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The effect of cognitive moral development on ethical attitudes, in the presence of reward consequences, under conditions of moral ambiguity

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A research proposal submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration.

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Abstract

The objective of the study was to examine the effect of cognitive moral development on ethical attitudes, in the presence of reward consequences, under conditions of moral ambiguity. The study is based on business stakeholders under conditions of strategic business competition. The intention of the study is to explore and understand the predictors of ethical behaviour.

The participants of the experimental study were 2012/13 GIBS MBA business students with real managerial experience. They were randomly assigned to different stakeholder roles in a controlled business simulation game called the Execugame, with varying treatments of reward consequences and a strategic competitor bluff.

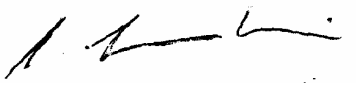
The study sought to determine whether Reward Consequences (RC) will be a stronger predictor of Attitude towards the Ethicality of Competitor Bluffing (ATECB) amongst Stakeholder Role Players (SRPs) *than* their Level Cognitive Moral Development as a predictor of Attitude towards the Ethicality of Competitor Bluffing (ATECB). Overall the results didn't find evidence to support the research hypotheses. Hence the research failed to prove a relationship and did not find evidence to support a relationship.

Key words

cognitive dissonance, cognitive moral development, competitor bluffing, ethical decision-making, reward consequences.

Declaration

I declare that this thesis is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other university. I further declare that I have obtained the necessary authorisation and consent to carry out this research.



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CHAPTER 1: INTRODUCTION TO THE RESEARCH PROBLEM

1.1 Introduction

Ethical decision-making models present many variables that seek to understand and explain what influences ethical decisions within organisations (Loe, Ferrell & Mansfield, 2000). According to these authors, understanding why and how ethical decisions in a business context are made will contribute to improving the level of ethical decisions made in organisations. Loe et al. (2000) also argue that these models typically seek to explain what should occur in an organisation, versus what actually occurs in an organisation. As described by Vitell and Paolillo (2004), a better understanding of the individual decision-making process is necessary in situations involving ethics and social responsibility. This would in fact enhance ethical and socially responsible business practices (Vitell & Patwardhan, 2008).

O'Fallon and Butterfield (2005), state that the field of ethics can be divided into two realms; normative ethics, which resides largely in the area of moral philosophy and guides individuals as to how they should behave, and descriptive ethics which resides largely in the area of management and business, and is more concerned with understanding and predicting an individuals' actual behaviour. Based on these arguments, there is a strong need to explore and develop a deeper understanding of the descriptive as opposed to the normative perspective of business ethics. It is essential to understand how ethical attitudes, intentions and decisions are actually formed, what factors influence this process and how this takes place under situations of ethical ambiguity.

1.2 Background and context

The Corruption Perceptions Index (2012) scores countries based on their level of corruption on a scale from 0 (highly corrupt) to 100 (very clean). While no country has a perfect score, two-thirds of countries score below 50, indicating a serious corruption problem globally. Corruption is an ethical dilemma. By looking at the concentration of the more corrupt countries it is clear that the issue of corruption is more concentrated in the emerging markets, these being in South America, Asia and Africa. South Africa is ranked 69th out of 176 countries surveyed in the Index. This highlights the relevance of developing a better understanding of the predictors of ethical behaviour in South Africa.

Ethical issues are ever present in uncertain conditions where multiple stakeholders, interests and values are in conflict (Trevino, 1986). McCraw, Moffeit, and O'Malley (2009) give details about a number of organisations that have been accused and convicted of criminal behaviour resulting from breaches in ethical conduct, including Enron, WorldComm and Lehman Brothers. They

further state that many organisations look at leaders for answers. According to Stenmark and Mumford (2011) it is important for leaders to behave ethically in order to promote ethical behaviour and decision-making in an organisation. They also state that there are a number of factors which influence leadership's ethical decision-making. These past cases did not appear to serve as a deterrent to unethical behaviour, as witnessed in the more recent cases of Barclays Bank's involvement in the interest-rate-fixing LIBOR Scandal (Matthews, 2012) and bribes paid to Mexican government officials by Wal-Mart de Mexico to expedite the opening of new stores (Blodget, 2012). Based on the continued findings of unethical behaviour in organisations globally and in South Africa, there is a strong likelihood that there will be more cases of unethical behaviour in the near future. Hence the researcher feels there is a strong need for more practical knowledge to be gained in this area of ethics.

