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An understanding of moral philosophy classifications and social risk in relation to decision-making

John Vincent Wood

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AN UNDERSTANDING OF MORAL PHILOSOPHY CLASSIFICATIONS
AND SOCIAL RISK IN RELATION TO
DECISION-MAKING

A Thesis
Presented to the
Faculty of
California State University,
San Bernardino

In Partial Fulfillment
of the Requirements for the Degree
Master of Science
in
Psychology:
Industrial/Organizational

by
John Vincent Wood
June 2001
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ABSTRACT

The purpose of this study was to look at the relationships between moral philosophy classifications and elements of risk, which in turn affect overall decision-making processes. Specifically, two moral philosophy classifications were examined: utilitarian and egoism. Elements of risk (e.g., perceived risk and risk propensity) were analyzed in association with the moral philosophy classifications. It was proposed that utilitarians would make decisions, which were consequence driven, and that represented the greater overall good. Egoists were predicted to make decisions, which were also consequence driven, yet doing so in order to benefit their own needs, regardless of a greater purpose. Data were collected using a moral philosophy questionnaire where participants read scenarios related to ethical situations and categorized themselves as one moral philosophy over another. Participants' risk perception and risk propensity ratings were gathered after each participant read a risk related scenario. A correlation and several univariate statistical analyses were conducted to identify significant differences among the groups. In general, the results indicated support for a
negative relationship between risk perception and risky decision-making. Furthermore, outcome history was significantly related to participants' risk propensity but not related to moral philosophy type.
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CHAPTER ONE
INTRODUCTION

Moral Philosophy

That which is deemed right and which is wrong is a perpetual debate embedded deep within ethical frameworks and ultimately individual moral philosophies. Moral philosophy is commonly accepted as the premise for certain behavioral choices made as a result of interpreting life's dilemmas. It is believed that everyday circumstances that create ethical questions in us, as individuals, are dealt with or resolved only after referring to our own moral philosophy. Consequently, it is likely that personal moral philosophy will greatly influence decision-making. The focus of this research is to determine the extent moral philosophy plays in decision-making.

Moral philosophy is defined as an individual's class of beliefs, principles, and ideals regarding his/her behavior. Identifying an individual's moral philosophy type is critical when determining the basis of ethical decision-making (Fraedrich & Ferrell, 1992). Moral philosophies can be viewed as types or camps in which
individuals base their reasoning for moral decisions (Ferrell & Gresham, 1985). I will review both the tradition and history of moral philosophy. First, I will describe the development of moral philosophy, and then I will discuss decision-making.

Emergence of the Two Moral Philosophies

Moral philosophy is rooted in the early influences of the great Greek philosophers such as Socrates and Plato. At that time, the belief in striving for materialism and what may lie in another world was considered wasted energy. Each contributed to the idea of living a rational and just life. Thus, the field of moral philosophy extends back many centuries, yet did not produce meaningful arguments over different philosophy types until the eighteenth and nineteenth centuries. During that time, David Hume, Jeremy Bentham, and John Stuart Mills were in the process of developing a new moral philosophy, which would eventually be referred to as utilitarianism and ultimately remain consequence driven. Ironically, Jeremy Bentham was considered the father of what was previously viewed as deontology, which was synonymous with all forms of ethics during this
period and that, which was rule driven. Utilitarianism would eventually become the opposing view of deontology (Louden, 1994). Bentham's final definition outlines the beginning of utilitarianism as it is recognized today. In spite of the fact that Hume and Mills contributed to the rise of utilitarianism, Bentham was the prime mover in establishing its foundation and what will later be referred to as teleology.

Deontology as One Category of Moral Philosophy

Moral philosophy is viewed as an abstract gathering of beliefs that is conveniently compartmentalized into two categories: Teleology and Deontology. Deontology is the moral philosophy category, which states that rules and processes primarily guide one's decision-making behaviors. Deontology emphasizes "intentions or methods of a particular behavior rather than the end results" (Fraedrich & Ferrell, 1992, p. 246). In other words, the deontological approach is more concerned with the means rather than the ends in terms of decision-making.

Deontology is one of two categories in which all current moral philosophy literature falls. Although deontology is one moral philosophy type that encompasses
a portion of the moral philosophy literature, it will not be thoroughly investigated here since individuals in general tend to place greater emphasis on decision outcomes rather than decision processes. For example, managers are typically more concerned about whether a project was completed successfully as requested rather than if it was processed one way and not another.

Emergence of Teleology

Bentham was a British Empiricist who was primarily compelled to change the current legal methods used to handle criminals. He recommended a system that would deal with criminals based on the level of injury imposed on the victim and society. Bentham believed the punishment or consequence should match the crime; the punishment should not be greater or less than the crime (Beauchamp & Bowie, 1979). His views emerged from hedonistic ideology (only that which is pleasurable is good and that which is not pleasurable is to be avoided). Pluralistic utilitarians (one category of teleology) did not believe that we only seek physical pleasure while attempting to avoid pain. Pluralistic utilitarians took the hedonistic view a step further by demonstrating that other concerns
such as friendship, courage, knowledge, and health are all internal values worthy of attention—not simply physical pleasure.

In the late nineteenth century, a pluralistic utilitarian, Friedrich Paulsen, wrote a philosophical text that outlined a pattern of beliefs that would stand unchallenged for at least 40 years. Paulsen's text centered on the "result-based" theories of moral obligation and duty. His thrust for a view focusing on consequence became the field of moral philosophy known as teleology (Louden, 1994).

Teleology

As previously mentioned, moral philosophy is typically divided into two principal categories. Teleology is the second of two moral philosophies, which is a philosophy categorized as a moral outcome of behavior or a direction toward a goal. Teleology can be further divided into two classifications—utilitarian and egoist. In essence, one with a utilitarian teleological philosophy will identify a situation and make a decision for the common good of many. The utilitarian believes in
making decisions while considering the outcome of that decision, and its consequences, on the whole.

Carlson and Kacmar (1997) stated that utilitarianism is a doctrine that maintains that what is useful is good and the determining consideration of right conduct should be the usefulness of its consequences. In other words, the consequences should maximize benefits while minimizing loss. The second classification of teleology is egoism. The egoist is doing what is best in terms of satisfying individual needs. In other words, the egoist will typically make decisions for the greatest good for him or herself (Ferrell & Gresham, 1995).

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

The distinction between philosophy types is not yet clear enough for the establishment of definitive terminology. Researchers continue to explain teleological and deontological philosophy types in similar and contradictory ways using conflicting terminology. An
overlap exists between the two fields because of this confusion in terminology. The difficulty lies in the fact that both fields claim support for their positions, which merely exacerbates this problem. Thus, since there continues to be confusion between terminologies, I will state the definitions of moral philosophy and their classifications I will use throughout this paper.

Moral philosophy is clearly agreed to be a collection of beliefs, values, and principles that affect an individual's path of behavior. This path of behavior is molded by many factors (e.g., the environment and social issues, family influences, innate pre-dispositions, and peer pressure). It is understood that moral philosophy consists of two primary views. My definition of deontology refers to an adherence to a belief based on some procedure or mechanism toward some end, which leads to the acceptance of that belief. In other words, the deontologist believes all actions should be reviewed according to the procedures that define the action. For example, an individual will determine the rightness of a decision made based on the means used to make that determination. Conversely, for the purposes of this study, teleology (the moral philosophy category of
interest) refers to an adherence to a belief based on some ultimate objective, outcome, or purpose toward some end, which leads to the acceptance of that belief. In other words, the teleologist believes actions should be reviewed according to their payoff. For example, an organization will likely determine the value of a decision made regarding an investment in terms of a new process based on the outcome or payoff of that investment. Next, the classifications of teleology will be defined.

Classifications are sub-types of moral philosophies. These sub-types consist of components (e.g., utilitarianism, egoism, and rule deontology) which comprise deontology and teleology. Although deontology will not be thoroughly investigated here, it will be included as a measurement point later on for the sake of completeness when presenting the results. Since teleology is the moral philosophy of interest, I will define utilitarianism and egoism, since these are the primary classifications that fall under teleology. Utilitarianism holds that the outcome or payoff of a situation (decision) is critical when determining the rightness of that situation. Additionally, the utilitarian is
concerned with the outcome or payoff benefiting as many individuals as possible. While egoism also holds the ideal that the rightness of a situation (decision) is determined by the outcome, the egoist is only concerned with the outcome in as much as it benefits him or her.

