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## **THE NATURE AND MANAGEMENT OF ETHICAL DILEMMAS: THE EXPERIENCES OF AUSTRALIAN SENIOR EXECUTIVES \***

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### **ABSTRACT**

This paper presents the findings of a qualitative study that examines the nature and management of ethical dilemmas experienced by Australian senior executives. Seventy-eight (78) Australian executives, represented by diverse industry backgrounds from both the public and private sectors, participated in the study. The researcher conducted semi-structured face-to-face interviews using Flanagan's (1954) CIT (critical incident technique) in which participants were asked to recall a professional situation which they identified as an ethical dilemma and how they managed the situation. The participants' responses were analysed with the assistance of NVivo (QSR International Pty Ltd, 2003), a qualitative data storage and retrieval program. The principal findings consisted of three themes which described the nature of respondents' ethical dilemmas, namely; competing interests, relationship management and governance. The themes which described the management of these dilemmas were accountability, relationship-centredness, courage and withdrawal. This paper presents a background to the research including the methodology, data collection methods and participants' background. This is followed by an overview of the literature, the findings and discussion relating to the nature and management of ethical dilemmas. It concludes with recommendations for further research.

**Keywords:** Ethics, Ethical Dilemmas, Values.

### **INTRODUCTION**

The nature and management of ethical dilemmas by leaders is represented in the literature as being an important context in which followers make judgements about how ethical a leader is perceived to be (Brown & Trevino, 2006b; Brown & Mitchell, 2010; O'Fallon & Butterfield, 2005). This research examines both the nature of the ethical dilemmas faced by senior executives and their responses and management of these dilemmas. The critical incident technique (CIT) (Flanagan, 1954) was adopted in face-to-face semi-structured interviews with the Australian senior executives who participated in this research.

### **METHODOLOGY**

Patton (1990) defines a paradigm as a worldview or way of breaking down the complexities of the real world. The focus of this research is an exploration of the nature and

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management of ethical dilemmas. The research attempts to make sense out of, or interpret experience from, the perspectives of those who live it (Schwandt, 1994a). The experiences of senior executives in the public and private sectors in the states of Western Australia and Victoria are the focus of this study. It is through the investigation of data from these respondents that the researcher seeks to make sense of the social phenomenon being investigated by contrasting, comparing, replicating, cataloguing and classifying the object of study (Huberman & Miles, 2002).

The adoption of a qualitative inquiry for this study was based on the principles outlined by Merriam (1998), and summarised below. That is, this study sought to reflect:

- research in which researchers are concerned primarily with process rather than outcomes or products;
- consideration of how people make sense of their lives, experiences and their structure of the world;
- inductive processes in which the researcher builds abstractions, concepts, hypotheses and theories from details; and
- the researcher being the primary instrument for data collection and analysis.

Semi-structured, face-to-face interviews using the CIT (Flanagan 1954) were used for the purpose of data collection. It was through the use of the CIT that respondents were asked to recount an incident which, for them, presented as an ethical dilemma and what decision-making processes were executed to manage the dilemma. This process was undertaken without analysing participant responses against any pre-determined ethical theories such as teleology and deontology. The purpose of the analysis was to identify the nature and context of the professional situations recalled by the executives.

The coding and categorisation processes for analysis of data were based on content analysis (Holsti, 1969). The process of content analysis was adopted so that meaning could be created from the themes and concepts emerging from the data. The computer software program NVivo was used to facilitate a system of storage, categorisation, comparison and retrieval of data (QSR International Pty Ltd. [QSR], 2003; Richards & Richards, 1990, 1993). In the case of a qualitative process of inquiry, an understanding of the social or human problem is based on building a complex, holistic picture and is conducted in the respondents' natural setting (Creswell, 1994). Therefore, for this study, it was believed that informative and insightful data could be drawn by conducting semi-structured interviews using the CIT in the workplaces of respondents, as opposed to counting or measuring a known or pre-determined set of variables. On this basis, the adoption of a quantitative ontological perspective was not deemed appropriate for this study.

## **DATA COLLECTION METHODS**

### **Critical Incident Technique (CIT)**

Before undertaking the interviews for this study, a pilot study in the use of the CIT was conducted with a group of six senior executives in the public and private sectors of Western Australia to enable the researcher to practise the technique and test its adoption for data collection in this study. The purpose of the CIT, developed by Flanagan (1954), is to act as a tool to assist in observing and recording the characteristics and behaviours that are unique to the dilemma. In order for an incident to be 'critical', the requirement is that it deviates from what is normally expected (Bejou, Edvardsson & Pakowski, 1996). For the specific purposes of this study, a phenomenological form of the CIT was adopted (Creswell, 1998; Snell, 1996). This approach recognises the importance of encouraging respondents to tell their story in their

own way (Burns, Williams & Maxham, 2000; Ehrich, 2005; Snell, 1996). It allows insight into participants' lived experiences and a focus on feelings and values.

Butterfield, Borgen, Amundson & Maglio (2005), examined the development and application of Flanagan's CIT over the last fifty years. It highlights the use of the CIT in research that supports the fundamental elements of qualitative research proposed by Creswell (1998). Finally, as noted by Butterfield and colleagues, the essence of Flanagan's CIT has been successfully applied as a research tool across many disciplines and research areas for the last fifty years. In the context of this study, the use of the CIT supports its development towards a greater focus on participants' thoughts and feelings and why a particular action may have been taken by individuals. One example to illustrate the applicability of the CIT to this study is qualitative research undertaken by Ellinger & Bostrom (2002) in which the CIT was used to capture the beliefs or mental models of managers involved in a facilitation process with employees.

### **Sample**

Participants were drawn from both public and private sector groups in two states of Australia and held the principal position in their organisation. The term 'principal position' denoted executives held the position of CEO in their organisation. The rationale for the chosen sample was based on the desire to have participants representing diverse demographical backgrounds and industry groups, drawn from both public and private sectors in Australia. There was a commitment to ensure both males and females were represented equally in this research. However, at senior executive level, female representation was found to be difficult to achieve, particularly in the private sector. Industry groups represented by the private sector were diverse and included organisations that had both national and international contexts. The public sector was represented by a range of government portfolios, including independent statutory authorities and local government.

### **Sample size**

A letter of invitation was sent to a total of 199 executives, of which 152 were from the state of Western Australia and 47 from the state of Victoria. Seventy-eight (78) senior executives accepted the invitation to be interviewed, representing senior executives from both private and public sectors in both states. The diversity of industry groups represented, together with the size of the sample, provided a rich source of data encapsulating a range of experiences.

