think about the issue. Thereafter, own subjective judgements were made. Based on the literature analysis, it was found that cognitive biases, information asymmetry and the multiplicity of moral frameworks in a heterogeneous society militate against ethics. It was also found that in a plural society, rules have the potential to harmonize the divergent moral frameworks of the different segments.

INTRODUCTION

In the market economy, failure by economic agents often necessitates intervention from government. However, this contradicts concepts such as business social responsibility which argue that businesses should be left free to regulate own behaviour with the assumption that, when economic agents act ethically based on own morals (own regulation), outcomes become superior for society than when compelled. This would imply that values-based rather than rules-based approach is sufficient to ensure ethical behaviour – that is, morality (a character trait) is the bedrock of ethical behaviour. However, recent business scandals worldwide undermine the extent to which moral values alone guarantee ethical behaviour.

The Problem, Research Questions and Objectives

Recent ethical misconduct has prompted the need to understand ethics better. On the one hand, the Aristotelian stream of thought on ethics stresses the importance of character traits in determining behaviour of people. The view is that, developing good character traits ensures good behavioural patterns which benefits society. This is synonymous to saying that values-

based ethics is more empowering as it allows one to develop moral values to the point where one does good simply because it is the right thing to do. However, as pointed out earlier, recent ethical scandals in business raise questions about the veracity of this claim. On the other hand, there is a contrary view that one's situation (person-situation) largely determine whether one will act ethically or not. From the person-situation perspective, rules are said to ensure ethical behaviour. Two basic questions arise from the above problem namely: (i) why is it that moral values do not always inspire firms and or individuals to act ethically; and (ii) do rules have any role at all to play in good ethical conduct if so to what extent? Based on the above, we first consider ethics from a values perspective to identify possible factors that may cause discrepancies between intentions and actual behaviour. We then examine the extant literature on rules-based approach to ethical behaviour to determine whether rules have any role at all to play in good ethical conduct and if so to what extent.

Literature Review

Defining Ethics

The researchers find it convenient to classify ethics under *general ethics* and *business ethics* for the purpose of defining it. Regarding *general ethics*, Poulton (2005) sees ethics to concern fairness, justice, rights and responsibilities and virtues. Dzansi (2006) operationally

*Address all correspondence to:
Professor D.Y. Dzansi
Cell: +27806042292;
Fax: +27515073397
E-mail: ddzansi@cut.ac.za

defined the same concept as “the set of principles or codes of conduct that provide guidance in determining good from bad and right from wrong so that decisions can be made with honesty, respect, and fairness”. Rossouw and Van Vuuren (2010) state that ethics concerns what is good or right in human interaction. Takala (2006) and Sahin et al. (2009) opine that ethics has to do with altruism - *selflessness* rather than *selfishness*. Considering the essence of these definitions we operationally define general ethics as *the differentiation between right and wrong or good and bad anchored on personal attributes with societal impact*. By this, we agree with the views of Smith (2006), Oliveira (2007), and de Arruda (2009) who all believe that society will be more virtuous if its leaders and members have an ethical orientation. In respect to business, Poulton (2005) defines ethics as pertaining to: “Human interactions when sourcing, producing, and marketing goods and services for profit, and include the relationships between business management and their employees, the firm and its primary stakeholders, the business and its relationships to the community, government and society in general”. Rossouw and Van Vuuren (2010) regard business ethics as “the values and standards that determine the interaction between business and its stakeholders” whilst Dzansi (2006) sees it as “involving fair, respectful, and honest decision making in the business environment based on what is right or good”. The above definitions of business ethics appear largely based on conceptions of general ethics. Therefore, based on our operational definition for general ethics, we define business ethics as *the differentiation between right and wrong or good and bad in business decision making that has both individual and societal impacts*. Having operationally defined both general ethics and business ethics, we now turn back to the main issue under discussion which is values-based ethics versus rules-based ethics.

Values-based Ethics Versus Rules-based Ethics

Values-based Ethics

Values-based ethics is based on the idea that ethics should emanate from the individual's free will to do good. From this perspective, it is of-

ten argued that any form of compulsion will lead to unethical practice. Two reasons are used to justify this stance. The first is rules tend to narrow decision making options and so do not allow one to take all the dimensions of ethics into consideration in decision making at all times; therefore, rules limit effective ethical decision making (Michael 2006). Secondly, based on ‘psychological reactance’ theory, it is argued that rules are counterproductive for ethics because rules tend to make people rebellious because human beings by nature tend to contravene rules just to show defiance for being told what to do (Michael 2006). In spite of the apparent support that values-based approach to ethics enjoys, the question remains, why are ethical scandals still so common? The literature review identified *cognitive biases* – the hidden factors, *framing*, *halo effect*, and *egocentric bias and escalation of commitment* as key reasons why some may behave unethically.