As noted, definitions of moral philosophy have been less than definitive. So too, the measurement of moral philosophy will require reserved consideration. Now, I will explain the method that will be used to measure an individual’s moral philosophy type and classification.

Measuring Moral Philosophy

Kohlberg created a widely known theory of moral reasoning based on levels of one’s development. The Defining Issues Test (DIT) was developed as a multiple-choice test to measure the elements of Kohlberg’s theory of moral reasoning (Rest, 1974). The focus here is on the Moral Content Test (MCT), which was developed for use with moral philosophy theory. The Moral Content Test was a derivative of the DIT. Boyce and Jensen (1978) created the MCT to measure the content of moral thought. It consists of a sequence of moral dilemmas. The participant reads the dilemma and decides
the most suitable decision related to the situation's morality.

I will use the MCT to assess participants' responses to questions regarding philosophy types and to classify participants as either egoists or utilitarians. Jensen and Boyce's test is believed to contain every form of moral judgement. The first section distinguishes teleological characteristics from deontological characteristics. Within the teleological view is the distinction between egoism and utilitarianism. The MCT is a widely recognized measurement tool that reliably separates individuals into the various moral philosophy classifications (Wolff & Smith, 1983; Fraedrich & Ferrell, 1992).

A 1981 study by Jensen, Taylor, and Burton investigated whether the eight variables described in the MCT (e.g., non-hedonistic egoism, rule deontology, and act utilitarianism) could be compiled into a few factors and still be sensitive enough to distinguish the variables from each other. In this study, BYU students were compared to Iowa State students using questionnaires that identified "how people think about social problems" (p. 616). The construct validity of MCT was supported by
the results that indicated that BYU scores tended to be higher than Iowa State scores on non-hedonistic and rule oriented items. Support for the prediction of BYU students being more non-hedonistic and rule oriented was made because BYU teachings are typically influenced by spiritual doctrine in addition to regular instruction. The MCT showed acceptable reliability. Average test-retest reliability was .69 after a one-year interval. In a short-term (four-week) study a test-retest reliability coefficient of .75 was attained.

Considering that moral philosophy clearly affects all choices we make, it is presumed to also affect our decision-making processes. That said, decision-making research will be discussed next since this provides a foundation of information inevitably needed to understand moral philosophy and decision-making together.

Decision-Making Research

The classical decision model is considered the foundation of research underlying all decision-making in behavioral research. The classical model is largely based on economic and statistical theory, which generally prescribes and describes decision-making in organizations
The classical decision model works on the assumption that decisions are rarely made with any uncertainty. According to Beach (1990) classical theory alleges to maximize an outcome through careful balancing of costs and benefits. This theory attempts to use decision-making as a catalyst for creating predictable changes in an organization. "Overall, this presents a picture of decision-making managers as protectors of their organizations' values and goals rather than as relentless seekers of maximum profits" (p. 2). Additionally, classical theory states that rarely do decisions include several choices simultaneously. Typically, one option is reviewed at a time against the present alternative; at this point, a change is made or the present alternative is kept. Each decision made is considered a component within one large organizational agenda assuming the decision is in the desired direction while, at the same time, eliminating chance for failure. Not until the late 1950s and early 1960s did the classical decision model go unchallenged. Some theorists believed that it was not descriptive enough nor did it provide enough empirical support for its claim. During this time, there were two main alternatives to the
classical theory approach according to the challengers. First, it was stated that classical theory be revised and/or adjusted such that it becomes a more useful theory (i.e., more descriptive). The second option was to "reject" the classical theory completely and begin seeking a new theory to explain decision-making processes (Beach, 1990).

Several alternative decision-making strategies have come into view since the classical theory first emerged. Unfortunately, most decision-making theory to date does not clearly outline exact reasoning behind why certain choices are made. Despite the fact that they are partially unsubstantiated or "unfit", Beach (1990) confirms five alternatives to classical theory that many theorists believe are worthy of attention. The rationale for the "unfitness" refers to the fact that these theories provide little in the way of support for their claims. Although there are five groups mentioned as alternatives to classical theory, there appears to be greater meaning in reviewing some in more detail than others. The five groups are as follows: social processes, decisions by objective, mechanical processes, decision typology, and confusion in decisions. The first two
groups are the primary groups of interest. The first group of theories holds that decision-making is based on nothing more than that of social processes. These social processes will determine the outcome of the decision-making procedure (Weick, 1979). Thus, this group associates with the teleologist's view of focusing on the outcome of a decision, rather than the means to which the outcome was achieved. The second group of theories holds that the decision-maker is compelled by the decision choices he/she has to choose from and by the "objective" to be achieved. The impact of social processes on decision-making has not been fully understood. For the most part, individuals want to be socially desirable; they want to portray themselves in a favorable light (Edwards, 1957). Thus, these social forces greatly affect decision-making. The second group is significant because it refers to the choices available and the outcome sought by the decision-maker. In this case, the outcome may be driving the intent of the decision-maker, which may or may not be the best decision for the greatest number of people. A third group stresses electronic (computer) and mechanical processes, which view decisions as "adjustive" or "compensatory" efforts that provide limited
information about the specific decision process that leads to these efforts (Steinbruner, 1974). The fourth group "proposes typologies of different decision strategies and the variables that define the typology" (Mintzberg, 1976, p. 246). The fifth group emphasizes confusion and distraction which surrounds the decision-making process and how the attributes of this confusion contribute to the success or failure of decision-making (Cohen, 1972).

Another alternative to classical theory is image theory. This theory proposes that useful components of other theories, including classical theory, be expanded by highlighting the decision process rather than focusing on the social aspects that influence decision-making. This theory states that the decision-maker attains three specific images that establish the foundation for an individual's decision knowledge. The first image represents how an individual's morals and ethics outline the way a decision should unfold; the second image has to do with the types of changes wanted by the decision-maker and the organization while doing so under time constraints; the third image has to do with the method of accomplishing the set goals the decision-maker has in
mind and the probability for successfully reaching those goals (Beach, 1990). For further understanding of decision theory, a construct referred to as “framing” needs to be investigated. Framing is an outgrowth of image theory, which contributes notably to a greater understanding of decision-making.

Beach and Mitchell (1987) speak of framing as a useful starting point for decision-making and considered it the logical extension of image theory. Framing involves a portion of the decision-makers’ principles, values, and goals and the extent to which these qualities need to be accessed. Moreover, the decision-maker must decide if action is even necessary based on assessment of the situation.

Kahneman and Tversky (1979) play a pivotal role in the framing research as they pioneered their prospect theory, which includes looking at the framing of decisions as a means to understanding ways and the extent to which individuals take risks. Kahneman and Tversky have collectively influenced all decision-making research after their groundbreaking article entitled Prospect theory: an analysis of decision under risk. Their article incorporated ample quantities of statistical
manipulations in order to illustrate how decision-making is influenced by the way a choice is framed regardless of the level of risk. In other words, one's probability for making a particular choice over another was largely due to the way an individual views or "frames" a decision-making situation. Kahneman and Tversky created and tested many scenarios (e.g., gambling, disease, gains & losses, win/lose, etc.) in order to validate their findings. Next, I will briefly discuss one of their studies since most are largely recognized by many successive decision-making researchers.

According to Tversky and Kahneman (1981), the construct referred to as "decision frame" is an individual's conception of the acts, outcomes, and contingencies associated with a particular choice. Tversky and Kahneman stated that an individual's decision frame could change depending upon the individual's perceived view of the decision frame. For example, one's likelihood for making a particular choice will change depending upon how the choices are framed or viewed.

According to Kahneman and Tversky (1991), participants in a study were told to anticipate the outbreak of a deadly virus that is expected to kill 600
people. Two programs were being developed in order to handle the crisis. The first option in program one was framed such that if implemented, it would save 200 lives. The second option in program one was presented such that there would be a one-third chance that all 600 people would be saved and a two-thirds chance that no one would be saved. Seventy-two percent chose option one. Individuals remain risk averse when decision options are framed such that the gains are perceived to be too worthy of risking. The first option in program two was framed such that 400 people will die. The second option in program two was presented such that there would be a one-third chance that no one would die and a two-thirds chance that all 600 people would die. Seventy-eight percent chose option two in this case. Individuals continue to remain risk seeking when decision frames are perceived such that an alternative to a negative outcome is equivalent.