### **Data analysis and coding**

Data collection and analysis is the process by which researchers attempt to gain greater insight and understanding of what they have studied. "It is throughout participative observation, in-depth interviewing, and other qualitative research, researchers are constantly theorising and trying to make sense of their data" (Taylor & Bogdan, 1998, p. 141). This view of data analysis as an ongoing and dynamic process which occurs prior to and throughout the data collection phase is shared by Kval (1996, p. 176), who asserts that if a researcher is posing the question "how shall I find a method to analyse the 1000 pages of interview transcripts I have collected?" then the question has been posed too late. Therefore, data analysis is integral to the whole research experience and as such requires careful consideration before and throughout the research process.

All interviews were tape recorded and transcribed verbatim by the researcher. The recorded interviews, while not replacing the necessity for note taking and other recorded observations, provided a permanent record of each interview. This allowed the researcher to be thoroughly familiarise with the data and make comparisons with other supporting material, such as interview notes. A separate journal was maintained for participants in Western

Australia and Victoria. These journals contained notes relating to the interview and observations and descriptions about the professional environment of participants. Cross-referencing between journal notes and recorded interviews during data analysis assisted in the clarification of meaning, since the essence of words spoken was sometimes better captured in what was *not* said, rather than what was actually recorded.

The transcribed interviews were imported into the NVivo program as rich text files. This allowed the researcher to code single words, sentences or paragraphs in individual colours, which represented units of meaning or nodes. These nodes formed the basis from which themes and categories could be determined. The NVivo program has several cross-reference and retrieval features that allows the compilation of data sets for comparison and analysis in the formation of themes and categories relating to the interview questions (QSR, 2003; Richards & Richards, 1990, 1993).

All interviewees were allocated a pseudonym according to location, private or public organisation and the order of his or her conducted interview. The NVivo system's capacity for storage and retrieval of text and references meant that the coding process was more manageable than if undertaken manually. However, computer software is no substitute for the insight and intuition that emanates from the work of the researcher (Coffey & Atkinson, 1996).

### LITERATURE REVIEW

According to Badaracco (2002) moral dilemmas in business involve making choices between non-overriding, conflicting moral requirements; for example, loyalty and honesty. Sinnott-Armstrong (1988) proposes that ethical dilemmas are composed of four key elements, namely; no clear resolution is evident, the agent is required to do each of two (or more actions), the agent can do each of the actions, but cannot do both (or all) and neither of the conflicting requirements is overridden.

Geva (2006) raises some key points relating to the nature and management of ethical dilemmas in the business context. She suggests that in the contemporary business environment problems relating to compliance issues are most common and are managed through an organisational code of ethics. Geva (2006) identifies two weaknesses in this approach. First, a code of ethics represents a system of rewards and sanctions which are designed to enforce specific standards. However, Trevino & Weaver (2001) and Trevino, Weaver, Gibson & Toffler (1999) points out that compliance programs rely on employees reporting breaches. This in itself presents potential ethical dilemmas for the employees, such as conflict between obligation to prevent harm and issues of loyalty to the organisation as opposed to loyalty to one's colleagues (Trevino & Weaver, 2001).

The second area of concern identified by Geva (2006) relates to accountability in the management of ethical dilemmas. According to Geva's typology of ethical problems, most organisations apply what is termed 'first-order' accountability to solve ethical dilemmas. That is, they respond to breaches of conduct according to the rule that may have been violated. However, as pointed out by Geva and supported by De George (1999) failure to achieve moral results is due to leaders thinking in first-order terms. That is, reacting to a breach rather than examining the prevention and cultural aspects of changing the behaviour in an organisation. For example, falsifying financial records or figures could be managed in a first-order manner by punishing the breach while a higher-order approach would seek to identify and take responsibility for the cultural reasons that may have led an individual to break the regulation in the first place.

In the context of this research, the nature of ethical dilemmas is associated with the management of relationships with employees and stakeholders (Waters, Bird & Chant, 1986), and with workplace behaviour relating to bribery, coercion, theft and deception (Fritsche & Oz, 2007). Geva (2006) included receiving 'kickbacks', stealing from the company, falsifying

records and misuse of information. It is suggested that many dilemmas are managed by application of what is required rather than by the application and fulfilment of higher moral duties (De George, 1999).

### **Ethical decision-making of leaders**

The focus on ethics in decision-making acknowledges that there is a choice of behaviour involving human values (Ruggiero, 2004). Researchers from many disciplines, such as organisational psychology and behaviour, have sought to understand not only *what* influences the decisions of individuals, but also gain insight to *how* they resolve their ethical dilemmas (McDevitt, Giapponi & Tromley, 2007). Therefore, how leaders manage ethical dilemmas is an important context in which followers form perceptions relating to ethical leadership (Brown & Trevino, 2006b). This supports the social learning theory proposed by Bandura (1986), who argues that individuals learn by observing the behaviour of others and from the consequences of that behaviour to others.

Rost (1995) noted that most people do not use ethical frameworks to judge morality. Rather, they draw on life experiences, personal values and perhaps religious convictions. This is illustrated by Beu, Buckley & Harvey (2003), who states that while there may be basic moral norms, the dynamic business environment brings with it challenges which cannot be readily answered by moral rules. Ethical decision-making, therefore, is not straightforward and individuals may examine and behave differently when confronted by similar ethical dilemmas.

The examination of ethics and leadership has been from a normative or philosophical perspective, namely, what leaders *should* or *ought* to do (Brown & Trevino, 2006b; Ciulla, 1998a). As such, normative ethical theories are prescriptive and are unable to either accurately predict or explain the decision-making or behaviour of leaders (O'Fallon & Butterfield, 2005; Preston, 1996; Trevino, 1986). Such limitations relating to the application of normative ethics to the study of leadership, has led to the advance of the field of descriptive ethics. Descriptive (or empirical) ethics, which is associated largely with the realm of management and business, focuses on explaining and predicting an individual's actual behaviour (O'Fallon & Butterfield, 2005).

### **Classical decision-making**

The traditional approach to understanding individual decision-making is based upon classical decision-making theory or the rational economic model. According to Huczynski & Buchanan (2001), this model encompasses concepts such as scientific reasoning and empiricism and involves decisions based on evidence, logical argument and reasoning. It focuses on a normative view of how decisions *ought* to be made and assumes the decision-maker is objective, rational and adopts orderly and logical processes to make decisions. As suggested by Beach (1996), classical theory does not address the question of making correct decisions; it merely addresses the question of making decisions correctly. Further it also assumes, for example, that the decision-maker has all the required information at hand to make an informed choice.

### **Ethical decision-making models**

Integral to the contribution made to the field of descriptive ethics, was the development and advancement of theoretical models. These models encompass a number of variables that may influence moral choice and, in so doing, provide a theory base for how ethical decisions are made in organisations (Loe, 2000). The reviewed literature indicates that researchers acknowledge moral behaviour is related to individual's awareness and recognition that a moral issue does exist (Butterfield, Trevino & Weaver, 2000; Covrig, 2000; Jones, 1991; Rest, 1986; Reynolds, 2006; Trevino, 1986, 1992b). While the models provide some explanation for

different aspects of moral reasoning, researchers agree that the relationship between moral reasoning and behaviour is not well understood (Church, Gaa, Naiann & Shehata, 2005; Trevino, 1986; Shao, Aquino & Freeman, 2008).