1.3 Research problem

The continued reoccurrence of business scandals are a confirmation that business leaders are not making the right decisions when faced with situations of ethical ambiguity. This is a failure of business and the actions of business leadership who is ultimately driving the organisation. This is made worse for leaders having to deal with the pressures of fierce competition in these tough times of economic instability, with pressure of targets and growth created internally by the business. The decisions that leaders face are further troubled with moral ambiguity, where one's preconceived ethical beliefs and values are clouded. A deeper understanding of how the various factors affect the decision-making process would enable business organisations to be better informed in selecting the right leaders and influence these leaders to make the right decisions that are both ethical and sustainable in the long-term.

1.4 Purpose of the research

The purpose of this study, taking into account the research problem, is to better understand the true predictors of ethical behaviour and more specifically decision-making in situations which present a level of ethical ambiguity. The study is broken up into three sections. The first being an investigation into the factors that influence decision-making in competitive business situations when faced with decisions of ethical ambiguity. More specifically the study seeks to determine whether the attitude towards ethically ambiguous behaviour of business leadership is influenced by the level of cognitive moral development of the leader. This will determine whether or not there is a correlation between a leader's cognitive moral development and the leaders decisions made in situations of ethical ambiguity. The second section of the study aims to determine whether the attitude towards ethically ambiguous behaviour of business leadership is influenced by elements of reward associated with such behaviour. The third section aims to investigate

whether *cognitive moral development* or *reward consequences* are a stronger predictor of ethical behaviour in decision-making situations of ethical ambiguity. This will determine whether or not the level of cognitive moral development as an influence of ethical behaviour is diluted in the presence of reward consequences.

In meeting the purpose of this study, deeper insight will be gained into the actual influences and predictors of business decision-making behaviour in situations of ethical ambiguity. This study will endeavour to bridge the gap between normative and descriptive ethics described by O'Fallon et al (2005).

CHAPTER 2: REVIEW OF THE LITERATURE

2.1 Introduction

The purpose of this chapter is to review the literature on which the research questions and hypothesis are based. The literature speaks to each of the key areas of the research topic and provides the support in contextualising the research. The literature review seeks to demonstrate how the research is integrated within the body of knowledge and to clarify its contribution to the body of knowledge. This study is concerned with understanding and describing how the ethical decision-making process actually exists, not how it ought to be. This study falls into the realm of descriptive ethics, which is concerned with describing, characterising and studying the morality of people, an organisation, a culture or a society (Buchholtz & Carroll, 2012). A discussion of the literature is presented to explain the ethical decision-making process and explores the factors that influence ethical behaviour. Related elements to the topic such as moral ambiguity and competitive bluffing are reviewed. Kohlberg's (1969) theory of cognitive moral development with, Rest's (1986) paper and pencil instrument the Defining Issues Test, as well as defining the consequences of reward are critically reviewed as influencing factors in predicting an individual's ethical behaviour. The research questions are proposed based on the literature review.

2.2 The ethical decision-making process

A decision-making process entails coming up with the best solution from a set of options. In reality the best solution is not always clear when ethically ambiguous. In practice these decisions are difficult to make (Cooper, Bissell and Wingfield, 2007). There are a lot of empirical studies which support the argument that an individual's personal ethical principles influence their approach to ethical judgments and decision-making (Barnett, Bass & Brown, 1994; Forsyth, 1980; Whitcomb, Erdener & Li, 1998).