The bottom line, with respect to the study above, is that individuals prefer not to make risky decisions when the decisions are framed as choices between types of gains. One gain is perceived to be too significant to risk. Likewise, individuals prefer to take a risk when
decisions are framed as choices between types of losses. Taking a risk in this situation is acceptable since not taking the risk is perceived to result in a significant loss regardless. Additional findings in terms of decision-making research will be discussed briefly in the next few paragraphs.

A number of processes have been found to contribute to organizational decision-making. More specifically, Nutt (1993) elaborated on the effective and less than effective formulation processes practiced within organizations today. The formulation process is a procedure carried out by a responsible agent (a manager) that begins by responding to the claims made by key people and ends when an option or options have been targeted for development. In essence, the decision-maker takes a course of action in response to a number of claims by influential people then evaluates and selects the best route for improvement. Nutt (1993) assembled four main procedural decision types referred to as formulation processes in his research. The first process is "idea" formulation. Critical features of this process include forming an idea; then the problems are linked to the idea prior to any decision being made. Ironically,
this process is used more than any other, yet
demonstrates the least amount of effectiveness. The
second process is “issue” formulation. Critical features
include discovering issues and attempting to find
solutions. Managers typically attempt to reach an
effective solution through some form of unstructured
analysis. This process is used more than other effective
processes, but not as often as idea formulation. The
third process is “objective-directed” formulation. With
this process, a manager will clearly outline their
objectives and use their objectives to direct a course
for decision-making actions. This process is used about
as often as issue formulation. Finally, process four is
the “reframing” process. With this formulation of
organizational decision-making, managers will illustrate
their needs by developing new and creative standards for
defining existing and future problems even before
analysis is considered. This process is surprisingly used
least often, yet provides managers with the most
effective results. The last two processes demonstrate the
most effective forms of managerial decision-making in
organizations according to Nutt (1993).
To further effective decision-making in organizations, managers must do more than simply base decision-making on trite "ideas" or "issues" that lack effective problem analysis. Managers will benefit greatly by outlining "objectives" toward specific targets which lead to better decisions and also to guide them in defining problems creatively before conducting analysis as demonstrated by the "reframing" process.

Clearly, there are multiple factors influencing decision-making. The classical model provides a good starting point, yet falls short due to lack of empirical support. Other theories also provide useful information for decision-makers. Undoubtedly, many contextual factors (e.g., environment, social processes, organizational demands, etc), including ones the decision-maker brings to the situation, will affect the outcome and effectiveness of the decision.

Decision-making typically consists of two main components (Zakay, 1984a, 1984b). First, "it is contingent on the characteristics of the specific decision problem... as well as on the way it is perceived by the decision-maker" (Zakay, 1984a, p. 207). In addition, individuals have the ability to implement
multiple decision-making strategies while doing so under
different circumstances (Einhorn, 1970; Svenson, 1979).
It is evident that multiple factors influence
decision-making and decision strategy. Knowing that
decision-making is influenced by multiple factors only
makes it more difficult to uncover the exact reasons why
decisions are made. The influence of moral philosophy on
decision-making will be reviewed next.

Moral Philosophy and
Decision-Making
Research

With what is known thus far about philosophy types,
it is likely that decisions made by the egoist will more
than likely be accounted for by a self-serving bias. The
egoist is likely, based on current research, to act on
his or her behalf and to do so regardless of the
consequences to others. The egoist is clearly a
self-centered self-serving individual who is going to
make decisions only to satisfy personal needs
disregarding the audience or level of perceived risk. In
contrast, the utilitarian recognizes the value of an
outcome as long as the outcome benefits the greater good
without interest of personal gain.
Outcome History

Marketing research continues to show how decision-making processes based on moral philosophies relate to outcomes and consequences of those decisions. Organizational, as well as individual, characteristics need to be accounted for when determining whether a decision was made correctly or not. According to Sitkin and Pablo (1992), a variable capable of affecting risk propensity is “outcome history”. Outcome history is the belief an individual holds regarding a decision made in a previous situation and the outcome of that decision (successful or unsuccessful). In other words, previously successful decisions can dictate the likelihood (propensity) that a decision-maker will make a type of decision in the future. Therefore, the utilitarian, in this case, will likely make a decision that represents the needs and interests of an organization. The utilitarian has been positively shaped by consequences of making the “correct” decision in previous situations. However, if the utilitarian has not endured negative consequences or punishment for a poor decision, then it is not clear whether this individual will actually make the correct decision when potential risk is low.
Likewise, the egoist has his/her own agenda set on tending to personal needs. The egoist is not as interested in the ramifications of decision consequences as the utilitarian is. Most egoist decision-making processes are not linked to any form of consequences (Bettman, 1973).

Risk

Risk is operationalized as a situation (decision) that involves uncertainty of the outcome. When a decision is made with uncertainty, a gamble is made. Furthermore, with uncertainty comes the probability for loss and wagering the costs of making a certain decision against the benefits of making that decision. Thus, high-risk can be perceived as making an investment in something which has a high probability for loss (e.g., a manager hiring an employee who is clearly not qualified over one who is regardless of rationale). In this case, the manager may be taking a risk of being terminated, ostracized by co-workers, or losing self-esteem because family and/or friends learn about the incident. Low-risk can be perceived as making an investment with little chance for loss (e.g., a manager who hires the most qualified
applicant). Jackson and Dutton (1988) confirmed that most forms of risk include one or more of the following: unexpected outcomes in terms of decision-making, goals which are more difficult to achieve than normal, and a potential range of outcomes which are less certain.

Teleology and Risk

Schlenker and Forsyth (1977) describe teleology as a judgment of a moral action that is dependent upon the consequences of that action. Schlenker and Forsyth also found that teleologists would make different moral judgments depending upon the situation they are in. One study conducted by Schlenker and Forsyth found that undergraduate students, categorized as utilitarian, were likely to make different decision-making processes dependent upon the risk in the situation (e.g., potentially high or low risk situation). Their study demonstrated clearly that a utilitarian individual will tend to take fewer risks when the chance for loss is high.

When examining decision-making and moral philosophy research, it becomes apparent that the two subject matters are deeply meshed within each other. As
demonstrated by Osborn and Hunt (1974) and Ferrel and Gresham (1985) decision-making tends to consist of many factors (e.g., multiple dimensions, processes, and contingencies). Ferrel and Gresham (1985) show how personal characteristics and business characteristics affect decision-making either directly or indirectly. Subjects basing their decisions on previous knowledge, beliefs, and values confirm this finding by how they interact with other individuals when confronted with a dilemma.

Many managers refer to their decisions as being ethically based. These ethical actions are inseparable from one’s moral philosophy as the premise for ethics is founded in one’s moral philosophy type. Sherwin (1983) further investigated and discovered two points of interest: First, he found that decisions are firmly integrated in business ethics; second, a company’s ability to reach “performance objectives” is directly related to the type of decisions made. The understanding one can draw from this research, is that if the actions of an organization’s department are successful (e.g., astute personnel selections), then many groups of individuals may benefit such as: “employees, management,
stockholders, consumers, and society” (Sherwin, 1983, p. 89). Clearly, maintaining an ethical environment can prove to be useful for businesses, which is demonstrated by the fact that greater profits are attainable for all groups (e.g., employees, consumers, and society) affected by a company’s “ethical” environment.

A study conducted by Roldan (1988) examined the value of effective decision-making. It was mentioned that to generate accurate judgements of others is necessary, but not sufficient, for a manager to be considered an ethical individual. Furthermore, Roldan believes that an ethical decision is driven by an individual’s conscience, which is “simply an inner feeling of satisfaction or guilt over an action done or not done” (p. 27). That said, the conscience might play a larger role in determining whether the best decision will be made. This leads us to the notion of what truly establishes one’s conscience. In this case, moral philosophy type may play a large role in determining decision outcome. Therefore, we are directed back to the outcome or consequence as that which drives an individual to make a certain decision. According to Roldan, a manager must demonstrate that decisions were made ethically in order to establish
credibility in others for doing what is right. The problem lies in the fact that a manager's conscience may not correspond to the correct decision. Moral philosophy and perceived social risk are constructs not typically investigated simultaneously. According to Ferrell and Gresham (1985) and Rettig (1966) "almost no research has measured the impact of risk on an ethical decision related to an individual's moral philosophy" (p. 283). Thus, the next topic of interest, social risk, will be examined to more fully define it.