### **Synthesis of ethical decision-making models**

Rest (1986) proposed a four-stage model for ethical decision-making. The stages consisted of recognising a situation as having a moral issue, making a moral judgement, establishing moral intent and acting on the moral concerns. Earlier, Rest (1979) developed a defining issues test (DIT) to measure moral development and the DIT has been applied to numerous empirical studies examining moral development (Trevino, Weaver & Reynolds, 2006). The first stage of Rest's model, relating to moral awareness, was defined by VanSandt, Shepard & Zappe (2006, p. 414) as "[t]he degree to which an individual *recognizes* the aspects of a situation that carry a reasonable likelihood of a moral wrong or harm to individuals, classes of people, or other entities – human or non-human, living or reifications".

Trevino (1986) built on Rest's (1986) model by attributing individual and situational factors influencing decision-making. The individual moderators included ego strength, field dependence and locus of control (LC). The situational moderators were factors relating to the individual's job context, organisational culture and characteristics of the work. In later research by Brown & Trevino (2006b), LC was proposed as an individual characteristic positively related to ethical leadership.

Hunt & Vitell's (1986) model related to ethics in marketing. For the purpose of this review, environmental and personal factors influenced the perception of individuals in the recognition of an ethical problem. Dubinsky & Loken's (1989) model was built on the theory of planned behaviour by Ajzen (1991), which posits that individuals' intended behaviour is strongly linked to attitudes and beliefs held by individuals relating to the behaviour itself. Finally, Jones's (1991) model centred on the moral intensity of the issue which determined an individual's recognition and response to an ethical dilemma. The concept of moral intensity included the proximity of the moral situation and the social consensus or agreement on the goodness or harm of the proposed act. Jones proposed that issues of high moral intensity are recognised as moral issues because they are more salient and vivid and, thus, gain the decision-maker's attention (Butterfield et al., 2000).

### **Cognitive moral development**

The ethical decision-making models presented in this review all contain a common element; crucial to moral judgements made by individuals is the recognition of a moral issue (Butterfield et al., 2000; Jones, 1991; Rest, 1986; Weber & Gillespie, 1998). Seminal work in Cognitive Moral Development (CMD) was undertaken by Piaget (1932), and later by a student of Piaget's, Kohlberg (1969, 1981). Kohlberg's CMD model has been cited in literature as related to the moral development of leaders (Beu et al., 2003; Gowthorpe, Blake & Dowds, 2002; Harding, 1985; Trevino, 1992b; Watson, Berkley & Papamarcos, 2009). The model is grounded on the principle that moral judgements are a function of cognition. In Kohlberg's model, individuals' moral decision-making consists of: recognising a situation as having a moral issue; making a moral judgement relating to an issue; establishing a moral intent; and engaging in moral behaviour (Kelley & Elm, 2003). Kohlberg's model (1981) is developmental in nature and proposes three levels of CMD, namely; pre-conventional, conventional and principled.

Kohlberg proposed a six-stage framework of moral development. Each stage represents a level of socio-moral development; that is, the characteristic level from which an individual formulates moral judgements. For example, in the first stage, the pre-conventional level, individuals have not yet come to understand and uphold socially shared moral norms and

expectations and do not recognise the interests or rights of others as being shared with their own. In contrast, individuals at the post-conventional stage understand and generally accept society's rules and the moral principles that underlie these rules. "These principles, in some cases, come into conflict with society's rules, in which case the post-conventional individual judges by principle rather than convention"(Colby & Kohlberg, 1987, p. 17).

### **Beyond moral reasoning**

Kohlberg's theory (1969, 1981) has provided the basis for a broad assessment of an individual's moral development. However, the theory cannot take into account the complexities of the contemporary business environment nor explain the relationship between moral reasoning and moral action (VanSandt et al., 2006). Empirical research shows the association between moral reasoning and action to be moderate (Shao et al., 2008; Butterfield et al., 2000). For example, it is proposed that individuals who reason at principled levels are more likely to be perceived as ethical and make more ethically appropriate decisions (Ashkanasy et al., 2006). However, some literature suggests that it is because ethical dilemmas occur in situations in which the potential to cause harm is present that individuals operate at a lower CMD level, compared to that in hypothetical situations (Church et al., 2005; Trevino, Hartman & Brown, 2000; Tetlock, 1992). Jones (1991) refers to this potential for harm as the 'magnitude of consequences'.

### **Cognitive framing**

Minsky (1988) presented the concept of framing, which is described as cognitive shortcuts that people use to help make sense of complex information. Cognitive frames help individuals to interpret the world and represent that world to others. Framing is used to assist in organising complex phenomena into coherent, understandable categories. That is, meaning is given to some of the aspects of what is observed while discounting other aspects because they appear irrelevant or counter-intuitive. Frames are built upon underlying structures of beliefs, values, and experiences; therefore, individuals often construct frames that may exist prior to conscious processing of the information for decision-making.

## **FINDINGS**

### **The Nature of Ethical Dilemmas**

In this study respondents were asked to recall a situation they were required to manage which they identified as an ethical dilemma. In the context of this research, an ethical dilemma has two main characteristics. Firstly, the incident challenged respondents' values, and secondly, a resolution for the management of the situation was not readily evident or simple in nature. Three themes emerged from the data to represent the nature of respondents' ethical dilemmas, namely; competing interests (confidentiality, organisational change), relationship management (use of power, workplace behaviour) and governance (misappropriation, bribery). The qualifying categories are represented in brackets after each of the three themes. Each of these themes together with their qualifying categories is now examined.

### **Competing interests**

The first theme, competing interests, emerged from data represented by respondents' descriptions of ethical dilemmas. Confidentiality and organisational change represented the qualifying categories. The category confidentiality was the most common element in respondents' ethical dilemmas associated with competing interests. In the context of this research, competing interests had two dimensions to its meaning. Firstly, it referred to a situation in which the interests of one or more stakeholders were required to be examined in

the decision-making process and for which not all parties' interests could be met. The nature of this dilemma was most often cited as occurring in an environment of limited resources, coupled with the pressures of organisational or political imperatives.

In the examples recalled, respondents were faced with decisions in which stakeholders' circumstances may have warranted equal consideration but limited resources did not allow equal access to what was available. Respondents commonly acknowledged that this 'weighing up' of competing interests was an integral component of their role as senior executives. The second dimension of this dilemma recalled by respondents referred to situations in which the decision-maker(s) may have had a personal relationship with a stakeholder or was privy to information that would not normally be available to them. In such cases, this raised the potential of a conflict between their professional obligations to serve the interests of all stakeholders and those of an existing personal relationship. While respondents believed they viewed such information as objectively as possible, the personal relationship added complexity to the decision-making process. Further, it illustrates how professional judgement and decision-making may be potentially compromised between an individual's professional obligations and his or her personal relationship with others involved in the situation.