Cognitive bias is the *hidden* psychological factors that lead to discrepancies between intentions and behaviour. Cognitive biases are deeply embedded in the subconscious mind having been nurtured over the years by the beliefs, values, culture and character of the individual (Oliveira 2007) and are therefore almost impossible to discard. Mead (2002) and Oliveira (2007) contend that people tend to use filters and simplifying mechanisms in decision making. Unfortunately, because these filters and simplifying mechanisms emanate from personality traits such as beliefs, values, culture and character, this leads to contextual and individual variance which draws a wedge between judgement and behaviour. As a result Mead (2002), Prentice (2004), Lindfelt (2006), Mark-Herbert and von Schantz (2007) and Oliveira (2007) all agree that there can never be a perfect correlation between words and deeds of firms and individuals due to psychological factors. Mead (2002) as well as Prentice (2004) went on to identify *framing*, *halo effect*, *egocentric bias* and *escalation of commitment* as some of the cognitive biases that predispose people with the best of intentions to unethical and unlawful behaviour.

Framing generally describes the extent to which the perceptions of people are adjusted. Framing is normally shaped an individual's understanding of the situation and how close and emotionally connected the person is to this situation. Thus, an individual can, oscillate be-

tween a utilitarian choice (an option that produces the most benefit) and an inferior choice. Tversky and Kahneman (1986) use the concepts of *dominance* and *invariance* to explain the utilitarian behaviour. In a nutshell, *dominance* influences an individual to select an option that produces the most benefit to the most people whilst *invariance* makes people stick to the dominant option at all times. However, violations in the invariance principle result when *framing* of choice causes the individual to shift preference from dominant option to an inferior one (Tversky and Kahneman 1986). Therefore, in an ethical decision making situation solely dependent on own volition, a person's norms, habits, and other societal standards influences the quality of decision made.

Thorndike (1920) originally proposed the *halo theory* and defined the concept in O'Donnell and Schultz Jr. (2005) as: "a marked tendency to think of the person in general as rather good or rather inferior and to colour the judgments of the (person's specific performance attributes) by this general feeling". Thus, the halo effect can be viewed as extrapolation of first impressions of one aspect of a person to all other attributes of that person. Halo effect is evident in ethical business decision-making. For example in accounting O'Donnell and Schultz (2005) found that performing *ex ante* strategic assessment of risk in an organization prior to conducting a financial audit can cause auditors to overlook risks during the actual audit. Similarly in crisis management, Coombs and Holladay (2006) found that the reputation that an organization builds in an earlier period acts as a shield (a halo) for it during a crisis. The implication is that, people can use first impressions to make incorrect decisions.

Sometimes, the fear of losing sunk costs can make one to *escalate commitment* (*egocentric bias*) to an unproductive business investment with the hope of achieving some "magical" turnaround when the prudent decision would have been to pull out simply because everything points to failure. For example in project management, some will stubbornly disregard failure signals hoping that against all odds, things may rebound (Mead 2002; Astebro et al. 2007; Ku 2008).

These hindrances explain why moral values alone cannot be counted on to guarantee ethical behaviour at all times and under all circumstances hence makes *rules-based* approach appealing.

Enter Rules-based Ethics

The view here is that if society cannot count on moral values to get its members to be ethical then rules may have apply. Another argument is that, inherent cognitive biases in the decision making process will always drive a wedge between intentions and behaviour. Therefore, society should not leave ethical matters entirely to the volition of its members because in values-driven ethics, actions do not always match intentions (Summers 1996; Prentice 2004; Astebro et al. 2007). A further argument has to do with *information asymmetry* and how it works in the *principal-agent* situation in business. According to the *principal-agent problem* theory, moral values have constantly failed to restrain agents from acting against their principals when *information is asymmetrical*. Therefore, in order to protect all stakeholder interests, there must be rules specifying the ethical way of doing business (Poulton 2005; Haddad 2007). The *rules-based* school of thought also argues that in a plural society where moral standards differ from individual to individual and from group to group, leaving ethics solely to the moral judgement will lead to ambiguity in what is ethically right conduct. The suggestion here is that rules bring clarity. Therefore, rules provide a uniform reference point that takes out the ambiguity associated with values-driven ethics (Devettere 1995; Doorn 2009).

The ethical behaviour debate is thus very complicated. This paper considers ethical behaviour from a values perspective to understand why moral values do not always inspire firms or individuals to behave ethically and whether rules may not have significant role in ethical conduct.

METHODOLOGY

Design

Consistent with the interpretivist stand that social science enquiry is best pursued through a subjective endeavour that is "deeply embedded with personal meaning" (Krauss 2005), the researchers reflect on what other scholars think about the extent to which moral values can be relied upon to ensure ethical behaviour in business and whether or not some compelling is needed to make individuals and businesses be-

have more ethically. Design the approach followed the qualitative methodology with the specific research method being desk research where the literature on ethics was analysed to understand what previous researchers think about the subject matter. Thereafter, own subjective judgements were made.

FINDINGS

Based on the analysis of the literature, it was found that cognitive biases, information asymmetry and the multiplicity of moral frameworks in a heterogeneous society are factors that militate against ethics. It was also found that in a plural society, rules have the potential to harmonize the divergent moral frameworks of the different segments.

In the context of the person-situation framework, two key issues emerged from the literature review. The first is that even in the face of good intentions a person with good moral values can act unethically because of cognitive biases. Secondly, there are some who will act un-

ethically in situations of *information asymmetry* suggesting that moral values may not be able to restrain the person in such situations. These two scenarios are summarized in Figures 1 and 2.