Risk and Decision-Making

The construct of risk has attracted the interest of researchers in the business environment for many years. Specifically, marketing researchers have had a strong interest in understanding perceived risk and how it relates to consumer decision-making (Bauer, 1960). Risk is defined as "measurable uncertainty" and can be operationalized by the probability of losing some "thing" (MacCrimmon, 1986). As illustrated by Bowman (1982) risk reflects the "uncertainty" that is present before one engages in a decision. Risk surrounds any form of decision-making regardless if the outcome is the one.
desired. According to Haunschild, Davis-Blake, and Fichman (1994), risk comes in all sizes. For example, acquisition decisions can be very daunting on the decision-maker and the organization regardless of the outcome. In this case, there can be a high level of risk associated with the decision because of high corporate visibility, exposed personal values, and how the decision will affect others.

Certainly, risk can never be completely eliminated when making decisions. Because society is ever changing, individuals are going to perceive the context of each situation differently than another similar situation. This perceived risk may cause individuals to apply a greater or lesser amount of value to a decision that needs to be made. Additionally, we can postulate that levels of risk are going to affect individual types of decisions. Decision-makers are going to place a weight on a particular decision to be made and proceed to make that decision. At this time, it is believed that for a utilitarian the amount of weighted risk is likely to vary. At the same time, the egoist is not likely to vary his weighting of a decision because he or she is concerned about doing what is right or best for himself.
Although the marketing literature has provided many definitions of perceived risk, several main risk components continue to be researched. MacCrimmon (1986) created three components of risk: 1) the magnitude of loss, 2) the chance of loss, and 3) the exposure to loss. Out of these components came the contributions by Jacoby and Kaplan, which identified six different forms of risk: financial, performance, physical, psychological, social, and the overall measure of risk. Although the research by Jacoby and Kaplan does not necessarily claim to provide knowledge for organizations to alter an individual’s philosophy or value system, it does however support the notion that psychological and social risk are related to moral philosophy. In addition, it was discovered that the risk components an organization may realistically control are the financial and social risks (Jacoby & Kaplan, 1986).

Financial and social risk can be respectively defined as quantitatively measured risk (e.g., dollars) and subjectively measured risk (e.g., an individual’s feelings). Although types of risk are considered independent of each other, research also includes a type referred to as “overall” risk. This research will not
emphasize the financial or overall risk, but rather proceed with a deeper understanding of the perceived social risks that exist for individuals within organizations.

Interpretation of others' evaluations of us can significantly affect levels of decision-making. According to Fraedrich and Ferrell (1992) the negative evaluation by others (e.g., peers or superiors) can drastically alter an individual's method of future decision-making. If others have a negative interpretation about a situation or the context in which a decision is made, it is likely that we will adjust the way our future decision-making procedures take place. For example, if a manager makes an obviously risky selection decision and a peer discovers the poor selection decision (e.g., high-risk situation), the manager is possibly risking the loss of self-esteem, credibility, or friendship. In addition the risk of being alienated or ostracized due to a poor decision is enough to keep many decision-makers from deviating from the situational norms. For example, it is expected that the utilitarian would definitely make an accurate decision in the high risk situation for fear of losing what can easily be taken for granted (e.g.,
friendship, companionship, or trust). At the same time, it is less clear what the same utilitarian would do in the same, low risk, situation.

Research conducted by Sitkin and Weingart (1995) has demonstrated that not only are there direct effects related to decision-making behavior, but mediating effects that contribute as well to the understanding of decision-making behavior. In addition to risk perception, risk propensity has been identified to determine if it had any significant relation to decision-making processes (these terms will be discussed in the next paragraph). Decision risk can be viewed as a construct used to classify alternatives the decision-maker is confronted with. Furthermore, to the extent a "decision involves high uncertainty, whether in terms of the choice among alternatives or in terms of total individual alternatives, the decision is considered risky" (Sitkin & Pablo, 1992, p. 219).

Measurement of Risk
Perception and Risk Propensity

Risk perception and risk propensity are considered two components of decision risk. Risk perception is
defined as an individual's determination of a risky situation in terms of the probability of outcome and confidence in the type of perceived outcome. Risk perception can be assessed by a four-item scale developed by MacCrimmon and Wehrung (1985) to measure the amount of risk related to the decision to be made (alpha = .75). Risk propensity is defined as an individual's inclination to avoid or take risks. Propensity has proven to change over time; therefore, it can be interpreted as a developmental process the decision-maker engages in (Baird & Thomas, 1985). Contrasting literature states that propensity is a solid and consistently definable attribute (Wolman, 1993). Sitkin and Weingart attempt to integrate both philosophies to make the point that individuals will adhere to decisions based on many factors (e.g., current situation or individuals involved) while other times decisions may deviate from expected norms (e.g., not hiring the most qualified applicant for a job). Risk propensity is assessed by a five-item scale created for risks related to business decisions (alpha = .86).
Hypothesis 1

Although the research linking social risk and moral philosophy types or classifications is minimal at best, Rettig and Rawson (1963); Fraedrich and Ferrel (1992) found that risk was considered critically related to one’s participation in ethical or unethical behavior (i.e., risk is associated with the ethicality of a situation). A positive evaluation from others was viewed to be important to utilitarians, providing the outcome of his or her decision still affected the greater good. Participants’ risk in this study included the possibility of losing credibility or being perceived in a negative way from their peers due to the participant’s decision type.

Ferrel and Gresham (1995) found that an egoist, like the utilitarian, would make decisions in terms of the consequences of that decision, rather than any rule or process that would guide his or her decision. However, the egoist adhered to making decisions while keeping in mind the best interest of himself or herself. This demonstrates support for the notion that level of risk may not necessarily influence the egoist compared to what is gained in terms of the outcome; again, this
self-gaining interest is the driver for the egoist regardless of risk.

A. Therefore, it is hypothesized that the utilitarian will be less likely to engage in a risky decision in a perceived high risk situation than in a perceived low risk situation.

B. Regardless of risk, an egoist will make a more risky decision than the utilitarian.

Hypothesis 2

Moral philosophy is a fundamental set of standards, beliefs, and processes connected to our decision-making behaviors. There are few criteria for the egoist to determine the rightness of a decision except for what the egoist believes to be right. The measure for what is assumed right is referenced to the egoist's behavior (Schlenker & Forsyth, 1977). By knowing an individual’s moral philosophy classification, one should be better able to predict a decision outcome of that individual. In other words, knowing whether a person is an egoist or utilitarian will provide some insight as to the type of decisions they might make. Many factors which can
influence social risk (e.g., perceived outcomes, peer acceptance/rejection, etc.) are virtually limitless. Some research demonstrates how individuals vary their perception of social risk and their likelihood for making a decision based on how the options are viewed or framed (Kahneman & Tversky, 1979).

That said, since moral philosophy tends to be more stable compared to levels of perceived risk, it is hypothesized that moral philosophy will be a better predictor of outcome than social risk.

Hypothesis 3

Outcome history is the belief an individual holds regarding the extent to which a previous decision or situation has lead to a successful or unsuccessful outcome. Sitkin and Pablo’s study (1992) suggests that risk propensity influences future decision-making as determined by outcome history. Specifically, as an individual acquires more successful decision outcomes, the individual’s risk propensity increases. Likewise, if an individual acquires more unsuccessful decision outcomes, the individual’s risk propensity decreases.
Therefore, it is hypothesized that a successful outcome history will increase risk propensity and an unsuccessful outcome history will decrease risk propensity for making decisions.

Hypothesis 4

According to Sitkin and Weingart (1995), an individual is more likely to avoid a perceived high risk situation than a perceived low risk situation because the threat of losing something is greater in the high risk situation. Furthermore, Sitkin and Weingart postulated a negative relationship between high levels of perceived risk and risky decisions because most individuals link risk with negative outcomes.

Therefore, it is hypothesized that risky decision-making behaviors will be negatively associated with levels of perceived risk.
CHAPTER TWO

METHOD

Participants

Data were collected by sampling one hundred and thirty-nine college students from California State University, San Bernardino and San Bernardino Valley College. Participants were treated according to Ethical Principles of Psychologists and Code of Conduct (American Psychological Association, 1992).