Respondents' recollections also revealed the role of managing perceptions in determining how others made judgements about whether or not there was a potential conflict of interest. While respondents took every precaution to do what they thought was 'the right thing' and minimise conflicts of interest, this did not necessarily eliminate the perception others formed about their involvement and relationship with stakeholders. That is, no matter what action some respondents took, many expressed that even if there was no evidence of a conflict of interest, some individuals believed one existed.

### **Confidentiality**

The category of confidentiality emerged from data representing a principal component of the ethical dilemmas of respondents. Confidentiality was recalled in terms of the challenge associated with matters relating to disclosure. Respondents described the issue of 'weighing up' what should or could be disclosed, and whose interests such disclosures served. While many respondents made reference to specific groups when referring to matters of confidentiality, most used the term 'in the public interest'. Respondents also described the sensitive 'balancing acts' involved in determining issues of confidentiality. Examples of this challenging determination were evident in public sector respondents whose role it was to represent the 'public interest,' while balancing the political demands of the government of the day. This is clearly illustrated in the following recollection in which parties are seeking the release of confidential documents when the purpose of obtaining the information may not always be clear:

OK, I think I am in this particular position, it's perhaps unique in that I'm presented with that sort of dilemma, I wouldn't say daily but frequently. Where, for example, where, the government may wish to access for example information that was created by the previous government, particularly something like Cabinet documents and obviously you shouldn't do that because of some political objective (PG17).

In the above example, a request to release confidential documents relating to the previous government's activities may have had little to do with the 'public interest'. Rather, such a request may have been designed to act as a leverage to promote and support the government's position on matters which the government believes is in the best interests of the public. Similar challenges emerged from private sector respondents relating to what and how

much information was disclosed about the viability of a company in a prospectus document for shareholders.

The management of a specific aspect of confidentiality cited by respondents related to what is commonly referred to as 'leaking'. In the context of this research, 'leaking' referred to individuals who disclosed confidential information to parties both inside and outside the organisation. The most contentious form of 'leaking' which respondents managed, related to information released to the media without formal authorisation. The recollection cited below clearly illustrates the challenge of this breach of confidentiality:

Some of the things I find challenging in this role are the things that find their way into the media and when you're dealing in our business you're dealing with lots and lots of this and this is because of public scrutiny, you're dealing with lots of issues many of which are confidential and the confidentiality is vital, in fact sometimes it can jeopardise a transaction, sometimes it can jeopardise a person's reputation and we go to great lengths re: confidentiality, but often on numerous occasions we will have a meeting...and the day after something we've discussed confidentially is in the newspaper. I find that repulsive and we employ everybody to respect confidentiality (VP10).

### **Organisational change**

The final category to emerge from data to qualify the theme competing interests was organisational change. This category represented the ethical dilemmas which confronted respondents when they were required to manage significant change in their organisations. This could involve, for example, either the restructuring or closing down of a business. Crucially, it was the effect such changes had on the lives of employees and other stakeholders associated with the business that presented the most significant aspect of the dilemma for respondents.

A principal challenge of this dilemma included managing the displacement of people in the organisation. Respondents involved in significant organisational change reflected on the dilemmas such action created. This category strongly supports the theme relationship management since it was the management of people cited as the most challenging aspect involved in organisational change, not the nature of the potential change itself. This is succinctly encapsulated in the following recollection in which the business case for closure was clear but the human dimension of such action not as straight forward to execute:

From a business point of view this isn't a complex issue, this is losing a ton of money, it is never going to actually fly, how do we cease the bleeding and liquidate the assets? Two years prior the reality was the community board which had been running it for years had been in debt spiral for ten years. The ethical dilemma arises when you are looking someone in the eye and telling them that you are making them and all their colleagues redundant. How do you actually make a hard decision and exercise it compassionately and fairly? (VP14).

The above dilemma was repeated in a number of contexts by many of the respondents. However, the common factor in the examples given were the challenges relating to the management of human resources in the change process and the competing interests of the parties involved in the specific situation.

### **Relationship Management**

The second theme, relationship management emerged from data represented by respondents' descriptions of ethical dilemmas. This theme acknowledged the challenges of

managing people involved in the ethical dilemmas recalled by respondents. The principal categories which defined the theme were; use of power and workplace behaviour.

### **Use of Power**

The term use of power emerged from data as one of the most common elements of ethical dilemmas which respondents were required to manage, and in some instances, experience themselves. The form of the use of power recalled most often was the management of situations in which intimidating and bullying behaviour was prevalent. This included both overt and covert acts of bullying and occurred where there often existed an unequal distribution of power between alleged perpetrators and victims. The dilemma for respondents was that the alleged perpetrator often held a position of power in the organisation and with whom they had a professional, and sometimes, personal relationship. This meant the professional and personal contact with the alleged perpetrator was usually in an environment with other senior executives. Subsequently, there may have been limited opportunities to observe the alleged perpetrator's relationships with employees in the organisation. Many respondents felt their ability to make clear judgements in the management of such incidences complex, as it raised issues such as personal and professional loyalty.

Another common expression relating to the use of power arose in the management of incidences of nepotism. This involved an individual using his or her official position to secure favourable outcomes or appointments for preferred family members or professional associates. Many respondents recalled situations in which there was considerable pressure placed upon them while occupying their senior executive role, to appoint a family member or associate to the organisation. This pressure was often exerted by influential stakeholders both within and outside the organisation.

In these situations, respondents felt their values were being compromised, as ordinarily they would not have appointed a family member or associate without a formal recruitment and selection process being undertaken.

Some respondents acquiesced to this form of pressure, while others, such as the respondent's recollection below, refused to do so without a formal recruitment and selection process:

I was on the board of an organisation, a very brand new organisation and when the appointment of the CEO occurred, there was considerable pressure from one of the obviously more powerful people on the board to actually appoint without interview and I declined to do that so I guess I basically forced the issue, we had to do the interviews (PP17).

The respondents who succumbed to pressure to appoint a family member or associate, also described the management of employees' perceptions relating to the appointment. Most commonly, such an appointment aroused suspicion as the lack of formal process was perceived to be unfair and did not follow the selection policies of the organisation. In addition, there were occasions when other employees believed the appointee did not possess the required level of credentials or competencies for the role. In these circumstances, respondents were often confronted with the management of reduced levels of morale amongst employees arising from the appointment.

