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# Ethical preferences of transformational leaders: an empirical investigation

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## Keywords

Transformational leadership, Ethics

## Abstract

This study looked at the relationship between the four factors of transformational leadership – charisma, inspirational leadership, intellectual stimulation, and individualized consideration – and the leader's preference for unethical behavior. Five ethical scenarios – bribery, endangering the physical environment, lying, personal gain, and favoritism – were studied using a sample of 100 pairs of managers and subordinates from four multinational organizations in India. Relationships between the leader's ethical preferences and three outcomes – followers' willingness to put in extra effort, perceived effectiveness, and satisfaction – were also analyzed. Findings indicate that inspirational leadership is negatively related to the leader's preference for bribery and favoritism, and intellectual stimulation is negatively related to preference for bribery. Charisma and individualized consideration are not related to the leader's ethical preferences. Followers' willingness to put in extra effort is also negatively related to the leader's preference for bribery and favoritism. Results also suggest that organizational culture might moderate the relationship between transformational leadership and ethics.

Transformational leadership holds great promise for advancing associations, businesses and society because it can cause fundamental change, answer deeper issues and create new paradigms. Ethics, however, are a part of business. It is thus essential for leaders to make ethical choices and create an ethical work environment. It is the onus of leaders to respond to the demands of society to make the "correct" decisions. It is the leader's beliefs, values, vision and action that set the tone and standard for organizations. In the light of this, it is important to see the role of leadership in making the right ethical choices (Donaldson and Werhane, 1988; Sekhar, 1997). The ethics of leadership, whether they are good or bad, positive or negative, affect the ethos of the workplace and thereby help to form the ethical choices and decisions of the workers in the workplace.

What is most important is that management realizes that it must consider the impact of every business policy and business action on society. It has to consider whether the action is likely to promote the public good, to advance the basic beliefs of society, to contribute to its stability, strength and harmony (Drucker, 1968, p. 461). The ethical or right thing to do in business is that which best serves the ideas of morality and good management practice (Kanungo and Mendonca, 1996). This paper is an attempt to analyze the ethical preferences of transformational leaders – the leaders who bring about change, and who transform people and organizations.

morally correct behavior and truthfulness in specific situations (Lewis, 1985). Organizational ethics connotes an organizational code conveying moral integrity and consistent values in service to the public. The questions that come to mind are for example, is it ethical to pay a bribe to obtain a business contract? Is it ethical to ask someone to take up a job you know will not be good for his/her career path? Many studies have found that ethics are situation-specific (Siguaw *et al.*, 1998; Sims, 1994). Keeping in mind the corporate setting, ethical behavior is legal behavior plus a collection of "moral values or a set of values" (Saul, 1981, p. 270). Ethical behavior stems from general culture, the organization, and the individual (Sims, 1994).

There are a number of reasons for unethical behavior in organizations (Kanungo and Mendonca, 1996; Nahavandi, 1997; Sims, 1994). A bottom-line mentality and "win at all costs" philosophy has been gaining precedence where financial success is the only value to be considered. Managers may believe that the activity is within reasonable limits and for the good of the organization and have a feeling of security that the activity will never be found out. Sometimes leaders feel they are subject to different rules than followers and as such may make unethical decisions. Industry culture is also a cause of unethical practices. If an organization's major competitors are behaving unethically, it may become difficult for the organization to make ethical decisions. Another motivator of unethical behavior is personal gain (Gellerman, 1986; Siguaw *et al.*, 1998).

Almost each day brings to the fore an exposition of unethical behavior of organizational leaders. Cases like that of the Manville Corporation (Gellerman, 1986, p. 85), Nestlé Corporation (Petrick and Quinn, 1997), Alghenny Bottling and Beech-Nut (Sims, 1994) are evidence of this. To be ethically effective there is no one formula for

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## Theory and hypotheses

### Ethical behavior

Business ethics are rules, standards, codes or principles which provide guidelines for

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decision making in organizations (Saul, 1981). Conflicting motives require the evaluation of duties, values, and consequences. Organizational members must have a conscience to weigh decisions and ensure that public safety prevails over duties to stockholders.