Design and Procedure

A combination of within and between subjects univariate statistics were used. One ANCOVA and one correlational analysis were also conducted.

Participants were instructed to read three vignettes, which correspond to moral philosophy types, and indicate whether they were likely to perform a specific act (e.g., ethical or non-ethical decision). Next participants read a listing of several different philosophy types and chose one that closely accounted for the type of decisions they just made. This concept is based on the idea that most individuals fall within a few different philosophy types with an emphasis that clearly
defines them as either a utilitarian or egoist philosophy type (Jensen, 1981). The Moral Content Test (MCT) was developed specifically to classify an individual’s decision into different moral philosophy classifications.

Participants were then asked to read the risky decision-making scenario based on Brittian and Sitkin. After the scenario was read, participants answered questions pertaining to the risk related questionnaires (e.g., decision-making behavior, risk perception, and risk propensity).

A demographic profile was gathered to identify any potential differences among participants in decision-making. No statistically significant differences were discovered in the outcome variables with respect to gender, ethnicity, age, or school status (see Appendix B).

Measures

An extension of the Brittian and Sitkin (1989) Carter racing scenario was developed. Their scenario was effective in determining how participants would respond to different risk situations with respect to a racing scenario. According to Sitkin and Weingart (1995) this
scenario is considered to be “highly realistic” and “quickly engaging.” To more closely align this study with the practical application of the risk scenario, a parallel form of the race scenario was used. This parallel decision-making scenario was created, piloted and implemented in this study. It was used as the primary risk scenario based on the Brittain and Sitkin race scenario. The parallel scenario puts the decision-maker in a risky situation such that he or she must decide to engage or not engage a consulting team in a project. This project may provide an abundance of financial stability and continuous work; at the same time, it may prove to be corporate suicide depending on the perception of the risk involved. The piloted parallel scenario was created to be more closely aligned with a specific risk scenario within an organization. This type of decision involves personal risk, business risk, and physical risk. Risk was described as follows: “If you decide to engage the team, you may lose the respect of friends, relatives, associates, and endure physical harm because of your response” (Sitkin & Weingart, 1995, p. 180). A scaled item questionnaire will be used to measure responses (see Appendix D).
Outcome history was manipulated using two different conditions (see Appendices E & I). Within the scenario, the unsuccessful history was indicated by a lack of success in previous risky decision-making behaviors. The successful history was indicated within the scenario by the success of previous risky decision-making behaviors. Participants indicated their likelihood for engaging the consulting team using a percentage between 0 and 100. The higher the percentage applied after reading the outcome scenario, the greater the participants' likelihood for engaging the team.

Two elements were used to categorize participants into moral philosophy type. First, a self-administered questionnaire consisting of three vignettes was given to the participants. Vignettes of this type of context tend to provide better quality data from the participants rather than common questions (Alexander & Becker, 1978). Two different business type scenarios and one non-business scenario were administered. In addition, as detailed in APPENDIX C, the MCT was administered which asks participants to identify the reasons for their decisions in the vignettes (Boyce & Jensen, 1978).
As noted in Appendix F, a four-item scale was created by MacCrimmon and Wehrung (1985) and used to gauge participants' risk perception. This scale determined the level of perceived risk associated with the decision made based on whether one would engage or not engage the team in the project. The alpha for the items in this scale was .75.

As noted in Appendix G, the five item scale was created by Sitkin and Weingart (1995) and used to identify participants' propensity to engage or not engage the team knowing the risk involved in their choice. The reported alpha for the items in this scale is .86.

As noted in Appendix H, a manipulation check of participants was used to confirm that subjects responded in the direction anticipated based on the outcome history (Sitkin & Weingart, 1995).

Results

Exploratory analyses were conducted before testing the hypotheses. The data were screened for normality, outliers, and data entry errors. Normality was checked using univariate statistics to verify that all of the scales conformed to the normal curve. The perceived risk
and risk propensity variables were normally distributed. The probability to engage the team variable was significantly skewed for the first administration (See Table 1). Two outliers were revealed after running box-plots on the data. These outliers were significant departures from normality ($z = 2.95 \ p < .001$) and therefore removed from the data set.

Each participant received two scenarios, one in which an individual had been successful in prior projects and one scenario in which an individual had been unsuccessful. The order of these scenarios was counterbalanced so that approximately one-half of the participants received the unsuccessful scenario first; the other half received the successful scenario first. After each scenario, participants were asked to respond to a number of questions. The following table provides a brief summary of the probability of engaging the team variable by scenario and order of presentation.
Table 1.
Descriptives for Probability of Engaging Team

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>Skew</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1(^{st}) Scenario Admin.</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsuccessful Scenario</td>
<td>71</td>
<td>70.7</td>
<td>22.4</td>
<td>-1.11*</td>
</tr>
<tr>
<td>Successful Scenario</td>
<td>71</td>
<td>79.0</td>
<td>25.5</td>
<td>-1.56*</td>
</tr>
<tr>
<td><strong>2(^{nd}) Scenario Admin.</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Successful Scenario</td>
<td>63</td>
<td>75.2</td>
<td>19.2</td>
<td>-1.24</td>
</tr>
<tr>
<td>Unsuccessful Scenario</td>
<td>63</td>
<td>55.0</td>
<td>32.3</td>
<td>-0.17</td>
</tr>
</tbody>
</table>

Note. *z* significant at *p* < 0.001

Participants did not show significant differences in the ratings they applied after reading the first scenario. In other words, the difference in ratings for the unsuccessful [\(M = 70.7, \text{SD} = 22.4\)] and successful [\(M = 75.2, \text{SD} = 25.5\)] scenarios was not statistically significant. Therefore, greater meaning is evident by reviewing the significant differences in scenarios that were read second. Participants' scores differed remarkably, more so, after reading the second scenario. When the successful scenario was read second, \(M = 79.0, \text{SD} = 3.0\) and when the unsuccessful scenario was read second, \(M = 55.0, \text{SD} = 3.3\). The first administration did
not differ by success but did for the second administration. The manipulation check did in fact provide support for the notion that participants' likelihood for making a particular decision was influenced by previous successful or unsuccessful decisions during the 2nd administration scenario. Because there was no discernable difference between responses to the key variable, probability of engagement of team for the first scenario, the remainder of the analyses will be based on the participants' responses to the second scenario. Descriptives and frequencies were computed next. The tables below illustrate the means, standard deviations, percentages (as needed) of variables to be used in the subsequent analyses.

Table 2. Frequencies and Percentages for Moral Philosophy Classifications

<table>
<thead>
<tr>
<th>Philosophy</th>
<th>N</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Egoist</td>
<td>33</td>
<td>24%</td>
</tr>
<tr>
<td>Utilitarian</td>
<td>27</td>
<td>20%</td>
</tr>
<tr>
<td>Hedonistic Utilitarian</td>
<td>46</td>
<td>33%</td>
</tr>
<tr>
<td>Deontology</td>
<td>22</td>
<td>16%</td>
</tr>
<tr>
<td>Selected more than one</td>
<td>11</td>
<td>7%</td>
</tr>
</tbody>
</table>
Eleven participants placed themselves in more than one moral philosophy classification. Therefore, those participants' data were not included in the subsequent analyses. The majority of participants fell in the Hedonistic Utilitarian moral philosophy classification (33%). Deontology represented the least populated classification with (16%) of the participants falling into that group. The Egoists and Utilitarians represented 24% and 20% of the population respectively.

Table 3. Descriptives for Total Perceived Risk

<table>
<thead>
<tr>
<th>2nd Scenario</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Successful Scenario</td>
<td>61</td>
<td>15.1</td>
<td>6.95</td>
</tr>
<tr>
<td>Unsuccessful Scenario</td>
<td>70</td>
<td>11.9</td>
<td>4.39</td>
</tr>
</tbody>
</table>

Participants evaluated the perceived risk variables using a scale of 1 to 7. The following represents the type and direction of scale anchors used in the risk perception scale: 1 = positive situation to 7 = negative situation. The scale includes four variables, which were summed to achieve a total perceived risk score. Two variables were recoded prior to calculating the total score. The items of the scale are located in Appendix F.
In terms of the risk propensity scale, participants responded to each item using a dichotomous rating scale to determine their risk propensity. The following represents the type of anchors used for the variables within the risk propensity scale: 1 = "choose more risky alternatives based on the assessment of others on whom you must rely" to 2 = "choose less risky alternatives based on the assessment of others on whom you must rely". The scale includes five variables, which were summed to achieve a total risk propensity score. The actual scale is located in Appendix G. The overall combined mean of the scale was 7.46, $SD = 1.24$.

