

# Cognitive Consistency of Marketing Managers in Ethical Situations

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*This study is an empirical investigation to determine if managers are consistent in their ethical decision making. Respondents were evenly distributed among five moral philosophy types. The results suggest that, depending upon the situation, respondents will sometimes change their value structure or their perceived moral philosophy type.*

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Concern over ethical issues in marketing has intensified in recent years. Incidents of "inadequate warranties, deceptive or objectionable advertising, misleading packaging, questionable selling practices, and emphasis on tawdry values" (Star 1989) as well as other ethical issues have escalated sharply. Much of the research into the ethical practices of marketers has focused on the perceived ethicalness of specific acts. For example, studies have been conducted on the ethical beliefs of individual sales personnel (Dubinsky, Berkowitz, and Rudelius 1980; Dubinsky, Ingram, and Rudelius 1985), advertising personnel (Krugman and Ferrell 1981), and retail sales people (Dubinsky and Levy 1985). Studies by Dornoff and Tankersley (1975) and Gifford and Norris (1987) indicate that perceptions of ethical acts vary across time. However, one variable missing from these studies is how people justify their decisions. The justification process of whether an act is ethical or unethical is rooted in moral philosophy. Moral philosophy attempts to describe principles of conduct, and moral philosophy is used post-hoc in justifying behavior.

A partial basis for evaluating ethical issues or decisions

then, is moral philosophy, which some ethical decision-making models support. For example, Hunt and Vitell's model (1986) deals with moral philosophy, as do Ferrell and Gresham (1985), Trevino (1986), and Ferrell, Gresham, and Fraedrich's (1989) synthesized ethical decision model. All include moral philosophy in their models describing the ethical decision-making process, yet none have empirically tested the effect of moral philosophy on the post-hoc justification process.

When individuals behave in certain ways in ethical situations, they can explain their behaviors on the basis of their personal moral philosophies. Although many around them may disagree, individuals use these philosophies as a basis for what is called their personal set of ethics. A personal set of ethics may determine in part an individual's intentions or behavior. However, some argue that situational variables can influence the gap between intention and behavior (Zey-Ferrell and Ferrell 1982). Individuals may intend to act in a certain way but fail to follow through because of some intervening variable. For example, does a person make an ethics-related decision, justify it, and then reaffirm that the decision he or she made was the right one?

Heider's *P-O-X* theory of cognitive consistency (1946, 1958) attempts to answer this question. His theory proposes that the sentiments of a person (*P*) toward another person (*O*) and toward an impersonal object (*X*) will tend to shift to a balanced or consistent state. Although his theory dealt with two individuals and their sentiments concerning an impersonal object, the basic concept of consistency can be used to explain ethical decisions. Moral philosophers lend support to this argument by stating that a person's basic moral philosophy remains consistent regardless of the situation, and that moral philosophy can help explain the basis for a person's decision justification.

This study attempts to bring together two separate disciplines—social psychology and moral philosophy—to investigate ethical decision making in marketing. The purpose

of this investigation is to determine if managers justify their decision by the use of moral philosophies consistently. To accomplish this, a review of the definition of ethics and a discussion of moral philosophies is followed by a brief explanation of cognitive consistency theory. Research hypotheses are developed and tested, followed by a discussion of the results and conclusions.

## ETHICS AND MORAL PHILOSOPHY

Taylor defines ethics as "inquiry into the nature and grounds of morality where the term morality is taken to mean moral judgments, standards and rules of conduct" (1975, p. 1). Ethics essentially is the study of human conduct with an emphasis on the determination of right and wrong. The term ethics also commonly refers to "just" or "right" standards of behavior between parties in a situation.

Several ideas emerge from these definitions. First, ethics refers to values and conduct. These values are the result of a perpetual learning process. Usually, an individual's parents first teach basic rules for the day-to-day conduct of life. Later, the individual hears some of the same information from peers, teachers, and possibly clergy. These teachings gradually become incorporated into lifestyles and are referred to as rules or maxims. Through a person's maxims and experiences evolves an abstract concept of goodness. This goodness can be loosely translated as happiness, pleasure, joy, peace, or even self-esteem. Whatever people call it, it is a goal or objective that they seek. The essence of moral philosophy comes from the selection of such a goal. Because of differing goals, each individual can have a different view of what is ethical or unethical.