Figure 1 depicts the person-situation framework with the person being the focus. Ellipses represent latent variables or factors which give rise to observed variables represented by rectangles while circles stand for error or disturbance terms. This figure shows that a person with good moral values and who has the intention to act ethically at all times will actually fail sometimes to achieve the intended good behaviour because of the presence of cognitive biases that are acting as a disturbance term. When the influence of the biases is positive the person may end up achieving the intended good behaviour. However, when the impact of the cognitive biases is negative, the person succumbs to an ethical dilemma situation which results in an unintended bad or unethical behaviour. This seems to explain why intentions do not always match behaviour in business ethics.

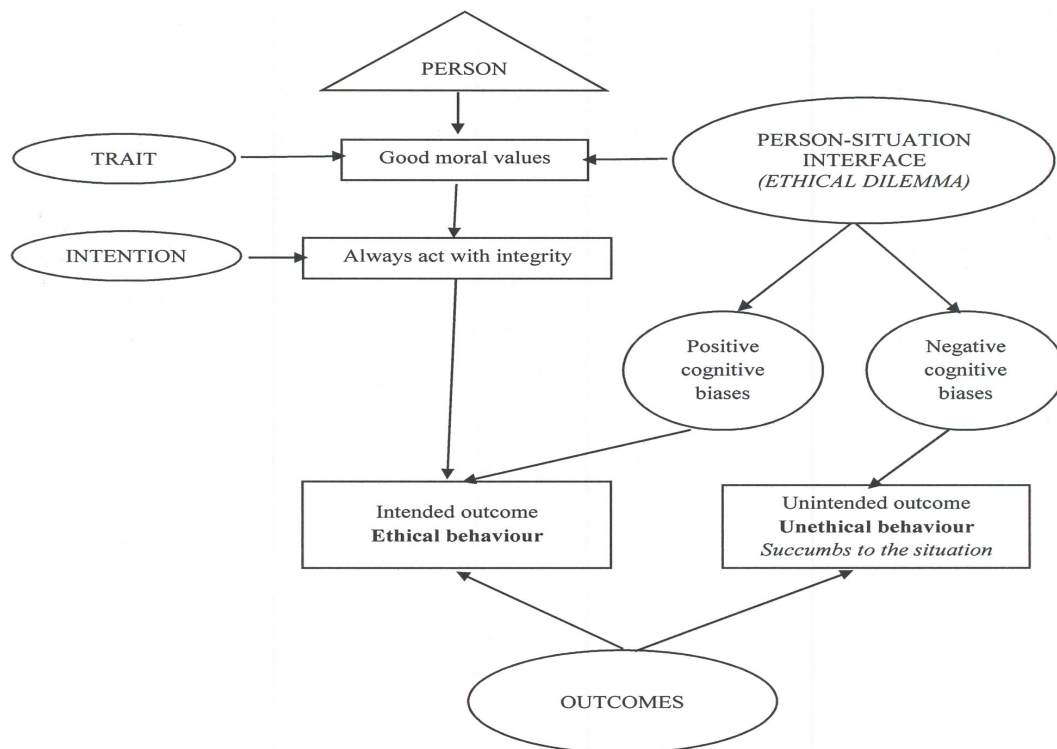


Fig. 1. Person-situation framework emphasising the person

Figure 2 shows the person-situation framework. The symbols have the same meaning as explained earlier in the description of Figure 1. Two scenarios are portrayed in this figure where the person is interacting strongly with a situation. The first scenario is the ideal situation where a person with good moral values and has the intention to act with integrity always. When this person is confronted with an asymmetric information situation, he is able to resist the temptation and thereby achieves the intended good behaviour. The second scenario is the nor-

mal everyday situation where a person with seemingly good moral values who may not have the intention to act ethically always takes advantage of an asymmetric information situation when presented the opportunity presents itself. The resultant bad behaviour, though undesirable for the society, is an intended outcome for such a person because it marches his intentions.

The other significant finding is that determining the set of morally acceptable values is difficult in a plural society where values differ from group to group. In such a situation it may