Tests of Hypotheses

The general linear model was used to determine the degree to which moral philosophies and components of risk influence decision-making. All hypotheses were examined using analysis of variance design (including within and between subjects design), ANCOVA, and correlations to determine whether support for the hypotheses exists.

Hypotheses la stated that a utilitarian would be more likely to avoid risk seeking behaviors when levels of perceived risk are high compared to low. The
utilitarian classification was compared with the remaining classifications for both high and low risk (i.e., successful/unsuccessful scenario) to test this hypothesis. There was no interaction between utilitarians and all other moral philosophy classifications $F (1, 118) = .809, p = .482$. Therefore, hypothesis 1a was not supported. However, the second administration indicated the potential for significance between the utilitarian classification and the remaining classifications as demonstrated in Table 4.
Table 4. Probability of Engaging Team by Moral Philosophy Classification - 2nd Scenario Administration

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Success</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Egoist</td>
<td>14</td>
<td>80.29</td>
<td>21.85</td>
</tr>
<tr>
<td>Utilitarian</td>
<td>17</td>
<td>78.88</td>
<td>31.56</td>
</tr>
<tr>
<td>Hedonistic Utilitarian</td>
<td>21</td>
<td>67.62</td>
<td>29.25</td>
</tr>
<tr>
<td>Deontologist</td>
<td>7</td>
<td>74.00</td>
<td>30.07</td>
</tr>
<tr>
<td>Unsuccessful</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Egoist</td>
<td>14</td>
<td>65.71</td>
<td>20.98</td>
</tr>
<tr>
<td>Utilitarian</td>
<td>17</td>
<td>50.13</td>
<td>20.44</td>
</tr>
<tr>
<td>Hedonistic Utilitarian</td>
<td>21</td>
<td>48.14</td>
<td>26.21</td>
</tr>
<tr>
<td>Deontologist</td>
<td>7</td>
<td>49.29</td>
<td>22.14</td>
</tr>
</tbody>
</table>

Table 4 indicated greater differences between the egoist classification compared to the remaining classifications, yet the utilitarian classification showed the greatest difference in means from the successful scenario and the unsuccessful scenario. Based on the trend within the unsuccessful scenario, the effect size was reported ($\eta^2 = .021$).
Moral philosophy research supports the notion that egoists tend to make decisions that will benefit themselves regardless of whether or not others will benefit. Additionally, levels of risk tend not to influence egoists as much as the degree to which they feel they could ultimately benefit from the decision (Fraedrich & Ferrel, 1992). Hypothesis 1b maintained that an egoist would make a more risky decision than a utilitarian would regardless of risk level. A between subjects ANOVA design was performed to discover if the two groups were significantly different. Ratings indicated non-significant differences between egoists and utilitarians, $F(1, 59) = 1.07, p = .306$. Therefore, hypothesis 1b was not supported. Although the hypothesis was not supported, the extent to which the groups differ in scores from the successful scenario to the unsuccessful scenario was in the direction predicted (see Table 5).
Table 5. Descriptives for 2nd Scenario Administration

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Successful Scenario</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Egoist</td>
<td>14</td>
<td>81.58</td>
<td>21.85</td>
</tr>
<tr>
<td>Utilitarian</td>
<td>16</td>
<td>79.50</td>
<td>20.44</td>
</tr>
<tr>
<td><strong>Unsuccessful Scenario</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Egoist</td>
<td>14</td>
<td>65.71</td>
<td>20.98</td>
</tr>
<tr>
<td>Utilitarian</td>
<td>16</td>
<td>50.13</td>
<td>20.44</td>
</tr>
</tbody>
</table>

Risk research argues that decision outcomes tend to indicate how extreme the range of potential outcomes can be. Individuals tend to over emphasize extreme outcomes when the chance for loss or gain is great (Kahneman & Tversky, 1979). Moral philosophy is comprised of one's values, standards, and beliefs, which are qualities that tend to remain stable over time (Barry, 1979). Hypothesis 2 states that perceived risk will differ by moral philosophy. A between subjects ANCOVA design was conducted to evaluate perceived risk for the 2nd Scenario Administration. Ratings indicated non-significant differences, $F(3, 121) = .828, p = .481$. Therefore,
hypothesis 2 was not supported. Table 6 below provides a brief summary.

Table 6. Descriptives for Moral Philosophy and Perceived Risk

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>SE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2nd Scenario Admin.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Egoist</td>
<td>32</td>
<td>68.84</td>
<td>5.15</td>
</tr>
<tr>
<td>Utilitarian</td>
<td>23</td>
<td>53.34</td>
<td>4.80</td>
</tr>
<tr>
<td>Hedonistic Utilitarian</td>
<td>45</td>
<td>58.79</td>
<td>4.19</td>
</tr>
<tr>
<td>Deontologist</td>
<td>21</td>
<td>59.50</td>
<td>7.08</td>
</tr>
</tbody>
</table>

Risk propensity research claims that an individual's success or lack of success in making decisions will greatly influence future decision-making (Sitkin & Pablo, 1992). Hypothesis 3 stated that risk propensity would be contingent upon the level of previous outcome success in decision-making. A one-way between subjects ANOVA was computed to discover the effects of outcome history on risk propensity. As previously stated, outcome history is operationalized as the extent to which one has been successful or unsuccessful in prior decision-making behaviors. Ratings indicated significant differences for
the 2nd Scenario Administration, $F (1, 130) = 8.44, P = .004 \eta^2 = .312$. Table 7 below provides a brief summary.

**Table 7.**
Descriptives for Risk Propensity and Outcome History

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Propensity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsuccessful Outcome History</td>
<td>72</td>
<td>7.18</td>
<td>1.21</td>
</tr>
<tr>
<td>Successful Outcome History</td>
<td>59</td>
<td>7.80</td>
<td>1.20</td>
</tr>
</tbody>
</table>

Hypothesis 4 stated that an inverse relationship would exist between levels of perceived risk and risky decision-making behaviors. Specifically, risky decision-making behaviors would be negatively associated with levels of perceived risk. Correlations were conducted to determine the strength and direction of these two variables. The results did indicate a strong negative correlation between total perceived level of risk and the probability of making a risky decision \(-.767, P < .01\).

**Discussion**

This thesis study examined the relationship between moral philosophy classifications and components of risk relative to decision-making behaviors. Moral philosophy
is effectively linked to one's reasoning for making a particular decision. Moral philosophy is closely aligned with the study of ethics or one's standard of behavior as it is the foundation in determining right and wrong. An individual's own moral philosophy can be interpreted as a compilation of values acquired through the learning process and situational variables (Fraedrich, 1993).

Clearly, risk has the potential to include many unknown outcomes with respect to decision-making. No decision can be made without some degree of risk or potential for loss. Risk research states that individuals are influenced by the interpretation of how risky a decision may be. Kahneman and Tversky (1979), discovered that individuals tend to practice risk averse behaviors when there is great potential for loss. On the other hand, subsequent research claims that prior success in decision-making will increase the probability that one will engage in risky decision-making behaviors in the future (Pablo, Sitkin, & Jemison, 1996).

A framework in which moral philosophy classifications and risk components were developed to investigate influences on current decision-making processes. Furthermore, Utilitarian and Egoist moral
philosophy classifications were examined in conjunction with one’s risk perception and risk propensity.

Several analyses were performed to explore potential differences among classifications and risk components. Specifically, a combination of within and between subject analyses of variance designs were computed; additionally, one ANCOVA was computed to investigate the relationship between moral philosophy and perceived risk decision outcomes; and finally, a correlation provided data on the relationship between risk perception and risky decision making behaviors. The next section discusses the results of the analyses.

Overall, results provided mixed findings. Participants falling within the Utilitarian classification did not demonstrate a likelihood toward risk avoidance behaviors in situations where high levels of perceived risk were present. However, lack of support for hypothesis 1a may be influenced by the size of the sample. The number of participants within the Egoist and Utilitarian classification for the 2nd Scenario Administration was relatively small. When the means were plotted, the Utilitarians did in fact demonstrate the greatest likelihood for avoiding risk behaviors when
perceived risk was high. After analyzing the data, one could speculate that there might be a learning effect present between the first and second scenarios for both counterbalanced groups. Participants did not indicate significant differences after responding to the first scenario regardless if the first scenario was successful or unsuccessful. Again, the manipulation check supported the assumption that individuals are influenced by the order of a successful or unsuccessful previous outcome.