#### *Five ethical scenarios*

Based on our study of Fritzsche and Becker (1983), Monappa (1977), Weber (1990) and Fritzsche (1995), we identified five ethical scenarios. The scenarios center on:

- 1 bribery;
- 2 endangering the physical environment;
- 3 lying;
- 4 personal gain; and
- 5 favoritism.

These situations have been chosen because they are the most common ethical dilemmas worldwide. The situation centering on the physical environment has special significance in today's corporate world, where environmental issues are yet to be accorded top priority and defaulting on such issues rarely evokes stringent punishment. Given the duration of legal proceedings and the intricacies of the legal system, one's level of ethical beliefs finally determines behavior.

#### **Transformational leadership**

Leadership over human beings is exercised when persons with certain motives and purposes mobilize and engage in competition or conflict with others, institutional, political, psychological and other resources, to arouse, engage and satisfy the motives of followers. It is inseparable from followers' needs and goals. The essence of the leader-follower relation is the interaction of persons with different levels of motivations and power potentials including skill, in pursuit of a common or at least a joint purpose. This interaction is expressed in two types of leadership (Burns, 1978):

- 1 transactional; and
- 2 transformational.

At the outset, it is necessary to differentiate between transformational and transactional leadership (Bass, 1985; 1997, 1998; Keeley, 1995). Transactional leadership satisfies the immediate and separate purposes of both leaders and followers whereas transformational leadership goes much beyond that. Schuster (1994) feels that the tools used in transactional leadership are power brokering, withholding favors, and *quid pro quo*. It is always tied to position power. In transformational leadership, the purposes of leaders and followers that might have started out as separate but related, as in

the case of transactional leadership, become fused (Burns, 1978). According to Bass (1985), transformational leadership and transactional leadership are conceptually distinct and are likely to be displayed by the same individuals in varying amounts and intensities. Most authors seem to agree that transformational leadership and transactional leadership are not opposite ends of a continuum (Scandura and Schriesheim, 1994; Yukl, 1998).

There should be little debate that ethical behavior within organizations depends on the ethical quality of its leadership. This is because all managers and employees look to higher levels of management for cues as to what is acceptable. Standards of business ethics cannot be achieved in any organization without the continuous commitment, enforcement, and modeling of leadership. Leaders help to set the tone, develop the vision, and shape the behavior of all those involved in organizational life. A major task for leaders is bringing together their followers around common values. Superior performance and performance beyond normal expectations is possible only by transforming followers' values, attitudes and motives from a lower to a higher plane of arousal and maturity (Bass, 1985).

According to Burns (1978, p. 4):

a transforming leader looks for potential motives in followers, seeks to satisfy higher needs, and engages the full person of the follower.

The goals of leader and followers may have started as being different, but they are eventually transformed to a common goal. Transforming leadership is also known as elevating, mobilizing, inspiring, uplifting, exhorting and exalting. It eventually becomes moral by raising the level of human conduct and ethical aspiration of both the leader and the led. Ideological movements united behind high moral purpose and in conflict with opposing ideologies are tantamount to transformational leadership. An ideological movement involves seeking substantial social change, and organizing political movements that pursue these goals (Burns, 1978). Transformational leadership is more concerned with end-values, such as liberty, justice, and equality, than with means-values. However, it is important to note that insufficient attention to means can corrupt the ends (Burns, 1978).

Ethical leaders would use their charisma in a socially constructive way to serve others (Bass and Steidlmeier, 1999). Transformational leaders can be very effective ethical leaders (Keeley, 1995). Burns (1978, p. 20) claimed that transforming

leadership is motivating, uplifting, and ultimately “moral, in that it raises the level of human conduct and ethical aspirations of both the leader and the led.” Such a leader aligns visions with followers’ needs and aspirations, propagates open communication and generates team motivation, is a prudent risk taker, helps and coaches in confidence building and promotes team building. Transformational leaders create sufficient energy to launch and sustain a transformation process in the organization. They must be able to articulate a compelling and credible vision and focus everyone on the new critical path. If required the organization has to be redesigned to support the transformation. For this purpose the leaders must leverage their influence and encourage the same at all levels (Miles, 1998).