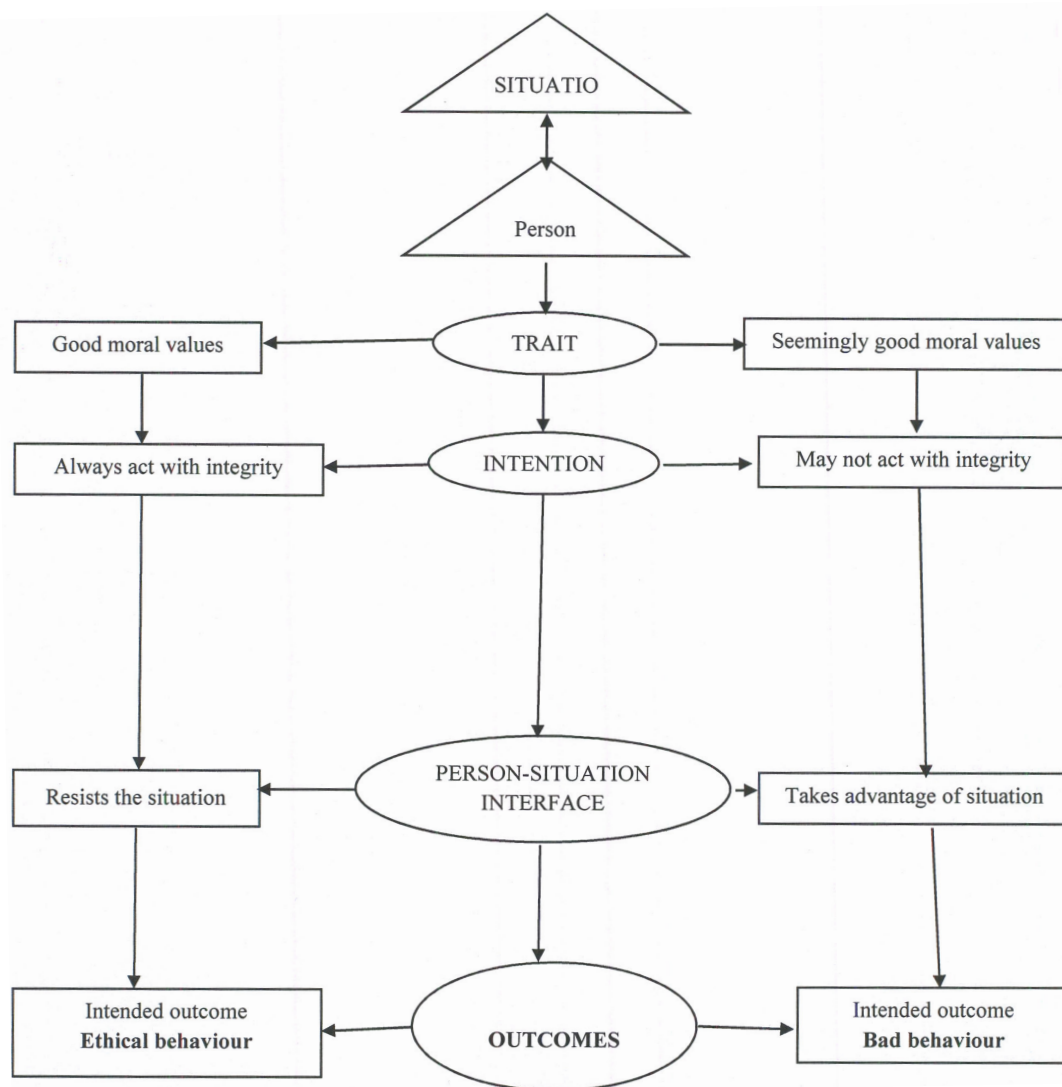


Fig. 2. Person-situation framework emphasising the situation

be extremely difficult to determine standard moral values that may be acceptable to all. This suggests that values-based ethics may be a difficult option to promote in a pluralistic society.

Fortunately, it is possible to use laws or policies to instigate an equilibrium level of morality in a plural society when the people are committed to the workings of the basic institutions of the society. This implies that rules have the capacity to harmonize the divergent moral frameworks into a unified set of values. Rules, in this sense, aid values-based ethics.

DISCUSSION

The arguments above suggest that both rules and values have something to offer as far as ethical conduct is concerned. However to come to an optimal mix requires a full understanding of the determinants of ethical behaviour.

Drivers and Barriers (Determinants) of Ethical Behaviour

The drivers and barriers of ethics are factors that promote or hinder ethics. Following are some of the more important factors that promote and/or discourage ethical behaviour. From personality traits point of view, the *sources of ethics, morality, and trust* may be viewed as key determinants of ethics while *information asymmetry* and its sub-components of *principal-agent problem, moral hazards, and adverse selection* may be deemed as situations that test the moral values of the individual.

Sources of Ethics

Sources of ethics can influence one's ethical conduct. According to Goodwin and Darley (2008), ethical beliefs of individuals can derive from *external sources* that are *independent of the human mind* and *internal sources* that are *entirely dependent on the human mind*. Externally derived ethics is seen as more impactful in terms of responsible business conduct than ethics from an internal source (Oliveira 2004; Darley 2008; Shum and Yam 2010). Comegys (2010) found that students attending religiously affiliated colleges and universities were more ethical than those attending secular institutions; and business major students who took religious courses in addition to their business courses had

more ethical orientation than those who only took a course in business ethics. Therefore, religion as an external source shapes personality traits and beliefs into more responsible individuals. The individual may have the inborn desire to think and act ethically, but religion seems to concretize that desire into conviction. *Morality* is portrayed as another source of ethics. Oliveira (2007) explains that moral values are *internal*; are influenced by culture, religion, and family (all from external source); are embedded in individuals; and determines the extent to which one or society is ethical. Thus ethics is dependent on morality to the extent that morality, which is a personality trait, provides a basis for the existing value system to be challenged and for higher (ethical) standards to be set (Poulton 2005).

Trust

Trust is also seen as a major determinant of ethics. According to Lindfelt (2006), trust can cause parties to act ethically towards each other. Jøsang et al. (2005) and Haddad (2007) add that trust plays a crucial role in business because not all contingencies can be captured into business contracts. Thus, business relationships are propelled by trust. Rossouw (undated) agrees but argues that trust does not always evoke ethical behaviour because immoral goals can be set by the *trustor*. The explanation is that, in trust relationships, the *trustee* is expected to respond positively to the objectives (even if immoral) set by the *trustor* in order to be viewed as trustworthy. Thus, trust can lead to an unethical behaviour when the trustee honours immoral goals of the trustor (Rossouw undated).