Schlenker and Forsyth (1977) concluded the following regarding egoists, “no moral standards can be considered valid except those in reference to one’s own behavior” (p. 331). From this, one might conclude that an egoist’s decision will likely be made with the intent that he/she will benefit, in some capacity, from that decision regardless of whether others will benefit. Also, egoists are more likely to change their decisions regardless of external influences (e.g., level of risk) than any other classification according to Fraedrich and Ferrel (1992). Similar to hypothesis 1a, it is believed that hypothesis 1b was not statistically significant primarily due to sample size. As scenarios were counterbalanced and analyzed according to egoist and utilitarian
classifications, the number of participants dropped considerably. However, when the means were plotted, egoists did in fact demonstrate a greater likelihood for making a risky decision compared to utilitarians. Similar to hypothesis la one could speculate that there might be a learning effect present between the first and second scenarios for both counterbalanced groups. Egoists and Utilitarians did not indicate significant differences after responding to the first scenario regardless if the first scenario was successful or unsuccessful. However, there was a noticeable difference in the groups after responding to the second scenario.

Moral philosophy tends to be based on an individual’s beliefs, values, and standards. It is believed that moral philosophy, as a system of values which guides one’s conduct, is deeply embedded within us; it is capable of remaining fairly stable over time (Barry, 1979). At the same time, levels of risk can vary depending upon the individual’s perception of the risk involved. March and Shapira, (1987) stated that most individuals will see identical risk situations in entirely different ways. Although moral philosophy tends to be a more stable variable than risk, hypothesis 2,
which claimed that moral philosophy would be a better predictor of outcome than perceived risk was not supported. The size of the sample may have played a role in affecting the statistical power of discovering significance between moral philosophy and perceived risk. The egoist classification demonstrated the possibility that it could predict outcome better than perceived risk, when compared to the remaining classifications. The learning effect may be present in this hypothesis as well since only the 2nd Scenario Administration shows trends for potential significance.

Two main components of risk in this study include risk perception and risk propensity. Propensity is still gaining interest within current risk research. Propensity asserts that previous performance involving a task, situation, or "decision" will greatly affect future tasks, situations, or "decisions". In other words, previous decision outcomes become the driver of future decision-making behaviors. Individuals are clearly influenced by the history of success or failure of previous decisions (Pablo, Sitkin, & Jemison, 1996).

Hypothesis 3 was supported as the results were statistically significant. Results revealed that risk
propensity was contingent upon the level of previous outcome success in decision-making. Research conducted by Sitkin and Pablo (1992) supports this discovery. In their study, they discovered support for individuals taking more risks due to previously successful outcomes. Additionally, individuals were reluctant to take risks when previous outcome histories were unsuccessful.

Although risk perception and decision-making research tend to run contrary to the foundations of "prospect theory", there are consistencies between the negative correlations discovered in hypothesis 4 of this study, and the work performed by Kahneman and Tversky. As noted earlier, Kahneman and Tversky (1979) stated that individuals tend to be risk averse when the chance for loss is high regardless of previous success. Hypothesis 4 was supported by the data. High levels of perceived risk were associated with less risky decision-making behaviors.

Summary

The decision-making research in relation to moral philosophy and social risk is still burgeoning. The variables that are capable of influencing decision-making...
behaviors are virtually unlimited. Several components of moral philosophy were identified and tested. These components, referred to as classifications (e.g., utilitarianism and egoism), provided some understanding of the essence of what moral philosophy stands for. At the same time, risk research provides a foundation of understanding in addition to moral philosophy, which may have played a role in understanding the robustness of the study. Although most university students only, which may have played a role in hypotheses, additional support for many of the components of risk propensity as predictors of the size of the sample. A statistically larger sample size may have increased one limitation of the study was the size of the sample of the study.

Limitations of the Study

One limitation of the study was the size of the sample. A slightly larger sample size may have increased the power and provided stronger support for many of the components that heavily influence one's interpretation of decision-making behaviors. In particular, this study looked at risk perception and risk propensity as predictors. In addition, this study shed some light on the variables, which influence understanding, in addition to moral philosophy. This may in the same time, risk research provides a foundation of understanding (e.g., utilitarianism and egoism) in addition to some understanding of components, referred to as classifications (e.g., moral philosophy were identified and tested. These behaviors are virtually unlimited. Several components of
Another limitation was not incorporating additional moral philosophy sub-classifications. Research states that individuals primarily fall within either the Teleological or Deontological moral philosophy category. There are variations of these classifications that might explain why individuals make the types of decision they make.

A third limitation of the study may be linked to the idea that the participants had difficulty understanding the content and the measures used to assess one’s ratings on the variables. The student sample may not have acquired the experience necessary to respond in the most effective method. It was determined that a learning trend or effect was present in this study from the 1st scenario administration and the 2nd scenario administration.

A final limitation of this study indicated that participants might not, in fact, have perceived enough risk in the parallel risk scenario. If participants did not perceive an extensive amount of risk, it is unlikely that they would apply appropriate ratings that would provide meaningful results.
APPENDIX A
INFORMED CONSENT FOR
THE STUDY
INFORMED CONSENT FOR THE STUDY

You are being asked to participate in a study that is designed to measure factors that affect decision making. This study is being conducted by John V. Wood under the supervision of Dr. Janet Kottke, Professor of Psychology. This study has been approved by the Psychology Department Human Subjects Review Board, California State University, San Bernardino. This study is in no way harmful to your emotional health.

I am aware of the following conditions

A. I will read and complete a demographic questionnaire

B. I will read a scenario related to risk and complete the corresponding questionnaire

C. I will read a scenario about my previous outcomes related to decision making

D. I will read a listing of different moral philosophy types and choose the one that most closely fits me

All information that you provide will be held in confidence by the researchers. At no time will your name be reported with your responses. All data will be reported in group form only.
Your participation in this study is completely voluntary. You may choose to withdraw from this study at any time without penalty. Any additional questions about this study should be directed to John V. Wood (909) 371-2308 or Dr. Janet Kottke (909) 880-5585. If you have any questions about research subjects’ rights contact the University’s Institutional Review Board (909) 880-5027. By placing a check mark in the space below, I acknowledge that I have been informed of, and understand, the nature and purpose of this study. I freely consent to participate. I also acknowledge that I am at least 18 years of age.

Place a check mark here: ______  Today’s date: ______

I do appreciate your voluntary participation, however you will have the right to withdraw from participating to the research any time. If you have any questions regarding the research, you can contact Dr. Jan Kottke at (909) 880-5585. Thank you very much for your cooperation.

By placing a check mark in the space below I acknowledge that I have been informed of, and understand, the nature and purpose of this study. I freely consent to participate.

I agree to participate _______ Date ________________
DEMOGRAPHIC QUESTIONNAIRE

Gender:

Male ______ Female ______ Age: ______

School Status:

Freshman _____ Sophomore _____ Junior _____
Senior _____ Grad Student _____

Ethnicity:

Asian ______ African American ______
Caucasian ______ Hispanic ______
Native American ______ Other ______
APPENDIX C

MORAL PHILOSOPHY

QUESTIONNAIRE
MORAL PHILOSOPHY QUESTIONNAIRE

Please read the following situations and respond to the question asked after each situation.

Situation 1

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

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

Likely Unlikely

1 2 3 4 5 6 7

Situation 2

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

If you were Bartels, what are the chances you would report the extra income?

Likely

Unlikely

1 2 3 4 5 6 7

Situation 3

Ed Johnson is in charge of market development for Rollfast Company. In the past, the company has been barred from entering a market in a large Asian country by collusive efforts of the local retail corporations. Rollfast could expect to net 550 million dollars per year from sales if it could penetrate this market. Last week a businessperson from the country in question contracted Ed and stated that entry into this market could be had for an "under-the-table payment of $50,000.

If you were Ed Johnson, how likely is it that you would pay the money?

Likely

Unlikely

1 2 3 4 5 6 7

Place a check on the line next to the most appropriate explanation for the three decisions you just made:
(1) My decision, whatever it may be, will lead to some goal for myself (i.e., praise, recognition, money, keeping my job, power over the system, promotion).