According to Bass (1985), four features distinguish a transformational leader:

- 1 charisma;
- 2 inspirational leadership;
- 3 intellectual stimulation; and
- 4 individualized consideration.

Charisma is the most important component in the larger concept of transformational leadership. Followers describe their charismatic leaders as those who make everyone enthusiastic about assignments, who command respect from everyone, who have a special gift of seeing what is important and who have a sense of mission that they transmit to followers. Inspirational leadership involves the arousal and heightening of motivation among followers. Envisioning a desired future state, making followers see that vision and showing followers how to get to that state are part of the inspirational process (Behling and McFillen, 1996). Intellectual stimulation arouses in followers the awareness of problems and ways of solving them, stirs the imagination, and generates thoughts and insights. Transformational leaders enable followers to think of old problems in new ways. Individualized consideration involves giving personal attention to followers who seem neglected, treating each follower individually and helping each follower get what he/she wants (Bass, 1985).

Studies have looked at the separate impact of the various components of transformational leadership on performance and attitudes. Vision and its implementation by the leader have been identified as core components of charismatic or transformational leadership. The leader’s vision and vision implementation through task cues affects performance and many attitudes of

subordinates (Kirkpatrick and Locke, 1996). Strength of delivery of vision by the leader is an especially important determinant of perceptions of leader charisma and effectiveness (Awamleh and Gardner, 1999). Task feedback interacts with charismatic leadership in affecting performance, and this relationship is mediated by subordinates’ self-efficacy (Shea and Howell, 1999). Shamir *et al.* (1998) found that a leader’s emphasis on collective identity was related to a subordinate’s level of identification with the leader.

Characteristics of the leader moderate the effect of transformational leadership on various outcomes. Avolio *et al.* (1999) found that use of humor by a leader enhanced the positive effect of transformational leadership on unit performance and reduced the positive effect of transformational leadership on a subordinate’s individual performance. House *et al.* (1991) used archival data on US presidents to demonstrate that charisma was positively related to need for power and activity inhibition, and negatively related to need for achievement. They also showed that charisma was positively related to performance even after controlling for the effects of motives. Ross and Offermann (1997) found that transformational leadership was positively related to levels of pragmatism, nurturance, and feminine attributes, and negatively related to criticalness and aggression. Transformational leadership could be potentially effective across a variety of situations, though certain contextual factors like structure of the organization could facilitate the emergence and impact of transformational leadership (Pawar and Eastman, 1997; Yukl and Howell, 1999).

Burns (1978) contended that transformational leaders are instrumental in making ethical decisions. Previous research suggests that managers do not view moral issues generically but respond to moral issues by type of issue (Fritzsche and Becker, 1983; Weber, 1990). It is thus logical to assume that the different aspects of transformational leadership will be related to different ethical dilemmas in different ways. We therefore made separate analyses of the relationships between these four factors of transformational leadership and the five ethical issues:

- 1 bribery;
- 2 physical environment;
- 3 lying;
- 4 personal gain; and
- 5 favoritism.

Thus, we looked at transformational leadership with respect to each of these five

different ethical dilemmas rather than with respect to ethics as a whole.

*H1:* Each of the four factors of transformational leadership (charisma, inspirational leadership, intellectual stimulation, and individualized consideration) will be negatively related to the leader's preference for each of the five unethical behaviors (bribery, physical environment, lying, personal gain, and favoritism).

Studies have found significant and positive relationships between transformational leadership and the amount of effort followers are willing to exert, satisfaction with the leader, ratings of job performance and perceived effectiveness (Avolio *et al.*, 1988; Hater and Bass, 1988; Kirkpatrick and Locke, 1996; Waldman *et al.*, 1987). We could therefore expect a relationship between ethics and outcomes that parallels the relationship between ethics and transformational leadership. We looked at three outcome variables:

- 1 followers' willingness to put in extra effort;
- 2 perceived effectiveness of leader and work unit; and
- 3 followers' satisfaction with leader.