Information Asymmetry

Information asymmetry is the term used to describe the unequal amounts of information accessible in the marketplace. The concept contradicts the oft assumption that there is perfect information in the free market that helps market players make informed choices. In reality however, it is never the case and as a result, those with more information are better placed in the exchange process (Clark 1993; Johnsen 2010). Whether or not these 'information-rich' market participants will take advantage of the situation depends largely on their moral values.

This brings back the situation-person issue. Sadly as will be shown, the literature (Ross 1973; Gjesdal 1982; Booth and Schulz 2004; Haddad 2007) reveals instances where morality has done little to restrain those with more information from exploiting the situation - leading to the *principal-agent problem*, *moral hazards*, and *adverse selection*. *Moral hazards* and *adverse selection* are two kinds of negative externalities that all players in the market have to contend with as a result of asymmetric information (Haddad 2007).

The Principal-Agent Problem

The *principal-agent relationship* refers to business situations where one party (the agent) acts on behalf of the other (the principal). This kind of relationship can be regarded as fiduciary since it is largely based on trust (Ross 1973). When the agent is not living up to his/her fiduciary responsibility, there is said to be a *principal-agent problem* (Ross 1973; Gjesdal 1982; Booth and Schulz 2004) and when the agent is not upholding the morally upright role of pursuing the goals of the principal, there is said to be a *moral hazard* for the principal.

Moral Hazards

Moral hazards are common in situations where parties insulated against risk have the incentive to act differently from what their normal behaviour would have been if they fully had to face the risk (Clark 1993). For example a person who has acquired a health insurance may resort to seeking health care at the slightest sign of ailment. However, as more and more people demand healthcare at the slightest ill-health, insurance companies with time will have no option but increase premiums thereby creating a negative externality for the more responsible. Moral hazards also occur when sellers do not have sufficient information on the behaviour of buyers (Hogg and Huberman 2002). For instance, insurance companies may not be able to fully assess the character traits of its individual policy holders to determine those who will act responsibly and those who will not. Were it possible to do so, insurance companies would set premiums that match each policy holder's morality.

Adverse Selection

Adverse selection results from asymmetric information. It occurs in a transaction where knowing very little or nothing about the quality of a product or service prior to buying it puts the buyer at a disadvantage (Akerlof 1970; Clark 1993; Hogg and Huberman 2002; Arora et al. 2009). Adverse selection is a common phenomenon in the second-hand products business. It occurs when sellers of second-hand products who have information on the condition of the products that buyers do not have, take advantage of the situation to sell defective or inferior quality products at higher than should be prices. In the end, those selling better quality products at the same prices may feel cheated. An obvious reaction will be for those selling better quality products to withhold their products from the market – meaning, bad quality products drive out good quality products from the market.

Implications of Information Asymmetry

To sum up this section, it is important to make the following comments. Firstly, it can be said that the principal-agent problem, moral hazards, and adverse selection are three cases of moral values failing to prevent information-rich players from taking advantage of information-deficient players in the market. They are examples of how the situation can test the moral values of a person. Clearly, information asymmetry can cause business to act unethically. Whilst examples exist of people and firms that have taken advantage of the situation (Bratton 2002; Coffee 2002; Sidak 2003; Sims and Brinkmann 2003; Scharff 2005), it is not clear how many people have been restrained by their moral values alone not to do so.

Secondly, if information asymmetry makes it difficult for business people to be ethical, it is difficult to imagine how these same business people will not be tempted to take advantage of the situation if they are entirely responsible for setting their own ethical standards - the expectation of values-based ethics – the somewhat exaggerated assumption (in our view) that business people have good moral values that will make them behave ethically without prompting. The reality, however, seems to be that when firms are allowed to set, implement, monitor and report on their own codes of ethics, it creates an

asymmetric information situation where the rest of society is at a disadvantage because usually firms have more information. The question remains whether firms will ever set ethical targets that will challenge them enough and whether they will report everything about themselves. This does not seem likely. For instance, some authors (Summers 1996; Bratton 2002; Toffel 2006; Nicholson and Bennett 2008; Baucus and Cochran 2009) have raised concerns about the way ethics is measured in organizations. They contend that intentions in the form of codes are not the best predictor of behaviour as no business will genuinely report everything about itself without some bias. This is because no organization will like to portray itself in a negative light to the general public. This implies that business ethics codes which are in most cases dependent on self-reporting for evaluation purposes may reveal less than they conceal if based entirely on primary sources of data. Nicholson and Bennett (2008) therefore propose secondary sources of data in addition to the primary sources as a means of improving the integrity of business ethics research and evaluation approach.

Finding an Equilibrium Moral Framework in a Plural Society

So far, a substantial part of the discussion portrays ethics as dependent on the moral values of individuals which would appear to tilt the debate in favour of values-based ethics. This presupposes that morality is the bedrock of ethics. It has also become evident that moral values though personal, are influenced by external factors such as culture, religion, family and so on. These external factors also referred to as filters and simplifying mechanisms normally give rise to hidden factors or cognitive biases that cloud the judgement of decision makers particularly in ethical dilemmas in ways that cause a deviation between intentions and behaviour. Thus, the question remains, to what extent can pluralistic societies (that consist of multiplicity of cultures, religions, families and interests with their associated cognitive biases) rely on the personal moral values of the decision maker as the bedrock of ethics? Assuming it is even agreed that personal moral values are a good predictor of ethical decision making under all circumstances, there is still the question of whose mo-

rality should prevail in a heterogeneous society? Another logical question is, where lies the equilibrium point of morality amidst this plurality and does such an equilibrium point exist at all? According to Haddad (2007), equilibrium in economics depicts the state of contentment that the right decisions have been made. This is analogous to the level of morality that will bring contentment to a plural society full of multiplicity of ethics frameworks. Thus we ask: can morality really bring itself to such equilibrium? If the answer is no, we ask, can law or policy instigate it?