The rules and maxims an individual uses in making decisions are internalized in many ways and the configuration of these rules constitutes a major construct in the ethical decision process. One source of rules is society's mores. Mores are established, traditional customs that a society or social group regards as essential to its preservation. Rules also come from the organization in which one works. Still other rules which affect decision making come from family and friends outside the work environment. All these help in the formulation of ethical prescriptions which, collectively based, are called moral philosophies (Barry 1979; Fasching 1981; DeGeorge 1985; Cressey and Moore 1983). In these philosophies, morality is based on assumptions that individuals are grounded in systems with principles of conduct. These principles may be brought into the ethical decision-making process through moral philosophies that are used in defining and justifying decisions as "right" or ethical.

Two major classifications of moral philosophies have been defined: teleology and deontology (Ferrell and Gresham 1985; Hunt and Vitell 1986; Laczniak 1983; Murphy and Laczniak 1981; Robin 1980; Robin and Reidenbach 1987; Fraedrich 1988; Ferrell, Gresham, and Fraedrich 1989). In addition, these major classifications have also been subclassified by act and rule (Hospers 1972; Frankena 1973; Taylor 1975; Boyce and Jensen 1978).

## Teleology

Teleology can be defined as philosophies that deal with the moral worth of a behavior. This "worth" is determined by the consequences of the behavior (Ferrell and Gresham 1985, p. 89). The term teleology basically implies a direction toward a goal. Teleological theories argue that acts are morally right or good if they produce some desired end. Teleology can be subdivided into three subcategories: egoism, act utilitarianism, and rule utilitarianism.

Egoism defines rightness in terms of the consequences for the individual. It postulates that one should choose actions that result in the maximum amount of good for oneself (Rosen 1978, p. 38). The creed of the egoist can be concisely stated as follows: "Do the act that promotes the greatest good for oneself."

Unlike the egoist, the utilitarian does not try to maximize his or her own "good," but instead attempts to maximize "good" in general. The basic premise of utilitarianism is that one should choose the alternative that results in the greatest good or pleasure for the greatest number of people (Frankena 1973, p. 14-15; Smart and Williams 1973). Utilitarians would argue that acts leading to inefficiency are unethical. Utilitarianism is a common philosophy type among businesspeople. One empirical study by Fritzsche and Becker (1984) found a significant skewing of businesspeople toward utilitarianism.

Within utilitarian philosophy, if the act is emphasized, it is defined as *act utilitarianism*. An act utilitarian looks at each act and determines whether it will maximize the "good" in the world. For example, an act utilitarian may generally agree that the act of stealing is wrong, not because there is anything inherently wrong in stealing or because of anything that states it is wrong to steal, but because stealing in this case results in a decrease of the total "good" (i.e., loss of income for the individual who was robbed, loss of freedom for the thief, and heartache for family members).

In contrast, *rule utilitarianism* shifts the focus from the situation to sets of rules that lead to the accomplishment of the desired end (Brandt 1959; Lyons 1965). In the previous example, a rule utilitarian would strictly follow the rule "One should not steal;" thus the rule becomes the focal point which defines the act.

## Deontology

Deontology denies the fundamental proposition of teleology in that it stresses methods or intentions of a particular behavior rather than end results. Fundamental to the principles of deontological theories is the *inherent* rightness of behaviors with a focus on the individual instead of society. Laczniak (1983), Velasquez (1982), and Barach (1985) offer individual-based maxims such as the "Golden Rule" and Kant's "categorical imperative" that stress the individual. Deontological theory asserts that acts should be judged not only by the consequences, but also by the nature of the act itself.

As is the case with other theories, deontology follows a

continuum that varies by the amount of importance placed on each of these concepts. In *rule deontology*, conformity to rules determines ethicalness. Rule deontologists believe they are acting ethically when following rules. For example, the Equitable Corporation's financial companies adhere to rule deontology in their policy statement on ethics:

Breaches of law, regulations, violations of this Policy Statement or other irregularities—whatever your motives (including improving corporate performance or your own enrichment)—will not be tolerated (Equitable, p. 9).