*H2:* Each of the three outcome variables (extra effort, perceived effectiveness, and satisfaction) will be negatively related to the leader's preference for each of the five unethical behaviors (bribery, physical environment, lying, personal gain, and favoritism).

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## Methodology

We collected data for the study from marketing managers in four multinational companies operating in India – a fast-moving consumer goods company, an information technology company, a manufacturing organization and a bank. The operations of all the four organizations are widely spread across the length and breadth of India. The rationale behind studying ethical decision making of marketing managers was that previous research indicated that a large proportion of the difficult ethical problems arising in business are market related (Fritzsche, 1991).

The sample that was studied consisted of 100 pairs of supervisors and subordinates. There were 17 pairs of respondents from the consumer goods company, 21 pairs from the information technology company, 35 from the manufacturing organization and 27 from the

bank. Of the 100 pairs of respondents, 94 supervisors were males and six supervisors were females while 78 subordinates were males and 22 were females. We directly contacted 38 supervisors and 50 subordinates whereas others were provided the questionnaires through a contact of ours within the organization. This was to ensure that there was no delay in data collection or loss of questionnaires in the mailing process and to ensure greater commitment. Confidentiality of responses was assured to all respondents.

A set of five vignettes was used to study ethical preference (see Appendix). These vignettes were taken from a prior study by Fritzsche and Becker (1983), a subsequent study by Fritzsche (1995), and a study by Monappa (1977). They simulate realistic business problems possessing ethical dimensions. The leaders or supervisors chosen were asked to indicate what their intended decision would be in the given scenario. The vignettes were randomly arranged. For each vignette, a question was asked regarding the action the respondent would take. The leaders were asked to assess the descriptive situations and judge the likelihood of their displaying the behavior described. The responses were recorded using a three-point scale (1 = definitely would not; 2 = sometimes would; 3 = definitely would). Each vignette presented a different type of ethical dilemma – bribery, endangering the physical environment, lying, personal gain, and favoritism – before the respondents. The objective was to capture intended behavior and not actual behavior. The responses recorded were thus intentions to act when confronted with such an ethical scenario and do not necessarily indicate what the respondents were actually doing.

A subordinate of each of these leaders was asked to answer the leadership questionnaire. The multifactor leadership questionnaire (MLQ) Form 5x of Bass and Avolio (1991) was used in this study to measure transformational leadership and followers' willingness to put in extra effort. The questionnaire has 37 items to measure the four factors of transformational leadership. There are eight items for charismatic leadership, ten items each for inspirational leadership and intellectual stimulation and nine items for individualized consideration. The questionnaire also has three items to measure followers' willingness to put in extra effort. Subordinates filled in the MLQ by indicating how frequently their current immediate supervisors had displayed the behavior described, using a five-point scale (1 = not at all; 2 = once in a

while; 3 = sometimes; 4 = fairly often; 5 = frequently if not always). The mean of the items comprising each factor was taken as the score for that factor of transformational leadership. Similarly, the mean of the three items for extra effort was taken as the score for extra effort.

Perceived effectiveness of the leader and work unit was measured using the following four items (Bass, 1985):

- 1 How would you classify the overall work effectiveness of your unit?
- 2 Compared to all other units you have ever known, how do you rate your unit's effectiveness?
- 3 How effective is your supervisor in meeting the job-related needs of subordinates?
- 4 How effective is your supervisor in meeting the requirements of the organization?

The responses were recorded on a five-point scale (1 = not effective; 2 = only slightly effective; 3 = effective; 4 = very effective; 5 = extremely effective). Followers' satisfaction with leader was measured using the following two items (Bass, 1985):

- 1 In all, how satisfied are you with your supervisor?
- 2 In all, how satisfied are you with the method of leadership used by your supervisor for getting your group's job done?