According to Chan, Jamilah and Rusinah (2012) the process of ethical decision-making involves the crucial role of emotion. Traditional researchers claim that non-emotion factors of training, education and motivation are also important for sound decision-making (Chan et al., 2012). Knowledge is necessary to support emotion judgment in ethical decisions. The moral consent process has significantly explained why good people are involved in immoral decisions; it also explains the variance of moral philosophy and complexity of ethical decision-making in an organisation (Chan et al., 2012).

The Enron debacle is a clear example of a situation which was plagued with unethical decision-making by leadership (McCraw et al., 2009). According to Green and Odom (2003) the lack of ethical leadership in Enron resulted in harm to thousands of employees, and sparked greater

government regulation around the world, while at the same time crippling consumer confidence in the financial industry.

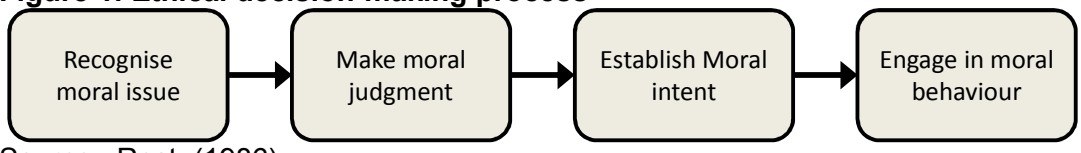
In the context of an ethical decision-making process and the context of this study it is assumed that an ethical decision is defined as a decision that is both legal and morally acceptable to the larger community (Jones, 1991). Conversely, an unethical decision is therefore illegal and or morally unacceptable to the larger community (Jones, 1991).

Butterfield, Trevino and Weaver (2000) argue that moral awareness is vital in the ethical decision-making process. This is based on the fact that the interpretation of an issue defines the premise upon which subsequent thought processes would take place. Intentions are a motivator in the general decision-making process. Behavioural intention is an individual's subjective probability of engaging in an action (Ajzen & Fishbein, 1980). The term 'unethical intention' is defined as "the expression of one's willingness or commitment to engage in unethical behaviour", unethical behaviour in business is defined as "any organisational member action that violates widely accepted (societal) moral norms" (Kish-Gephart, Harrison & Treviño, 2010, p. 2; see also Rest, 1986). An ethical decision can be described as a decision that involves a choice which will likely have an effect on others and is perceived by some as being ethically relevant (Crane & Matten, 2010). The factors that influence the ethical decision-making-process can be divided into individual factors and situational factors (Crane & Matten, 2010).

2.2.1 The stages in the ethical decision-making process

Rest (1986) introduced the seminal four stage process of ethical decision-making and behaviour, this process focused solely on the process of ethical decision-making and action, without providing insight into the factors that may influence the process. The model proposes the stages that are followed in ethical decision-making. The first stage is to recognise the moral issue, the second stage is making a moral judgment, followed by resolving to place moral concerns ahead of other concerns and thereby establish moral intent before finally acting on the moral concerns. Figure 1 depicts the four stages.

Figure 1: Ethical decision-making process



Source: Rest, (1986)

Despite not providing insight into any of the factors that may influence any of the stages, Rest's model nevertheless served as a basis for the development of more comprehensive models such as Jones' (1991) issue-contingent model. Jones (1991) felt that Rest intended for each component to be conceptually separate and that success in one stage did not imply success in subsequent stages.

2.2.2 Models explaining the ethical decision-making process

A number of models have been developed explaining the ethical decision-making process. They propose a number of factors that may influence the decision-making process. This section is a discussion of the more significant models and their factors that influence ethical decision-making.