This statement illustrates a rule that has no exceptions. In addition, it is not company-based in its perspective but rather individual-oriented. This orientation brings the Equitable Corporation into the realm of rule deontology. By contrast, if the statement had excluded the phrase—including improving corporate performance—one could argue that the company may be teleological (rule utilitarian) in its orientation.

At the other end of the deontological continuum, *act deontology* maintains that particular acts are the proper subject matter and that rules serve only as guidelines from past experiences. Carritt (1928), Sartre (1947), and Garner and Rosen (1967) have asserted that the rightness of a given action is independent of such rules. In the previous example of Equitable, one sees a rule deontological slant; however, by including such phrases as “in most cases,” one changes the focus from a specific rule to the situation itself and the variables that interact with it.

From these classifications, and on the basis of several works on the topic, the following subcategories were selected for this study: (1) egoism, (2) act utilitarian, (3) rule utilitarian, (4) rule deontology, and (5) act deontology (Boyce and Jensen 1978; Jensen, Taylor, and Burton 1981; Robin and Reidenbach 1987). Because moral philosophies ride a continuum, there can be an infinite number of slight variations. The five categories used represent the major portion of philosophies within the literature. As was mentioned, teleology and deontology are normally used in segmenting moral philosophy (Ferrell and Gresham, 1985; Hunt and Vitell 1986; Fraedrich 1988; Ferrell, Gresham, and Fraedrich 1989) as well as act and rule (Taylor 1975; Boyce and Jensen 1978; Fritzsche and Becker 1984; Fraedrich 1988; Fraedrich, Ferrell, and Jones 1991; Fraedrich and Ferrell 1991).

Philosophies were developed in part to explain the way people judge actions. They attempt to codify human reality in value-laden situations. One group of theories postulates that there is a direct positive relationship between intention and behavior. These theories are from social psychology and are called cognitive consistency theories.

## COGNITIVE CONSISTENCY

Cognitive consistency theories are based on the general premise that people attempt to behave in a consistent man-

ner so as to be in a pleasant psychological state. There are many theories that deal with imbalances such as cognitive imbalance (Heider 1946, 1958), asymmetry (Newcomb 1953), incongruence (Osgood and Tannenbaum 1955), and dissonance (Festinger 1957). Given the nature of ethics, Heider's *P-O-X* theory better represents the process associated with ethical decisions. The *P-O-X* theory proposes that the sentiments or feelings of a person (*P*) toward another person (*O*) and toward an impersonal object (*X*) “belonging” to *O* will tend to reduce or shift to a balanced state such that the feelings are consistent across all. When the individual elements cannot coexist without stress, pressure forms to change the cognitive organization to achieve a balanced state. This theory can also be applied to cognitive states within the individual. In an experiment by Jordan (1953), when subjects were shown verbal descriptions of balanced and unbalanced triads, balanced triads were the desired choice (see also Insko and Adewole 1979). As people decide what action they should take, the justification of such actions is theorized to be cognitively consistent. Thus, from cognitive consistency theory comes the following proposition:

### **Managers justifying their decisions using a philosophical base will also identify that decision as ethical.**

By definition, justification denotes rightness or the correct way of doing things. If an individual chooses a course of action and identifies the philosophy that he/she uses to define rightness, then the probability that they would also state that their decisions were ethical should increase. Partial proof of this contention can be found in the study done by Krugman and Ferrell (1981) that found advertising practitioners perceived themselves as having higher ethical standards than their peers. Others have reported the same results (Ferrell and Weaver 1978; Ferrell, Zey-Ferrell, and Krugman 1983). These studies also help support the latter half of the proposition that managers will perceive their individual decisions as ethical. From the proposition the following hypotheses relating to the five philosophy types can be stated as follows:

- H1: Rule utilitarians within an ethical work dilemma perceive their decisions as ethical.
- H2: Rule utilitarians within an ethical nonwork dilemma perceive their decisions as ethical.
- H3: Rule deontologists within an ethical work dilemma perceive their decisions as ethical.
- H4: Rule deontologists within an ethical nonwork dilemma perceive their decisions as ethical.
- H5: Act utilitarians within an ethical work dilemma perceive their decisions as ethical.