According to Epstein (2007), Shum and Yam (2010), and Waagstein (2011), ethics is not all about the moral values of individuals but also about the extent to which the laws of society set boundaries for its members to conform. Thus, in a heterogeneous world where one expects different moral hence ethical standards, it is reasonable to call on some form of regulation to instigate consensus on what must differentiate between right and wrong and good and bad. This means where morality cannot foster its own equilibrium point due to the conflicting moral frameworks, policy or regulation can step in to provide it.

To conclude this section, Lord Edmund Burke, the eighteenth century British parliamentarian, has long surmised the need to moderate values with rules as follows:

"Men are qualified for civil liberty in exact proportion to their disposition to put moral chains upon their own appetites... Society cannot exist unless a controlling power upon will and appetite be placed somewhere; and the less of it there is within, the more there must be without. It is ordained in the eternal constitution of things that men of intemperate minds cannot be free. Their passions forge their fetters" (Burke 1791).

CONCLUSION

This study was aimed at achieving two objectives namely, (i) examine ethics from a values perspective to understand why moral values do not always inspire firms and individuals to act ethically and (ii) consider whether rules have any role at all to play in good ethical conduct and if so to what extent. In terms of objective one, we found that even with its failures, values-based ethics remains a worthy cause to

pursue with the expectation that firms and individuals can develop moral values to the point where they are able to do good simply because it is the right thing to do. However, due to a number of identified factors, moral values alone cannot be relied upon to ensure ethical behaviour be it individual or in business. In terms of objective two which is whether rules have any role at all to play in good ethical conduct and if so to what extent, the findings indicate that in a plural society full of different standards of ethical behaviour, some compelling is needed to make individuals and businesses behave ethically. However, care should be taken since rules also have their unintended detrimental consequences for ethics. The goal, therefore, should be how to attain an optimal mix of rules and values to drive ethics.

IMPLICATIONS

The findings have a number of important implications for individuals, business, policy makers and academia. First of all, the more ethical behaviour exhibited by individuals and businesses the less the need for government to promulgate and enforce laws to regulate behaviour which is a costly option. Therefore, it is in the interest of individuals, business, government and society for businesses and individuals to aspire to the ideal state of ethics, even if it cannot be realized in its entirety.

In addition, when people and firms decide on their own to live and abide by some high ethical standards, the intrinsic value associated with the satisfaction derived from this behaviour can help grow responsible citizenship in society as this will reflect in the attitudes and conduct of people in all segments of society. This in turn will help produce responsible business enterprises committed to acting ethically to meet their own economic goals and the larger social and environmental goals.

Finally, we argue that the more ethical firms and individuals are, the more they are promoting a free market because they are reducing the need for the government to intervene in the market. This is because, as all players in the market decide to be concerned about the impact of their decisions and actions on the wider society, there will be no need for government and civil society to be concerned about using other means of social control to moderate the market.

This will then free time and resources for society to solve other problems.

RECOMMENDATIONS

In today's pluralistic society where everyone does not have and practice the same ethical standards, values-based ethics cannot be solely depended upon. Because self-regulation has failed to ensure ethical standards, it is recommended that rules are set, but we must ensure that these rules bring clarity to what society expects as the minimum standard of behaviour else they become counterproductive. Since each approach has something to offer, it is recommended that a mixed method approach is used where all the methods of social control including some form of regulation are employed. That way, values will always provide content while rules serve as the framework of ethics.

Although moral virtues such as honesty, integrity, or loyalty to an ethical standard cannot be legislated, it is important for policy makers and all interested in ethics to understand that law has the capacity to regulate behaviour and serves as the melting pot that transforms the divergent views of a pluralistic society into a workable framework for all. In this regard, government regulation emerges as a necessary and legitimate means of holding businesses to standards of good behaviour which reinforces the beneficial role of rules in ethics.

The extent to which government should intervene however depends on the scope and depth of the values-based ethics of individuals and private sector organizations. If private entities display more values-based ethics then government can reduce its regulatory role; if the reverse is true, government can then increase its role. This means that the role of government has to expand and contract readily to meet the changing deficits in values-based ethics.

The way to get organizations to exhibit values-based ethics is self-regulation. However, there is a natural tendency for self-regulators to establish rules that protect their self-interests contrary to the public interest. There is therefore the need for government agency oversight of their rules.

To improve credibility in the self-reporting process, other methods of social control should be explored to serve as a reality check on the ethics reports that businesses write about them-

selves. One way of achieving this is by not relying solely on the information contained in the reports of self-regulatory organizations but also collecting data from secondary sources. Another way is by collecting stories of good and bad practice from members of society who ultimately are at the receiving end of ethical or unethical conduct of businesses. These alternative ways of data gathering and analysis will provide a useful yardstick by which self-reporting can be measured.