The responses were recorded on a five-point scale (1 = very dissatisfied; 2 = somewhat dissatisfied; 3 = neither satisfied nor dissatisfied; 4 = fairly satisfied; 5 = very satisfied).

## Results

Table I presents descriptive statistics (means and standard deviations) for and correlations between all the variables of transformational leadership and ethics. It also presents

reliability coefficients for the transformational leadership variables. The reliability coefficients (Cronbach alphas) of the leadership variables are high, varying from 0.83 for charisma to 0.90 for intellectual stimulation. Other studies have also reported similar high reliabilities for the transformational leadership scales.

Inspirational leadership was significantly ( $p < 0.05$ ) negatively correlated to leader's preference for bribery (–0.23) and preference for favoritism (–0.22). Intellectual stimulation was significantly ( $p < 0.05$ ) negatively correlated to preference for bribery (–0.23). Charisma and individualized consideration were not related to preference for any of the five unethical behaviors.

There was a significant positive correlation between the four transformational leadership factors, the correlation being not less than 0.64 ( $p < 0.001$ ). Although the four components of transformational leadership are conceptually different and form independent clusters of items, other studies also have found them to be highly correlated. Some significant ( $p < 0.05$ ) positive correlations were also seen between the ethics variables. Personal gain and favoritism were related to each other and to bribery and physical environment.

Table II presents descriptive statistics (means and standard deviations) for and correlations between the three outcome variables (extra effort, perceived effectiveness, and satisfaction) and the five ethics variables. It also presents reliability coefficients for the outcome variables. Willingness to put in extra effort was significantly ( $p < 0.01$ ) negatively related to leader's preference for bribery (–0.26) and favoritism (–0.28). Perceived effectiveness and satisfaction were not related to leader's preference for any of the five unethical behaviors.

**Table I**

Descriptive statistics, Cronbach alphas and Pearson's correlations (leadership and ethics variables)

Variables	Mean	SD	1	2	3	4	5	6	7	8	9
<b>1 Charisma</b>	3.56	0.76	(0.83)								
<b>2 Inspirational leadership</b>	3.76	0.68	0.80***	(0.87)							
<b>3 Intellectual stimulation</b>	3.58	0.74	0.69***	0.72***	(0.90)						
<b>4 Individualized consideration</b>	3.48	0.77	0.79***	0.72***	0.64***	(0.89)					
<b>5 Bribery</b>	2.24	0.75	–0.15	–0.23*	–0.23*	–0.10					
<b>6 Physical environment</b>	2.58	0.57	0.03	–0.01	0.07	0.14	0.01				
<b>7 Lying</b>	2.49	0.63	0.08	0.08	–0.06	–0.04	0.07	0.02			
<b>8 Personal gain</b>	2.20	0.79	0.09	–0.01	0.05	0.10	0.26*	0.32**	0.09		
<b>9 Favoritism</b>	2.24	0.78	–0.12	–0.22*	–0.01	–0.08	0.23*	0.27**	0.15	0.22*	

Notes: <sup>a</sup>Figures in parentheses are reliability coefficients (Cronbach alphas);  $N = 100$ ; \* =  $p < 0.05$ ; \*\* =  $p < 0.01$ ; \*\*\* =  $p < 0.001$

## Discussion

Interestingly, the results of this study do not reveal any relationship between charisma and the leader's ethical preference or between individualized consideration and the leader's ethical preference. The extent to which a leader would resort to unethical behavior does not affect his/her being seen as charismatic or being individually considerate. It is noteworthy that charismatic leadership is not significantly correlated to any of the dimensions of ethics although Bass (1985) found charisma to be the most important component in the larger concept of transformational leadership. This study compels one to consider the possibility that a charismatic leader, who has an abundance of appeal and is instrumental in enthusing followers because of personal charm, may not be a person of ethical disposition. This leads one to consider the possible decisions and path taken by the follower who is espoused to exemplify the leader and thus may not necessarily follow the trajectory of ethics. Absence of a relationship between favoritism and individualized consideration is surprising. Individualized consideration involves treating each follower individually and helping the follower achieve his/her objectives. However, this does not mean one follower is to be favored at the expense of another. It is therefore surprising that a leader could be seen as being individually considerate irrespective of his/her preference for favoritism.