## METHODOLOGY

Seven hundred marketing management personnel within a major retail organization were administered the questionnaire. In developing the questionnaire, several different drafts were reviewed by various experts. The experts included a panel of five marketing academicians and a group of eleven corporate personnel. A modified version of the questionnaire, incorporating their responses, was submitted to the corporation. The corporation's experts also suggested several alterations to the instrument. The questionnaire was again given to a panel of marketing academicians for refinement. Next, a pilot study was conducted using 40 managers and assistant managers of different corporations. These respondents reviewed the questionnaire for content, readability, and sensitivity. The revised questionnaire was re-submitted to the academic panel and the corporation for approval. Finally, to facilitate a high response rate, a modification of the "total design method" was used (Dillman 1978).

Moral philosophies were measured using modified statements from Boyce and Jensen's (1978) MCT scale. The statements were modified to satisfy academic experts and pilot sample managers who did not understand some of the vocabulary. Once word modifications were made, a recheck on comprehension, readability, and validity was done. Care was taken to avoid any significant meaning changes with the moral philosophy statements.

A moral philosophy encapsulates the many values a person may have and attempts to use this measure as a discriminating construct. In this study, respondents were specifically asked which statement or philosophy best explained the rationale of their decision. This forces respondents to distinguish between salient and nonsalient factors within their value set and choose that philosophy which comes closest to their values. Thus, as Boyce and Jensen state, the MCT "is a measurement of content" (p. 186). Due to respondent time constraints, a multi-item scale for philosophies was deemed inappropriate as it would have jeopardized the entire study by doubling the time commitment of questionnaire completion.

Each respondent read three vignettes and checked the statement that best described the reasoning behind his or her decision. Vignettes were chosen because they tend to elicit a higher quality of data from respondents than is possible from simple questions (Alexander and Becker 1978). The different types of vignettes (two business and one nonbusiness) were used to test whether environment significantly changed decision consistency. The respondents were asked to read each vignette and indicate whether or not they would be likely to perform a specific act (see Appendix A). The basic premise of vignettes two and three—conflict of interest and bribery—were based on Fritzsche and Becker's (1984) work. All three vignettes were tested using academic experts to determine the personal integrity construct along with the validity of the ethical issue within work and nonwork environments. Personal integrity was selected on the basis of past research involving ethical issues (Barry 1979; Fritzsche and Becker 1984). In addition, 40 personal interviews were conducted with the initial pilot study members to reaffirm intent and wording of each vignette. The word-

ing of the second vignette was changed so that all situations did not elicit the same type of response. Because of the probability that some respondents might change philosophy type relative to each vignette, each subject's philosophy type was separately measured in each of the three situations. Each philosophy type was represented by one statement, with the exception of act deontology, which, because of its nature, was represented by two statements (see Appendix B).

Following each vignette, each respondent was asked the following question:

In your opinion, how ethical is your response to the situation?

Ethical						Unethical
1	2	3	4	5	6	7

This scale attempted to measure the consistency between action, justification, and evaluation of action to the respondents themselves. Both moral philosophy and consistency theory postulate that all three should be consistent.

## FINDINGS

The survey resulted in a total response rate of 27 percent or 189 returns; of these, 184 were used in the data analysis. The effective return rate for each analysis will be noted in the discussion; however, no procedure used fewer than 184 individuals. In all three scenarios, two gaps occurred relative to the likeliness of the decision being made. Act and rule deontologists, as well as rule utilitarians, responded that they would not provide confidential information, bribe, or cheat on their income taxes. Egoists and act utilitarians, however, responded that they would provide confidential information, bribe, and cheat on their income taxes.

### Moral Philosophy

The findings show no large skewing toward one particular ethical philosophy as was found in the Fritzsche and Becker (1983) study. It appears that managers were evenly distributed among the five ethical philosophies tested. One exception to this was rule utilitarianism. Individuals adhering to this philosophy comprised approximately 10 percent of the total sample. Of the 186 respondents, 58 percent remained constant in work situations (betraying a trust and bribery) regarding deontology and teleology. However, this figure was drastically reduced when comparing managers' philosophy types (deontology and teleology) across all three vignettes. With the inclusion of the nonwork situation (income tax evasion), only 15 percent of the respondents remained constant in their moral philosophy. This finding can be explained in part by respondents weighting different factors within the philosophy construct differently. However, on a more macro level the results show drastic fluctuations which suggest that, depending on the situation, individuals may change the importance of certain values. Most respondents changed philosophies between work and nonwork situations, supporting the Hunt and Vitell (1986) model that