2.2.2.1 The Interactionist Model of ethical decision-making

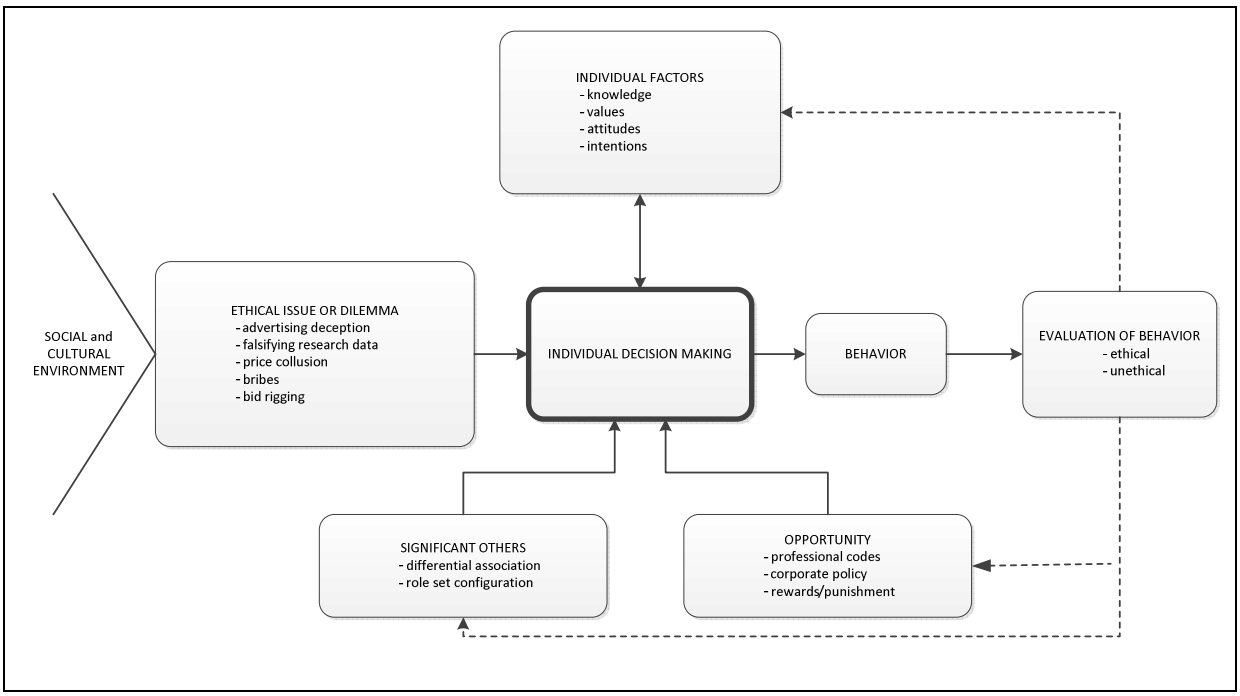
The *Interactionist Model* of Trevino (1986) was introduced to address the lack of theory that covered the interaction between the individual and situational variables that influence ethical decision-making. The model proposes that ethical decision-making in organisations is explained by the interaction of individual and situational components. Trevino (1986) found that previous approaches to the study of ethical decision-making in organisations tend to either cover individual role or situational variables. Trevino's (1986) model builds on Rest's (1986) model. Trevino states that the way an individual reacts to an ethical dilemma is determined by his or her cognitive moral development stage. The additional individual and situational variables interact with this cognitive component to determine how an individual is likely to behave in response to an ethical dilemma. Therefore a person's cognitive moral development is central to his or her ethical decision-making process. Trevino (1986) proposes that situational variables arising from context of the profession and the broader organisational culture also have an influence on ethical behaviour. As such, the model recognises that ethical decision-making takes place within a social context and can be heavily influenced by situational variables. Therefore ethical behaviour in practical situations is not only a factor of an individual's personal characteristics, but also results from the interaction between individual variables and the situation they are in (Ferrell & Gresham, 1985).