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

(3) My decision is based on an evaluation made independently from rules as they relate to the consequences of a specific act/decision; the maximization of pleasure greatly influences my decision process.

(4) The wrong and rightness of my decision is in accordance with the conformity to a set of universal rules. I do not focus on consequences when determining wrong or rightness of my decision strategy.
APPENDIX D

RISK SCENARIO
RISK SCENARIO

Please read the following scenario carefully

"What should we do?"

John Johnson was not sure, but his brother and partner, Fred Johnson, was on the phone and needed a decision. Should they send the team of consultants to complete this re-organization project for the state government? It had been a successful year so far, but the government re-organization project was important because of the good press, future business, and money it promised. The first year had been hard because the team was trying to make a name for itself. They had completed a lot of small projects to get this opportunity with a big time government agency. A successful outing could mean more exposure for the organization, more business, and more money. But if the team suffered another failure while the industry is watching...

Just thinking about the team's problems made John wince. They had 7 failed projects in the last 24 outings this year with various degrees of damage to the organization's reputation. No one could figure out why. It took a lot of money to repair the failed project attempts. John and Fred had everything they owned riding
on the team’s next big project. This one had to be a success.

Paul Edwards the expert consultant was guessing the team’s problem was related to one member of the team not pulling his weight. Paul felt that this particular member’s performance was the culprit for the team’s decline in performance within the last year. Paul described how loafing and poor consulting recommendations were the real cause of the problem by this member.

Tom Burns, the senior expert consultant, did not agree with Paul’s “gut feeling” and had data to support his position. He pointed out that all members had made poor consulting recommendations at one time or another that meant it couldn’t be just one member. Tom had consulted for over 20 years and believed that luck was an important element of success. He had argued this view when he and John discussed the problem last week: “In consulting, you are pushing the limits of what is known. You cannot expect to have everything under control. If you want to be the best, you have to take risks. Everybody in consulting knows it. I have a career that depends on the outcome of every project. That’s the thrill, beating the odds and succeeding.” Last night over
dinner he had added to this argument forcefully with what he called Burns' First Law of Consulting: "Nobody ever completed a project successfully by sitting on his/her butt."

John, Fred and Tom had discussed the team's upcoming project situation the previous evening. The first year was a success from a consulting standpoint, with the team finishing 12 of 15 projects successfully. As a result, the business and acclaim that comes from the team's success rate were starting to come in. A big break had come 2 weeks ago after the Dunham project, where the team had ranked as one of the four top consulting teams in the industry. Gladstone industries had finally decided to hire Johnson Consulting for a smaller project worth a much needed $400,000. Additionally, Gladstone was considering using Johnson for a much larger consulting project worth roughly two million dollars over the next 3 years providing Johnson completed the government project successfully. Although internal experts at Gladstone recommended Johnson Consulting, the larger contract depended upon the government project outcome.

"John, we only have another hour to decide," Fred said over the telephone. "If we wait to do the project
for the government, we can keep the money acquired to do the initial assessment $15,000 and try to recoup some of our losses next year. We will lose Gladstone, they'll want $25,000 of their money back, and we end up the year $50,000 in the hole. If we take the project and finish successfully, we'll have Gladstone in our pocket and we can afford an additional consultant next year. You know as well as I do, however, that if we take the project and fail, we are back to square one next year. We will lose our reputation as one of the leading consulting firms in the industry, which in turn will lead to fewer contracts in the future. No organization wants to be associated with a consulting firm that has a failing record. Think about it—call Paul and Tom if you want—but I need a decision in an hour.
APPENDIX E

DECISION BEHAVIOR "1ST ADMINISTRATION"
Please read the following additional information about the scenario and answer the question at the end.

You are John Johnson. You must decide whether to send your consulting team in to complete the re-organization project for the state government. You need to make a decision within the hour knowing that there are certain risks involved. For example, if you engage your team, there may be some risks involved such as business, personal, or financial risks associated with your decision.

As John Johnson, you have had a moderate amount of training for and experience with this type of decision. Your previous decisions have been largely unsuccessful and you have always had a nagging worry that your poor "track record" could eventually have serious consequences. You feel uncertain because of the lack of success of those decisions you have made in the past.

What is the probability that you would engage the team/not engage the team (where 0% = definitely not engage team and 100% = definitely engage team)? _____ %
APPENDIX F

RISK PERCEPTION
RISK PERCEPTION

Please answer the following four items about the scenario:

How would you characterize the decision faced by John Johnson?

(1) 1 = significant opportunity to 7 = significant threat

   ______

(2) 1 = potential for loss to 7 = potential for gain

   ______

(3) 1 = positive situation to 7 = negative situation

   ______

What is the likelihood of the consulting team succeeding in the project?

(4) 1 = very unlikely to 7 = very likely

   ______
RISK PROPENSITY

Please read the following additional information about the scenario and answer these five questions:

As John Johnson, you’re faced with a decision that affects your organization’s financial future. Given this circumstance, how likely are you to... (Please answer by using "likely or unlikely" on the line provided under each number below; you will need to answer all five questions in this section, not just one of the five).

(1) choose more or less risky alternatives based on the assessment of others on whom you must rely ________.

(2) choose more or less risky alternatives which rely upon analyses high in technical complexity ________.

(3) choose more or less risky alternatives which could have a major impact on the strategic direction of your organization ________.

(4) initiate a strategic corporate action which has the potential to backfire ________.

(5) support a decision when I was aware that relevant analyses were done while missing several pieces of information ________.
APPENDIX H

MANIPULATION CHECK
MANIPULATION CHECK

Please read and answer the following questions about the previous scenario.

1) Extent to which problems have resulted from John's decisions like this in the past
   Likely       Unlikely
   1  2  3  4  5  6  7

2) Degree to which John has analyzed decisions like this correctly in the past
   Likely       Unlikely
   1  2  3  4  5  6  7

3) Degree to which successful outcomes have resulted from John's decisions like this in the past
   Likely       Unlikely
   1  2  3  4  5  6  7
APPENDIX I

DECISION BEHAVIOR "2ND ADMINISTRATION"
DECISION BEHAVIOR: "2ND ADMINISTRATION"

Now, please read the following additional information about the scenario and answer the question:

You are John Johnson. You must decide whether to send your consulting team in to complete the re-organization project for the state government. You need to make a decision within the hour knowing that there are certain risks involved. For example, if you engage your team, there may be some risks involved such as business, personal, or financial risks associated with your decision.

As John Johnson, you have had a moderate amount of training for and experience with this type of decision. Your previous decisions have been largely successful and you have always derived a sense of self-assurance from your successful "track record" in making such decisions. You feel confident because of the success of those decisions you have made in the past.

What is the probability that you would engage the team/not engage the team (where 0% = definitely not engage team and 100% = definitely engage team)? _____%

Please answer the following four items about the scenario:
How would you characterize the decision faced by John Johnson?

(1) 1 = significant opportunity to 7 = significant threat _____
(2) 1 = potential for loss to 7 = potential for gain _____
(3) 1 = positive situation to 7 = negative situation _____

What is the likelihood of the consulting team succeeding in the project?

(4) 1 = very unlikely to 7 = very likely _____

Please read the following additional information about the scenario and answer these five questions:

As John Johnson, you’re faced with a decision that affects your organization’s financial future. Given this circumstance, how likely are you to... (Please answer by using "likely or unlikely" on the line provided under each number below; you will need to answer all five questions in this section, not just one of the five)

(1) choose more or less risky alternatives based on the assessment of others on whom you must rely ________.
(2) choose more or less risky alternatives which rely
upon analyses high in technical complexity ______.

(3) choose more or less risky alternatives which could
have a major impact on the strategic direction of
your organization _________.

(4) initiate a strategic corporate action which has the
potential to backfire _________.

(5) support a decision when I was aware that relevant
analyses were done while missing several pieces of
information _________.

Please read and answer the following questions about
the previous scenario.

1) Extent to which problems have resulted from John’s
decisions like this in the past

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<th>Likely</th>
<th>Unlikely</th>
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<tr>
<td>1</td>
<td>2  3  4  5  6  7</td>
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2) Degree to which John has analyzed decisions like
this correctly in the past

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<tr>
<th>Likely</th>
<th>Unlikely</th>
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3) Degree to which successful outcomes have resulted
from John’s decisions like this in the past

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REFERENCES