**TABLE 1**  
**Perceived Ethicalness By Situation**

Group	<i>Betraying a Trust</i> <sup>1</sup>		<i>Bribery</i> <sup>1</sup>		<i>Personal Income Tax Evasion</i> <sup>1</sup>	
	Count	Mean <sup>2</sup>	Count	Mean <sup>2</sup>	Count	Mean <sup>2</sup>
Rule Utilitarians	25	1.56	15	2.33	13	2.85
Egoists	7	3.14	20	3.45	37	4.49
Act Deontologists	56	1.84	35	2.69	61	2.46
Rule Deontologists	66	1.77	69	2.07	44	1.48
Act Utilitarians	30	2.70	45	3.60	30	4.20
TOTAL	184	1.97	184	2.73	185	2.94

<sup>1</sup> $p < .0001$

<sup>2</sup>1 = decision perceived as very ethical, 7 = decision perceived as very unethical

suggests marketers use philosophies from both teleology and deontology simultaneously in ethical decision making.

### Managers' Perceived Ethics

After each manager categorized his or her moral philosophy type for each situation, the (un)ethicalness of his or her decision was self-reported. Consistency theory would suggest that managers would consider their decisions ethical. In addition, the discipline of moral philosophy is based on the argument that people justify or explain actions on the basis of moral philosophy.

With the betraying-a-trust work situation (see Table 1), the ANOVA resulted in a significant  $F$  test of 6.53. Even though a significant  $F$  was reported, the means for all philosophy types were below 4. A score of 4 was used as the break point between what the individual perceived as ethical (1–3.99) and unethical (4.01–7).

Within the bribery work situation, the ANOVA resulted in a significant  $F$  of 7.44. No philosophy type mean exceeded 4 on the Likert scale. When Duncan tests were performed, certain philosophy types were found to be significantly more ethical than others. In the case of the bribery vignette, egoists classified their actions as significantly less ethical than did rule deontologists. Act utilitarians also perceived their actions as less ethical than did rule deontologists, rule utilitarians, and act deontologists.

Respondent attitudes dramatically changed when given the nonwork income-tax evasion vignette. As in the previous two ANOVA's, a significant  $F$  test was reported. However, in this vignette, two respondent philosophies, act utilitarian and egoist, had means above 4. This implies that within a nonwork setting, managers having defined themselves as act utilitarians and egoists categorized their decisions as unethical. This finding indicates that there is great diversity not only within philosophy types but also in the categorization of what constitutes ethical behavior.

From the analyzed data, it can be concluded that there is a significant difference between the perceived ethicalness of rule deontologists and the remaining four philosophy groups. There is also a significant difference within the nonwork situation (personal income-tax invasion) between act utilitarians and rule and act deontologists and rule utili-

tarians. The mean perceived ethics (scale responses) of egoists is significantly greater than that of rule deontologists, utilitarians, and also act deontologists. Finally, it appears that rule-oriented managers believe that the decisions they make are more ethical or right than do act-oriented and egoist managers.

Between philosophy types, however, significant mean differences were found at the .001 level using Duncan's multiple range test. With the exceptions of act utilitarians and egoists in the nonwork setting (personal income tax evasion), all respondents indicated that their actions were perceived to be ethical.

### CONCLUSIONS AND IMPLICATIONS

The research conducted utilized empirically tested moral philosophy constructs to determine if the theory of cognitive consistency could explain the results of this investigation. In general, the theory has some support; however, there are exceptions. For example, managers using act utilitarianism and egoism believe that their justifications are personally unethical.

The findings also suggest that those employees using the egoist philosophy may commit acts that they perceive as unethical. Based on egoism, they may commit unethical acts for personal gain. Company goals could also become irrelevant when they do not conform to the egoistical manager's own goals and objectives. Therefore, punishment and rewards may have an impact on these managers.

If personnel are not given ethical guidance in decision making, the organization could expect a wide variation in ethical behavior. An organization that leaves ethics to chance, hoping for uniformity in moral philosophies of employees, is decentralizing ethical decision making on a random basis.