Three of the unethical behaviors – endangering the physical environment, lying, and personal gain – are not related to any of the transformational leadership factors. A person could be seen as being highly transformational despite that person preferring any of these three unethical practices. This has serious implications. The

findings do not seem to support the claim that transformational leadership eventually becomes moral by raising the level of human conduct and ethical aspiration of both the leader and follower. The leadership style adopted may be transformational in nature but it may not necessarily do much to uplift the ethical base of the leader. That those who bring about change do not necessarily avoid lying for business gains is rather disturbing. This is certainly not an ethical standpoint and propagates a business environment that is enveloped by much contrivance. This negates the climate of trust that is essential for a mutually beneficial relationship between corporate and consumers.

It is to be noted that a significant correlation is seen between the intention to bribe and intellectual stimulation. Such leaders will be responsible for leading followers to find innovative and novel solutions that will avoid the path of bribery. Inspirational leadership has emerged as the transformational leadership factor that is most closely related to ethics. The leader who prefers to use less of bribery and favoritism is seen as being more inspirational. Inspirational leaders who are concerned with articulating a vision and motivating followers show a greater propensity to make ethical decisions.

To shed further light, we looked at the relationship between transformational leadership and ethics in each of the four organizations separately. In the information technology company, the leader's preference for personal gain is negatively correlated to charisma ( $r = -0.48, p < 0.05$ ) and inspirational leadership ( $r = -0.59, p < 0.01$ ). This company has probably a relatively flexible and creative culture. The focus might be on learning of individuals as it is important to upgrade one's skills constantly in the rapidly changing environment of the information technology industry. Leaders,

**Table II**

Descriptive statistics, Cronbach alphas and Pearson's correlations (extra effort, effectiveness, satisfaction and ethics variables)

Variables	Mean	SD	1	2	3	4	5	6	7	8
1 Extra effort	3.52	1.02	(0.86)							
2 Effectiveness	3.74	0.70	0.64***	(0.82)						
3 Satisfaction	3.78	0.99	0.69***	0.74***	(0.93)					
4 Bribery	2.24	0.75	-0.26**	-0.10	-0.19					
5 Physical environment	2.58	0.57	-0.01	-0.01	-0.02	0.01				
6 Lying	2.49	0.63	-0.08	-0.09	-0.04	-0.07	0.02			
7 Personal gain	2.20	0.79	-0.01	-0.05	0.02	0.26*	0.32**	0.09		
8 Favoritism	2.24	0.78	-0.28**	-0.06*	0.23*	0.27**	0.15	0.22*		

Notes: Figures in parentheses are reliability coefficients (Cronbach alphas);  $N = 100$ ; \* =  $p < 0.05$ ; \*\* =  $p < 0.01$ ; \*\*\* =  $p < 0.001$

who are committed to their profession and realize the importance of keeping abreast of the ever-changing technology, might be expected to give far less importance to material gains than to expanding their respective knowledge bases.

In the manufacturing organization, the leader's preference for lying is negatively related to charisma ( $r = -0.34, p < 0.05$ ). This is possibly in accordance with the importance given to trust in the organization as well as a deeply entrenched aversion for supporting misleading statements. In addition, the leader's preference for favoritism is negatively correlated to charisma ( $r = -0.39, p < 0.05$ ), inspirational leadership ( $r = -0.45, p < 0.01$ ), and individualized consideration ( $r = -0.35, p < 0.05$ ). This might be in keeping with the tradition of the organization that holds employee welfare and encouragement close to its heart and is equally concerned about all its employees. In the banking company, the leader's preference for endangering the physical environment is negatively correlated to charisma ( $r = -0.47, p < 0.05$ ). A possible explanation for this is that the banking organization is not likely to face as hard a dilemma involving environmental issues, as a manufacturing or consumer goods company would. The results of organization specific analysis suggest that organizational culture might moderate the relationship between transformational leadership and ethics. The relationship between transformational leadership and the leader's preference for unethical behaviors might depend on the nature of the organization.