In terms of future research we recommend an empirical investigation that will look at the issue under investigation from other philosophical positions for example a positivist perspective to find out whether new insights can be provided.

LIMITATIONS

Obviously, those with unwavering belief in positivism will criticise the interpretivist approach that we have adopted. However, as Kim (2003) boldly declares, "if anything, and despite its apparent shortcomings, interpretivism is able to enrich our understanding of human behaviour and addresses important issues through individual perspective; something that is often overlooked when positivism is exclusively used as an instrument of research". We think that with our approach, we have made a substantial contribution to the understanding of ethical behaviour on the part of individuals and business.

REFERENCES

- Akerlof GA 1970. The market for "lemons": Quality uncertainty and the market mechanism. *The Quarterly Journal of Economics*, 84(3): 488-500.
- Arora S, Barak B, Brunnermeier M, Ge R 2009. Computational complexity and information asymmetry in financial products. *Working Paper*; Department of Computer Science and Center for Computational Intractability, Princeton University.
- Astebro T, Jeffrey SA, Adomdza GK 2007. Inventor perseverance after being told to quit: The role of cognitive biases. *Journal of Behavioral Decision Making*, 20: 253-272.
- Baucus MS, Cochran PL 2009. An overview of empirical research on ethics in entrepreneurial firms within the United States. *African Journal of Business Ethics*, 4(2): 56-68.
- Booth P, Schulz AK 2004. The impact of an ethical environment on managers' project evaluation judgements under agency problem conditions. *Accounting Organizations and Society*, 29: 473-488.
- Bratton WW 2002. Enron and the Dark Side of Shareholder Value. *Tulane Law Review*, 76: 1275-1361. From <<http://scholarship.law.georgetown.edu/facpub/505>> (Retrieved on September 11, 2011).
- Burke E 1791. Letter to a Member of the National Assembly. From <http://en.wikiquote.org/wiki/Edmund_Burke> (Retrieved on April 4, 2011).
- Clark T 1993. The market provision of management services, information asymmetries and service quality – some market solutions: An empirical example. *British Journal of Management*, 4: 235-251.
- Coffee Jr. JC 2002. Understanding Enron: It's About the Gatekeepers, Stupid. The Center for Law and Economic Studies Working Paper No. 207, Columbia Law School. From <http://ssrn.com/abstract_id=325240> (Retrieved on September 11, 2011).
- Comegys C 2010. The impact of religiously affiliated universities and courses in ethics and religious studies on students' attitude toward business ethics. *Contemporary Issues in Education Research*, 3(6): 35-44.
- De Arruda MCC 2009. Ethics and corporate social responsibility in Latin American small and medium sized enterprises: Challenging development. *African Journal of Business Ethics*, 4(2): 37-47.
- Devettere RJ 1995. The principled approach: Principles, rules, and actions. *Meta Medical Ethics*, 171: 27-47.
- Doorn N 2009. Applying Rawlsian approaches to resolve ethical issues: Inventory and setting of research agenda. *Journal of Business Ethics*, 91: 127-143.
- Dzansi DY 2006. Social responsibility and ethics. In: G Nieman (Ed.): *Small Business Management: A South African Approach*. Pretoria: Van Schaik Publishers, pp. 175-187.
- Epstein EM 2007. The good company: Rhetoric or reality? Corporate social responsibility and business ethics redux. *American Business Law Journal*, 44(2): 207-222.
- Gjesdal F 1982. Information and incentives: The agency information problem. *Review of Economic Studies*, 49: 373-390.
- Goodwin GP, Darley JM 2008. The psychology of meta-ethics: Exploring objectivism. *Cognition*, 106: 1339-1360.
- Haddad L 2007. The ethics of business and the business of ethics. *The Middle East Business and Economic Review*, 19(1): 56-67.
- Hogg T, Hubermann BA 2002. Avoiding Moral Hazards in Organizational Forecasting. Paper presented at the Third International Symposium on Electronic Commerce, October 18 to 19, 2002. From <http://labs.rightnow.com/colloquium/papers/huberman_moral_hazards_in_forecasting.pdf> (Retrieved on November 11, 2011).
- Johnsen B 2010. Jargon Alert: Information Asymmetry. Region Focus, Fourth Quarter 2010. on From <http://www.richmondfed.org/publications/research/region_focus/2010/q4/pdf/jargon_alert.pdf> (Retrieved on August 29 2011).
- Josang A, Keser C, Dimitrakos T 2005. Can we manage trust? *Lecture Notes in Computer Science*, 3477: 13-29.
- Kim S 2003. Research paradigms in organisational learning and performance: Competing modes of enquiry. *Information Technology, Learning, and Performance Journal*, 21(1): 9-18.
- Krauss SE 2005. Research paradigms and meaning making: A primer. *The Qualitative Report*, 10(4): 758-770.
- Ku G 2008. Learning to de-escalate: The effects of regret in escalation of commitment. *Organizational Behavior and Human Decision Processes*, 105: 221-232.