In addition to understanding the different manager philosophy types' perceived decision ethics, our results suggest that certain managers do not follow Heider's  $P-O-X$  cognitive consistency theory. Specifically, respondents using act utilitarianism and egoism are not consistent in their decision, justification, and ethical evaluation.

One explanation for this inconsistency may be found in

field and domain theory (Lewin 1951; De Rivera 1976; Kerlinger 1986). The essence of field theory is to describe a situation (field) in which a person participates (behavior). The field or situation is viewed as a whole that is different from the sum of its parts. Field theory argues that one must look at relationships relative to a specific domain. For managers, these domains can be personal, organizational, and societal. When managers using these two moral justifications decide on an action, they may do so relative to one of these domains. However, when determining whether a decision is ethical, the origin of domain may change, causing other factors to come into play. For example, when confronted with a nonwork environment (income-tax evasion), these individuals may have felt justified, from a personal domain, in not paying taxes, but when asked about the ethicalness of their decision, they may have evaluated it from society's perspective.

Another finding is that individuals may change philosophy types depending on the situation. Only 15 percent of the respondents did not change moral philosophies between work and nonwork situations. This may mean that people alter their moral philosophy or value structure to cope with ethical issues in the work environment. Respondents may have separated personal ethics from business ethics based on social and economic factors in the work environment. These factors may be opportunity, a manager's superior, increased pressure for monetary results, or significant others (Ferrell and Gresham 1985).

This finding may also be the result of respondents using parts of divergent philosophies. If this is the case, then philosophy categories that are realistic are needed. In addition, studies extending the generalizability of this research are suggested by testing more diverse populations. Research needs to be conducted to determine why some people judge their own decisions within nonbusiness situations as unethical but consider their decisions within business situations as ethical. If some managers view business as an economic game, separate from society, where any activity that benefits the organization is acceptable, it may become harder to improve ethical decision making. Finally, more research into how personal moral values are used in marketing decision-making could aid managers in improving ethical decisions.

## APPENDIX A

### Survey Vignettes

#### Vignette 1 (Conflict of Interest)

Sherry Smith has recently accepted a job with a young aggressive retail company. Smith's former retail employer is rumored to have developed a confidential in-house software package which is easily used by managers. When Sherry was hired she was led to believe her selection was based upon her management potential. On the morning of her third week, Smith received the following memo from her superior: "Please meet with me tomorrow for the purpose of discussing your former employer's software package." If

you were Smith, what are the chances you would provide your new employer with the software?

Likely						Unlikely
1	2	3	4	5	6	7

#### Vignette 2 (Income Tax Evasion)

Allan Bartels did some odd jobs for neighbors (i.e., painting, building sheds and garages, etc.) and was paid substantial sums of money. Allan knows that these monies go unreported. At tax time Allan considers his options of reporting the extra income or not. He knows that the IRS will never find out about the extra income. If you were Bartels, what are the chances you would report the extra income?

Likely						Unlikely
1	2	3	4	5	6	7

#### Vignette 3 (Bribery)

Ed Johnson is in charge of market development for Rollfast Company. In the past, the company has been barred from entering a market in a large Asian country by collusive efforts of the local retail corporations. Rollfast could expect to net \$50 million dollars per year from sales if it could penetrate this market. Last week a businessman from the country in question contacted Ed and stated that entry into this market could be had for an "under-the-table payment" of \$50,000. If you were Ed Johnson, how likely would you be to pay the money?

Likely						Unlikely
1	2	3	4	5	6	7

## APPENDIX B

### Moral Philosophy Statements

#### (1) Rule Utilitarian

"If everyone violated confidences (cheated on their income taxes, made under-the-table payments), no one would be able to trust anyone as a result, no one could really be happy or have peace of mind."

#### (2) Egoist

"My decision, whatever it may be, will lead to some goal for myself (i.e., praise, recognition, money, keeping my job, power over the system, promotion)."

#### (3) Act Utilitarian

"In this case, one has (not) an obligation to (provide information, report the extra income, pay the money)."

#### (4) Rule Deontologist

"(Divulging confidential information, cheating the govern-

ment, providing money to individuals) is simply wrong, regardless of the results it might bring.”

#### (5) Act Deontologist

“Sometimes (providing information, not reporting extra income, paying money to get into markets) is beneficial because it leads to (more efficient organizations, greater disposable income, more competition).”

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