### **Workplace behaviour**

The category workplace behaviour emerged from data as the second most cited issue in relation to the theme of relationship management. Specifically this category was associated with issues relating to respondents' management of people's performance in their professional role. Examples cited reflected the complex nature of issues relating to workplace behaviour, as

incidences were rarely confined to an individual's job performance. In essence, respondents' dilemmas overwhelmingly centred on dealing with individuals' reactions to being confronted about their behaviour in the workplace. Recollections of workplace behaviour that emerged from data acknowledged personal aspects of relationships which made the management of behaviour complex, rather than the context in which the behaviour took place. Further, respondents found it more confronting to manage an individual with whom they had developed a long-standing professional relationship. For example, a number of respondents recalled situations in which matters relating to the use of drugs and alcohol or family matters exacerbated workplace performance and these issues could not always be isolated from the professional situations respondents were addressing. This is clearly illustrated in the following example:

So, like for me the decision was and because you know that alcohol abuse is really a health issue so you've got this sort of dilemma between looking at this person with this health issue and looking at the impact that it's having on the students (PG9).

Many respondents recalled the challenges associated with addressing issues with individuals whose performance had not been previously or effectively managed by others. This was illustrated by recollections in which performance issues may have been identified in an individual but not addressed by management over a long period. Therefore, when respondents demonstrated a commitment to resolve an individual's performance issues, it was met with denial and shock because no-one had previously raised the performance issues with the individual. This situation is well illustrated in the following recollection and was recalled by many respondents in this research:

I've worked with those who have been unable to have honest performance discussions with people so they leave individuals thinking they are doing well and then they get on to somewhere else and the new person comes in and they start getting a different message, that can spoil people's lives when they don't comprehend why one day they're OK and the next day they're not when actually it's the leadership (VG6).

In conclusion, the common theme throughout respondents' descriptions of workplace behaviour that emerged from data was acknowledgement that both the private and public circumstances of individuals make the management of workplace behaviour complex.

### **Governance**

The third and final theme governance related to dilemmas which arose in the context of the contravention of official policies, rules or regulations that applied to the administration of the organisation in which respondents worked. Two principal categories emerged from data relating to ethical dilemmas under the theme governance, namely; misappropriation and bribery.

### **Misappropriation**

The first category, misappropriation, related most often to resources such as finances, including the use of corporate credit cards. There were also examples associated with the use of the internet, but these were not as significant compared to the misappropriation of finances. Dilemmas involving the misappropriation of finances were recalled in a variety of complex situations. A key factor in respondents' recollections was that alleged offenders often held a position of influence which gave them knowledge and access to financial systems not afforded to other individuals in the organisation. Further, in respondents' cited examples, many had a

business or personal relationship with the alleged offender. Many respondents expressed the emotion and disappointment they had to confront in the knowledge that someone they trusted and respected had betrayed their relationship. Therefore, while respondents did not retreat from their professional responsibilities in reporting such matters, the experience was more personally confronting because of the established relationship. This is illustrated in the following recollection:

Yes, I have had a situation where my best friend or if not all but my best friend, I was aware that he was misappropriating and again here, we're not talking here about hundreds and thousands or even thousands of dollars to be honest but was definitely abusing, I guess the position that he had, it wasn't good (PP9).

There were other examples that involved the misappropriation of finances by individuals whose personal issues became embroiled in the resolution process. That is, while issues such as workplace performance, personal relationships and health matters were an additional aspect to the alleged misappropriation, respondents could not easily isolate these matters when seeking a resolution to the alleged misappropriation. The following recollection highlights this type of dilemma:

I had formed the view that there was something psychiatrically wrong with this person. Meanwhile a lot of money was going out of the organisation, so I contacted the chairman again and said we have got a real problem here, we need to do something and I said did you know that this person has gone and spent X and gone and done Y and all the rest of it. Oh no, I didn't know that. Well I said it's going on and we have to act, yes, yes, yes (PP17).

Another common dilemma for respondents related to proving the misappropriation of finances. Many respondents were frustrated because they believed they had sufficient knowledge and evidence relating to the misappropriated finances but considered the evidence insufficiently robust to withstand legal scrutiny. Respondents therefore felt some moral responsibility along with a sense of powerlessness that someone may have 'got away' with a serious offence.

The management of the misuse of credit cards was a common example and occurred in the context of goods and services being placed on organisational corporate cards. The dilemmas described by respondents were identified as not necessarily being centred on the nature of the goods or services, but rather the context and circumstances in which the credit cards were used. For example, while there may have been an official policy relating to the use of credit cards for goods or services such as food and beverages, many respondents expressed that this was not always as straightforward as it appeared. Often, it came down to the individual's conscience and where, for him or her, 'the line could be drawn'. This was most often cited in circumstances where there was no official business purpose for a lunch or dinner but such an occasion would be perceived as a legitimate reason to use the corporate credit card and justify it as 'business'.

### **Bribery**

Respondents represented by both the public and private sectors, described ethical dilemmas relating to the category bribery. One common example related to gifts and rewards. The challenge described by respondents was determining where the 'line was drawn' in situations where bribery took the form of offers of gifts and rewards. Respondents were rarely confronted with a situation in which they were offered a bribe in the form of money or other gifts and rewards in an explicit and direct manner. More commonly, respondents described

circumstances associated with acts of bribery as being undertaken in a subtle and unobtrusive manner and therefore any implied expectations or obligations by the act of gift giving were unclear.

Most respondents recalled situations in which gifts took the form of entertainment, such as tickets to a corporate sporting event, which may or may not have included travel and accommodation. It was in relation to such entertainment that many respondents expressed the timing of the gift or reward which enabled them to more clearly define where 'the line should be drawn'. This example was recalled specifically in the context of the procurement environment. In these situations, companies submitted a tender application for a contract to provide services to both government and non-government entities. Some of these companies made contact with members of the tender panel with offers of gifts in the form of tickets to major sporting events such as international cricket or Australian Football League (AFL). Respondents described clearly where 'the line should be drawn' in these circumstances. That is, the acceptance of gifts while the tendering process was being finalised was inappropriate, as the following recollection illustrates:

So the dilemma was, in the midst of the negotiations, should they be offering free trips and they were offended when I said I didn't think they should. I had no rules because the company didn't have any rules in this area and I remember it was a free trip to the grand final (PP5).

Public sector respondents expressed more reluctance to accept gifts at any time and were more likely to recall the gift policy which they referred to for guidance. Private sector respondents were also conscious of the timing of when it was appropriate to accept gifts but were more likely to regard the exchange of gifts as integral to long-term business partnerships and goodwill. In addition to considering the timing of gift offers, many respondents managed this dilemma by making explicit the limit to which he or she would go in accepting a gift. For example, they may accept a ticket to a sporting event but not accept payment for either flights or accommodation to the event.