The results of this study are puzzling because they do not support the commonly held assumption that transformational leaders are necessarily ethical. They raise some serious questions, because transformational leaders have maximum impact on business and society. However, caution must be exercised in drawing definite conclusions from just one study. Although we drew our sample from four different organizations, the final sample we studied may still not be representative of the population of marketing managers. To the extent that additional variables in the form of moderating factors may have affected the variables studied, the research may be incomplete. This requires further study. It is also interesting to dwell over the fact that the number of female supervisor respondents was only six, compared to 94 males and that only 22 subordinates were females out of a total of 100 subordinates.

The study may show different results if this ratio of males to females was reversed.

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## Conclusion

This study was motivated by a genuine desire to empirically verify whether transformational leaders are ethical or not and whether outcomes like follower satisfaction would depend on the leader's ethical preferences. In spite of a few limitations, this study provides useful information. It provides a deeper perspective of ethical decision making of transformational leaders. Moreover, it provides interested researchers with preliminary empirical evidence for carrying out further research.

The onus is on managers to make ethical choices and create an ethical work environment. Organizations require transformational leaders who set high standards by example. There is, however, a dearth of empirical research on the ethical decision making of transformational leaders. We therefore set out to investigate possible relationships between transformational leadership and five chosen unethical behaviors. This paper could possibly serve as a foundation for further research on the same relationship. As further studies throw more light, our understanding of the ethical fabric of leaders who transform people and organizations could be improved.

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## Appendix

### Vignettes used for measuring ethical preference

#### *Bribery*

Rollfast Bicycle Company has been barred from entering the market in a large Asian country by collusive efforts of the local bicycle manufacturers. Rollfast could expect to net \$5 million per year from sales if it could penetrate the market. Last week a businessman from the country contacted the management of Rollfast and stated that he could smooth the way for the company to sell in his company for a price of \$500,000. If you were responsible what are the chances that you would pay (Fritzsche, 1995)?

#### *Physical environment*

Master Miles has developed a special milling process which yields a wheat flour which when used for bread provides a lighter more uniform texture than conventionally milled flour. Unfortunately, the process gives off more dust than the emission control equipment presently installed can handle and still maintain emissions within legal limits. Due to lack of availability, the company is unable to install new emission control equipment for at least two years; however, if it waited that long to introduce the new process, competitors would very likely beat it to the market.

The general manager wants to use the new process during the third shift, which runs from 10 p.m. until 6 a.m. By using the process at that time, the new flour could be introduced and the excess pollution would not be detected due to its release in the dark. By the time demand becomes great enough to utilize a second shift, new emission equipment should be available.

If you were responsible, what are the chances that you would approve the general manager's request (Fritzsche and Becker, 1983)?

#### *Lying*

You are developing an advertisement for a new housing development your firm is about to start. The development is located in a low-lying area, which has flooded in the past. The company has recently done some work to reduce the danger of flooding in the future. In the preliminary advertisement, you have included a statement indicating that the firm has solved the flooding problem. The fact is that if a flood occurs, the homes are still likely to be flooded with 5ft of water. What are the chances that you would include the statement in the advertisement (Fritzsche, 1995)?

#### *Personal gain*

Imagine you are member of a board of directors of a large corporation. At a board meeting, you learn of an impending merger with a smaller company which has had an unprofitable year, and whose stock is presently selling at a price so low that you are certain that it will rise when the news of the merger becomes public. Would you utilize this information and buy some shares for yourself (Monappa, 1977)?

#### *Favoritism*

An executive earning Rs25,000 a month has been padding his expense account by about Rs2,000 a month. In the past you have punished an employee for committing a similar crime; however, this employee is very valued and is your favorite employee. Do you think you would forgive him/her whatever the circumstances (Monappa, 1977)?