- Lindfelt L 2006. Making Sense of Business Ethics: About Not Walking the Talk. *Electronic Journal of Business Ethics and Organization Studies*, 11(1): 10-16. From <http://ejbo.jyu.fi/pdf/ejbo_vol11_no1_pages_10-16.pdf> (Retrieved on March 5, 2009).
- Mark-Herbert C, Von Schantz C 2007. Communicating Corporate Social Responsibility: Brand Management. *Electronic Journal of Business Ethics and Organization Studies*, 12(2): 4-11. From <http://ejbo.jyu.fi/pdf/ejbo_vol12_no2_pages_4-11.pdf> (Retrieved on March 5, 2009).
- Mead J 2002. Ethics in Business: A Summary of the Research Sponsored by the Ethics in Business Research Fund. The Darden Graduate School of Business, University of Virginia, Charlottesville. From <http://www.aicpa.org/download/ethics/Ethics_Business_Research_Fund-12.pdf> (Retrieved on March 5, 2009).
- Michael ML 2006. Business Ethics: The Law of Rules. *Corporate Social Responsibility Initiative Working Paper No. 19*, Cambridge, MA: John F. Kennedy School of Government, Harvard University
- Nicholson SW, Bennett TB 2008. Primary and secondary data in business ethics dissertations. *Journal of Business Ethics*, Springer 2008.
- O'Donnell E, Schultz Jr. JJ 2005. The halo effect in business risk audits: an strategic risk assessment bias auditor judgment about accounting details? *The Accounting Review*, 80(3): 921-939.
- Oliveira A 2004. The Place of Spirituality in Organizational Theory. *Electronic Journal of Business Ethics and Organization Studies*, 9(2): 17-21. From <http://ejbo.jyu.fi/pdf/ejbo_vol9_no2_pages_17-21.pdf> (Retrieved on March 5, 2009).
- Oliveira A 2007. A Discussion of Rational and Psychological Decision-making Theories and Models: The Search for a Cultural-ethical Decision-making Model. *Electronic Journal of Business Ethics and Organization Studies*, 12(2): 12-17. From <http://ejbo.jyu.fi/pdf/ejbo_vol12_no2_pages_12-17.pdf> (Retrieved on March 5, 2009).
- Poulton MS 2005. Organizational Storytelling, Ethics and Morality: How Stories Frame Limits of Behavior in Organization. *Electronic Journal of Business Ethics and Organization Studies*, 10(2): 4-9. From <http://ejbo.jyu.fi/pdf/ejbo_vol10_no2_pages_4-9.pdf> (Retrieved on March 5, 2009).
- Prentice R 2004. Teaching ethics, heuristics, and biases. *Journal of Business Ethics Education*, 1(1): 57-74
- Ross SA 1973. The economic theory of agency: The principal's problem. *American Economic Association*, 63(2): 134-139.
- Rossouw D, Van Vuuren L 2010. *Business Ethics*. 4th Edition. Cape Town: Oxford.
- Rossouw GJ Undated. Agenda 2004 - Topic Area #1: Corporate Governance and Trust in Business. From <http://www.isbee.org/index.php?option=com_docman&task=doc_download&gid=f> (Retrieved on March 5, 2009).
- Sahin R, Öztürk S, Ünalms M 2009. Professional ethics and moral values in Akhi institution. *Procedia Social and Behavioral Sciences*, 1: 800-804.
- Scharff MM 2005. WorldCom: A Failure of Moral and Ethical Values. *Journal of Applied Management and Entrepreneurship*, 10(3). From <<http://news-business.vlex.com/vid/worldcom-failure-moral-ethical-values-62616136>> (Retrieved on September 2, 2011).
- Shum PK, Yam SL 2010. Ethics and law: Guiding the invisible hand to correct corporate social responsibility externalities. *Journal of Business Ethics*, 98: 549-571.
- Sidak JG 2003. The failure of good intentions: The WorldCom fraud and the collapse of American Telecommunications after deregulation. *Yale Journal on Regulation*, 20(2): 207-267.
- Sims RR, Brinkmann J 2003. Enron ethics (or: culture matters more than codes). *Journal of Business Ethics*, 45: 243-256.
- Smith ED 2006. Ethics in Business: Is Compliance the Best We Can Expect? Conference Papers and Presentations, Alan Shawn Feinstein Graduate School, Johnson & Wales University, Providence, Rhode Island USA. From <http://scholarsarchive.jwu.edu/cgi/viewcontent.cgi?article=1000&content=grad_conf> (Retrieved on March 5, 2009).
- Summers C 1996. Realities of decision-making and social issues: Implications for developing and implementing ethics guidelines. *The Science of the Total Environment*, 184: 17-23.
- Takala T 2006. Editorial: An Ethical Enterprise – What Is It? *Electronic Journal of Business Ethics and Organization Studies*, 11(1): 4. (2006) From <http://ejbo.jyu.fi/pdf/ejbo_vol11_no1_page_4.pdf> (Retrieved on March 5, 2009).
- Toffel MW 2006. Resolving Information Asymmetries in Markets: The Role of Certified Management Programs. Working Paper Series, Harvard Business School, Soldiers Field Boston, MA 02163. From <<http://escholarship.org/uc/item/9qh5r011>> (Retrieved on September 11, 2011).
- Tversky A, Kahneman D 1986. Rational choice and framing of decisions Part 2: The behavioral foundations of economic theory. *The Journal of Business*, 59(4): 251-278.
- Waagstein PR 2011. The mandatory corporate social responsibility in Indonesia: Problems and implications. *Journal of Business Ethics*, 98:455-466.