Other respondents recalled examples of gift exchanges, which occurred in a cross-cultural environment. In many of these situations, respondents accepted such exchanges as common practice and most were comfortable with what were perceived as gestures of goodwill and relationship building. However, some respondents recalled there were business transactions in which there was the expectation of another form of exchange, which was more complex and less 'clear-cut'. It was in these situations that respondents expressed uncertainty and, as the following recollection illustrates, questions arose about the legitimacy and nature of such transactions:

One was an international trade issue and that was more generally dealt with by the group. It was about rebates to customers and whether they were open and transparent or whether in fact they were in the nature of bribes so and it's sometimes rebates are quite legitimate, people buy a volume of X product and they get a rebate for doing that. Now it's a question of where the rebate goes or the payment goes and how far one is obligated to find out about that. [T]here are less savoury customers around the world and you don't exactly know what happens to the money often enough and it was a question that it was a grey area, it was a borderline one (VP16).

While there were fewer examples recalled by respondents in an international context, many respondents in this research acknowledged dilemmas of this nature were likely to increase as their global business operations expanded. Overall, most respondents

acknowledged holding a senior executive position made the likelihood of gifts and rewards being offered and the challenge in exercising judgement in these situations, substantially increased. The view that was commonly expressed was their professional status as a senior executive placed them in a position where the offer of gifts and rewards became more prevalent. Many respondents referred to company policies or guidelines that contained procedures for the management of the exchange of gifts and rewards. However, many still found it challenging to make a judgement between what constituted a gift for the purpose of goodwill within the boundaries of a well-established professional or business relationship and what represented an implied obligation or expectation on the part of the gift giver.

### **Summary: The nature of ethical dilemmas**

The themes competing interests, relationship management and governance represented the nature of the ethical dilemmas recalled by respondents in this study. When total responses were examined relating to these three key themes, ethical incidences involving competing interests and relationship management predominated. Within these two themes, matters relating to confidentiality and use of power most often qualified the nature of respondents' ethical dilemmas. Overall, the management of relationships was a common aspect of many dilemmas recalled by respondents.

### **The management of ethical dilemmas**

The four principal themes that emerged from the data and which represent the type of action respondents took when faced with ethical dilemmas were; accountability, relationship-centredness, courage and withdrawal. The data relating to the four themes indicated that respondents' decision-making is complex and dynamic in nature. Most particularly, no single approach is applied to either examine or resolve dilemmas. There are normative ethical theories that propose some principle or principles for distinguishing right actions from wrong actions (Shaw & Vincent, 2004). However, one single ethical theory could not be applied to each of these four themes. This recognises, according to Williams (1985, p. 16), that "we are heirs to a rich and complex ethical tradition, in which a variety of different moral principles and ethical considerations intertwine and sometimes compete". When the total number of respondents represented in this research was examined, accountability was the most common theme relating to respondents' decision-making when confronted with an ethical dilemma. The four themes, accountability, relationship-centredness, courage and withdrawal are now presented.

### **Accountability**

The management of ethical dilemmas included in the theme accountability emphasised the rules, regulations or policies that were applied to and governed specific situations. The qualifying category compliance encapsulated the actions most commonly described by respondents and which were used to assist in making judgements about ethical dilemmas they faced. Most importantly, a process of verification was fundamental to these respondents to ensure their course of action complied with the organisation's adopted accountability measures. That is, their primary concern was to substantiate and validate the specific rules that governed the circumstances relating to their ethical dilemma. As part of the process, many respondents sought independent advice on the matters pertaining to the circumstances of the situation.

Respondents also emphasised the importance of formal documentation of their decision-making as an integral aspect of compliance. Many respondents viewed documentation as an official record to provide evidence that the management of the dilemmas was done in an accountable and transparent manner. Further, it was noted by many respondents that it was a requirement of their organisation to undertake such practices. The common view was that the process of documentation also provided a basis for ensuring the decision-making process took

account of their core values. As the following recollection attests, personal values were integral to a number of elements in the compliance process:

So to put all of that process down in writing in four or five pages and to talk about, it's a very hard decision, you know, I laboured through each of those processes, it was, it was lots of agonising, lots of going outside for advice, testing it against your core values, weighing up the benefits to the organisation versus the benefits to the individual (PG7).

### **Relationship-centredness**

The second theme, relationship-centredness, emerged from data to describe the action of respondents when confronted by ethical dilemmas. It was qualified by the category collaborate. Respondents whose recollections aligned with the theme relationship-centredness focused on the character of individuals and the nature of the relationships with people involved in the management of the dilemmas. Importantly, the resolution of dilemmas was closely aligned with respondents acknowledging the importance of building relationships with stakeholders and relying on the reputation and strength of these relationships to resolve dilemmas.

The category collaborate represented the type of action most often reflected in respondents' descriptions of the management of ethical dilemmas that aligned with the theme relationship-centredness. Many respondents emphasised the importance of resolving their ethical dilemmas by being able to collaborate with stakeholders who may be affected by the circumstances of the situation. The process of collaboration was viewed as an important opportunity to build empathy and respect for the position held by key stakeholders affected by the situation. Many respondents also cited the importance of building trust with individuals or organisations in the management of ethical dilemmas.

### **Courage**

The third theme, courage emerged from data to qualify how respondents in this research managed their ethical dilemmas. The most distinguishing feature in respondents' descriptions for this theme was their emphasis on maintaining a level of confidence and determination in their own judgements and principles governing the nature of the ethical dilemma. In essence, the theme courage described respondents who adopted a determined and tenacious position relating to the management of their dilemmas. Commonly, their action involved decisions which may have been met with disapproval or resistance from others. The demonstration of courage was recalled as having the 'courage of one's convictions'. Respondents adopted a commitment to particular principles or values, and although an acceptable conclusion to their dilemmas was important, the means by which the dilemma was managed took precedence.

Two categories which qualified the theme courage were advocate and report. Once the rules or policies which governed the situation were verified, the category advocate described the action of respondents who were prepared to put forward their argument in defence of the position they wished to take in the resolution of the ethical dilemma. Many respondents used expressions such as 'plead my case' or 'make recommendations' when describing their commitment to advocate their position on the circumstances of their situation. This process often took place in an official environment such as the organisation's governing board or a group made up of senior executives from various divisions within the company.

The final category that qualified the theme of courage was report. This closely aligned with the theme of accountability. The category report referred more closely to the role of external independent authorities. Examples of these included tribunals, licensing and regulatory boards and professional bodies, which conduct formal inquiries involving activities

such as reported misconduct or corruption. In the context of this research, respondents sought the attention of such bodies with reports of activities within their own organisation they believed warranted formal and independent investigation. Some respondents recalled the need to adopt a tenacious and persistent approach to these situations. When internal investigations had not addressed their concerns they were hopeful they would be viewed as sufficiently serious by these independent bodies to set up a formal inquiry. The chances of this occurring were increased if the activities of the organisation were also the concern of stakeholders, such as community interest groups.

The following recollection is an example in which the respondent had initiated formal reporting procedures within the organisation and viewed the establishment of an independent, formal inquiry as the opportunity to have the matters more fully and satisfactorily investigated. The respondent believed that a formal inquiry was also a means to have his or her reported actions vindicated by an independent body.

You then go and look for verification and you talk to other people and there was no problem with the verification...people like me report the situation and then it gets legs in terms of whether there's going to be an Inquiry and often there is an Inquiry, in my case I was lucky there was an actual Inquiry (PG24).

### **Withdrawal**

The final theme withdrawal emerged from data to describe the action of respondents when confronted by ethical dilemmas. Respondents' descriptions for the theme of withdrawal concentrated on their preparedness to literally 'walk away' from both the situation and/or the organisation. Integral to this action was a strong declaration by respondents that they would have no further involvement in the resolution of the dilemma without specific aspects being addressed to meet their concerns. Many respondents expressed they were prepared to resign from the organisation if the manner in which the dilemma was being managed could not be re-negotiated.

The qualifying category renounce represented respondents' public declaration about their willingness to sacrifice their own professional and personal interests if the nature of the ethical dilemma compromised their principles. Importantly, this qualifying category emphasises the public nature of respondents' management of their withdrawal from the situation and/or the organisation. That is, knowledge of the respondent's sentiments and formal position in relation to the situation were made public. In this way other members of the organisation were left in no doubt why the respondent chose to resign from his or her position. This action differed from respondents who may have left the organisation and cited, for example, that they were leaving to 'pursue other opportunities' or 'personal reasons'. In these cases, other individuals may have suspected the reasons for the withdrawal, but not been entirely certain because the respondent had chosen not to publicly renounce his or her position and the details that led to departure from the organisation.

Many respondents described being in a situation in which the choice to uphold their principles and values also meant that opportunities to further their career aspirations, could be placed in jeopardy. In these circumstances, respondents who chose to remain in their organisations either lost the role they were occupying or were relegated to a position that did not carry the same responsibilities or status as their previous role. In essence, they believed they lost their positional power because of their commitment to principles, which did not align with other members in the organisation. Some respondents were prepared not only to renounce their role and future career opportunities, but also resign and leave the organisation rather than compromise their position on the situation being examined.

**Summary: The Management of Ethical Dilemmas**

The themes of accountability, relationship-centredness, courage and withdrawal emerged from the data to qualify the key approaches respondents adopted in the resolution of their dilemmas. When the total responses were examined relating to these four themes, accountability and relationship-centredness represented the most commonly applied actions in the management of ethical dilemmas.

**DISCUSSION**

The nature of the ethical dilemmas recalled by senior executives consisted of three principal themes: competing interests, relationship management and governance. In terms of the reported action taken in response to their ethical dilemmas, senior executives took four main actions. They were represented by the following four themes: accountability, relationship-centredness, courage and withdrawal.

How leaders manage ethical dilemmas has been established as an important context in which followers make judgements relating to how ethical a leader is perceived to be (Brown & Trevino, 2006b). The social learning theory of Bandura (1977) proposes that the behaviour of leaders provides the basis for follower observation and the emulation of such things as leader behaviour, attitudes and values. Ethical dilemmas represent situations in which there is the possibility for harmful outcomes on followers. “[W]hen the potential for great harm exists, observers will pay attention to the decision-maker to see how he or she handles the situation” (Brown & Trevino, 2006b, p. 602). Church, Gaa, Nainar & Shehata (2005, p. 364) purport that “[a]n ethical issue is present in a situation when a person’s voluntary actions have a positive or negative impact on the welfare of another person”. Sinnott-Armstrong (1988) refers to an ethical dilemma occurring when one or more ethical requirements are in conflict and no clear resolution is evident.

Geva’s (2006) typology of moral problems encapsulates a key finding in this research. The business environment presents situations in which it is challenging to make a judgement about which ethical requirement in conflict should prevail. However, “[i]n terms of the typology, a genuine ethical dilemma stems from conflicting requirements, not from a lack of ability or willingness to do what is right; and therefore, it calls for ethical analysis” (Geva, 2006, p. 136). In this research, many situations identified by respondents as ethical dilemmas related to issues of compliance which, according to Geva (2006, p. 137) “[i]s primarily one of ability and willingness. There is no doubt in this case as to the right thing to do, but performance may be inhibited by pressures of self-interest, short-term thinking, bottom-line orientation, market practices or unwritten organizational laws which run counter to morality”.

This is true of respondents who focused on organisational requirements and obligations governing the situation they were required to resolve. Therefore, respondents readily identified the rules of compliance which applied to the context of their situation. For example, workplace behaviour issues, such as the under-performance of employees, use of drugs and alcohol in the workplace, and misappropriation relating to finances and credit card use were commonly recalled. In these cases, respondents were focused on the rule or code of conduct that had been broken. Many respondents cited examples of competing interests relating to the management of organisational change. These examples too are supported by Geva’s typology in that what was required was evident. However, the execution of action was perceived as problematic. One specific example related to a respondent given the responsibility of closing down a large business. The ‘business case’ for the closure was perceived to be undisputable as it was operating at a significant loss. However, it was the management of relationships which was identified by respondents as being the most challenging aspect of ethical dilemmas.

Relationship-centredness represented one of three themes to qualify the action taken by respondents in the resolution of ethical dilemmas. This finding is supported by Hitt (1990, p.

35) who stated that “[t]he ethical dimension points the manager toward doing the right thing for people”. The management of relationships was also identified in research by Waters, Bird, & Chant, (1986) as being the most common moral dilemma cited by managers. The contextual details cited by respondents also align with the ethical issues identified by Fritzsche & Oz (2007) as being the ones that business executives find most challenging. They include bribery, coercion (*use of power*), theft (*misappropriation*) and deception (*abuse of power*). The italicised words represent the findings of this research.

There is significant literature in which business ethics researchers have drawn on moral psychology to explore the relationship between moral judgement and moral action (Covrig, 2000; Jones, 1991; Rest, 1986; Reynolds, 2006; Trevino, 1986; Weber & McGivern, 2010). The relationship between moral reasoning and action is complex and not clearly defined (Church et al., 2005; Trevino, 1986). Therefore, how leaders approach and resolve ethical dilemmas has been an important avenue for exploring this relationship which includes examining why some individuals behave more ethically than others.

The findings relating to respondents’ management of their own ethical dilemmas aligned with a dominant theme in the cognitive moral development (CMD) literature. That is, moral judgement and intent do not necessarily translate to what individuals may actually do (Argyris, 1997; Butterfield et al., 2000; Shao et al., 2008; Snell, 1996; Trevino, 1986; Weber & Gillespie, 1998). Central to the empirical research on ethical decision-making is that moral behaviour is predicated on individuals’ awareness and recognition of a moral issue (Butterfield et al., 2000; Covrig, 2000; Jones, 1991; Reynolds, 2006; Trevino, 1992b). Aspects of ethical decision-making theories which are most relevant to this research are discussed below.

### **Ethical decision-making theories**

O’Fallon and Butterfield (2005) raise an important question relating to the first step in Rest’s (1986) model, moral awareness. That is, what factors or influences precede an individual’s moral awareness of a situation? In this research some respondents, when asked to recall an ethical dilemma, responded that they had not encountered any in their careers. As senior executives in roles such as social services that have the potential for high moral intensity situations, this is unlikely (Kelley & Elm, 2003). The fact that some respondents did not recognise a moral issue points to the complexities between moral reasoning and moral action involving other unexplained mechanisms (Shao et al., 2008).

As stated by Reynolds, (2006, p. 241) “[t]he stages of moral decision-making may not be discrete elements of a formulaic thought process but may actually be interrelated in a very complex way such that the stages or moral intent, moral judgement, and moral behaviour influence moral awareness as much as or more than moral awareness influences them.” Respondents recalled the steps they took to resolve their ethical dilemmas. However, as highlighted in the literature this provides some insight into *what* may influence the action individuals take, but not the cognitive reasoning on *how* or *why* they derived solutions to their dilemmas (McDevitt et al., 2007).

Trevino (1986) proposed an interactionist model which posits that ethical decision-making arises from a combination of individual and situational factors. One of the individual moderators in Trevino’s model is LC (locus of control), which represents the level of control individuals perceive to have the events over their lives. Relevant to this research is the proposal that an internal LC is positively related to ethical leadership (Brown & Trevino, 2006b). Situational factors in the model include job context and organisational culture. In this research, job context and organisational factors were cited in respondents’ examples of ethical dilemmas. For many respondents being accountable to either a board of directors (private sector) or a government minister (public sector) represented an organisational factor that influenced their ethical decision-making.

Jones's (1991) model identified the moral intensity of an issue being an important determinant in individuals' recognition of a moral issue. One example in this research that is supported by Jones's theory on moral intensity is leaders' management of bullying and nepotism. These situations were for followers and the individuals most affected, salient and vivid. Further, followers' judgement on the ethicality of a leader in recognising and calling people to account for the harm they caused in these situations was deemed important.

The application of Kohlberg's CMD model to respondents' management of ethical dilemmas supports research which places adults at the conventional level of CMD. Respondents in this research expressed awareness of the rules and laws governing their situation and the authorities or stakeholders (significant others) which held them responsible for their actions. This is evident in the theme accountability, which respondents most commonly adopted in the management of their own dilemmas.

Festinger's (1962) theory of cognitive dissonance offers an explanation for the differences in moral decision-making evident in this research. According to Festinger, individuals value consistency in their behaviour and attitudes. Therefore, they seek to reduce contradictions and rationalise their position on an issue so it aligns more comfortably with their behaviour. In this research, an example of the application of cognitive dissonance related to respondents who justified not providing totally honest feedback to particular employees because 'it would destroy them'. As proposed by Trevino (1992a), obedience to authority or maintenance of the status quo may be issues which constrain leaders' moral reasoning capacity.

Respondents in this research placed considerable value in the management of relationships in the resolution of their own ethical dilemmas. This is supported by a moral identity theory put forward by Blasi (2005). According to Blasi, moral desire is the essence of an individual's moral character. An individual's moral desire strives for first-order outcomes, such as kindness, fairness, truthfulness and compassion. However, in this study, the most chosen action in response to their own ethical dilemmas was the adoption of measures of accountability. As an example, when Geva's (2006) typology of accountability is applied to this research, respondents applied a first-order response to their ethical dilemmas. That is, in cases which involved misappropriation or bribery, respondents sought to clarify the rule or law that may have been contravened and applied the remedy available. Geva suggests true moral obligations go beyond the boundary of what constitutes the 'moral minimum'. In the context of this research, this involves leaders setting the ethical tone and putting in place measures which aim to prevent the problems of compliance.

The management of ethical dilemmas by respondents in this research overwhelmingly aligns with the utilitarian ethical theory. Specifically, respondents adopted rule-based utilitarianism in which individuals conform to rules that will give the most desirable outcome to the greatest number of people. Respondents' concern for building and maintaining relationships suggests two theories may be evident in the management of their ethical dilemmas. Firstly, the principles of virtue ethics, since a concern for the welfare of others was central to the recognition of an ethical dilemma for many respondents. Secondly, a deontological approach in which a judgement about what is right or wrong is determined not by the consequences, but by characteristics of the action itself (Aronson, 2001). In this research most respondents demonstrated a greater concern for outcomes (utilitarianism) in the management of their own ethical dilemmas.

## **CONCLUSIONS AND RECOMMENDED FUTURE RESEARCH**

The nature of respondents' ethical dilemmas was defined by three themes: competing interests, relationship management and governance. While the context of ethical dilemmas varied, there was one finding common for many respondents. The management of relationships with individuals or groups associated with the context of the ethical dilemmas was the most

cited challenge facing respondents in this research. In terms of themes relating to the action taken in response to ethical dilemmas, the issues of accountability and relationship-centredness were most readily recalled by respondents. Again, while participants were conscious of the rules and policies governing a situation they had to manage, the management of relationships was integral to its challenge and resolution. The themes courage and withdrawal were also reflected in respondents' action, but were less common forms of action. Few respondents were prepared to consider withdrawing from the situation but were committed to demonstrating courage in maintaining their commitment to a specific course of action which may not have been popular in the organisation.

If respondents' chosen action is examined from an ethical theory perspective, the theme accountability indicates a predominantly rule-based utilitarian approach to the resolution of ethical dilemmas was adopted. That is, the rule which resulted in the best outcome to the greatest number was chosen by respondents. A focus on relationship management in ethical dilemmas indicates respondents were concerned about the means (deontological) involved in the resolution process. It also reflects elements of a virtue ethics approach which seeks to resolve dilemmas by the character of the moral agent (leader) rather than by adherence to any specific rule. The resolution adopted is premised on the particular circumstances of the situation and affected individuals.

This research provides some insight into the nature and management of ethical dilemmas by leaders. Future research could explore the ethical dilemmas confronting individuals holding other leadership roles in organisations. Are the experiences of these leaders different from individuals who hold principal leadership roles? Is it the leadership position which determines the nature and management of ethical dilemmas or more the character and values held by individual leader? Do similar factors trigger the recognition of a situation being an ethical dilemma? Finally, are there specific values held by individual leaders which make it more likely for them to associate certain situations as being ethical dilemmas? Given the decision-making of leaders may influence many aspects of organisations, it is important that research provides insight to some of the principal questions this study has presented in the nature and management of ethical dilemmas.

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