2.2.2.2 The Contingency Framework

The *Contingency Framework* developed by Ferrell and Gresham (1985) for understanding ethical decision-making demonstrated that individual factors such as knowledge, values and attitude interacted with organisational factors to influence individuals involved in an ethical or unethical decision-making dilemma. Figure 2 depicts Ferrell and Gresham's model of how the nature of an ethical issue or dilemma is viewed within the context of other influencing variables, which all play a role in the individual ethical decision-making process. In the model Ferrell and Gresham (1985)

developed propositions relating to the various factors including the *opportunity factor*, which is the opportunity of a potential reward. They proposed a reward for unethical behaviour would increase the likelihood of the unethical behaviour occurring and inversely a punishment for unethical behaviour would decrease the likelihood of occurrence.

Figure 2: A contingency model of ethical decision-making



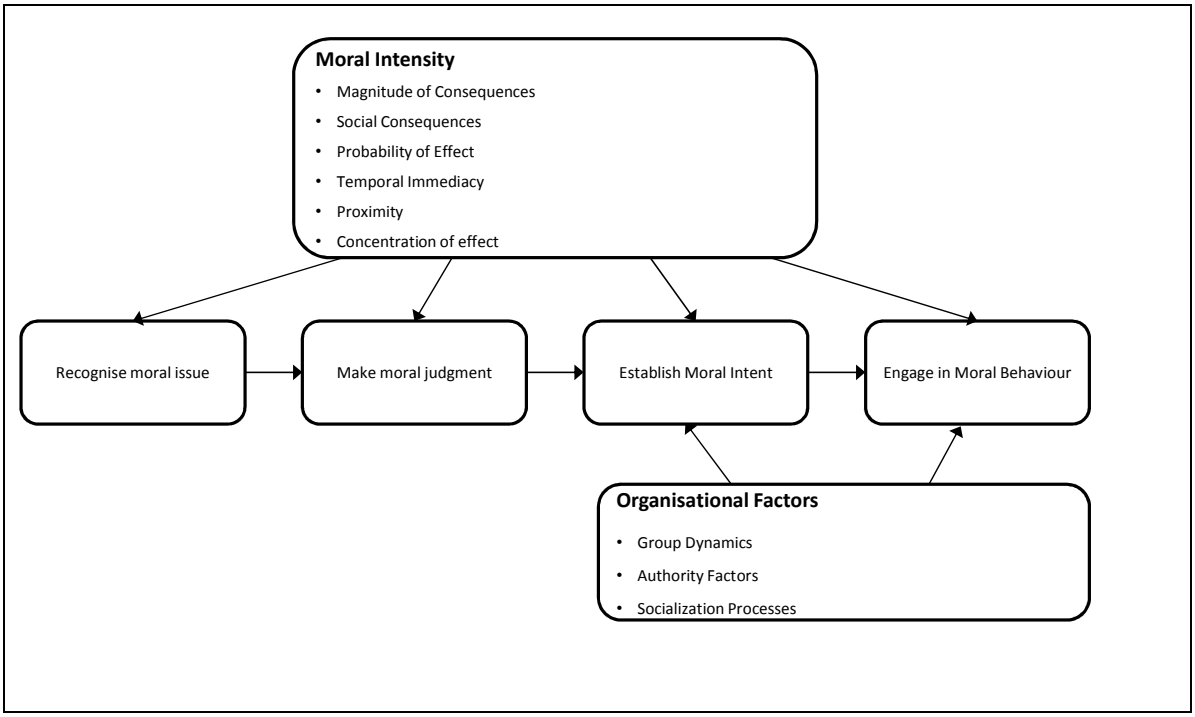
Source: Ferrell and Gresham (1985, p. 89)

Jehn and Scott (2003) proposed that the potential consequences of an event would have an influence on judgments of dishonesty. The proposal states that the resulting consequence of an event would influence how an event would be viewed in terms of dishonesty.

2.2.2.3 The issue-contingent model

Loe, Ferrell and Mansfield (2000) suggested that Jones' (1991) issue-contingent model, "provides the most comprehensive synthesis model for ethical decision-making" (p. 186). An *Issue-contingent Model* of Ethical Decision-Making in Organisations is illustrated in Figure 3. The model contains the processes involved and factors that influence the ethical decision-making according to Jones (1991).

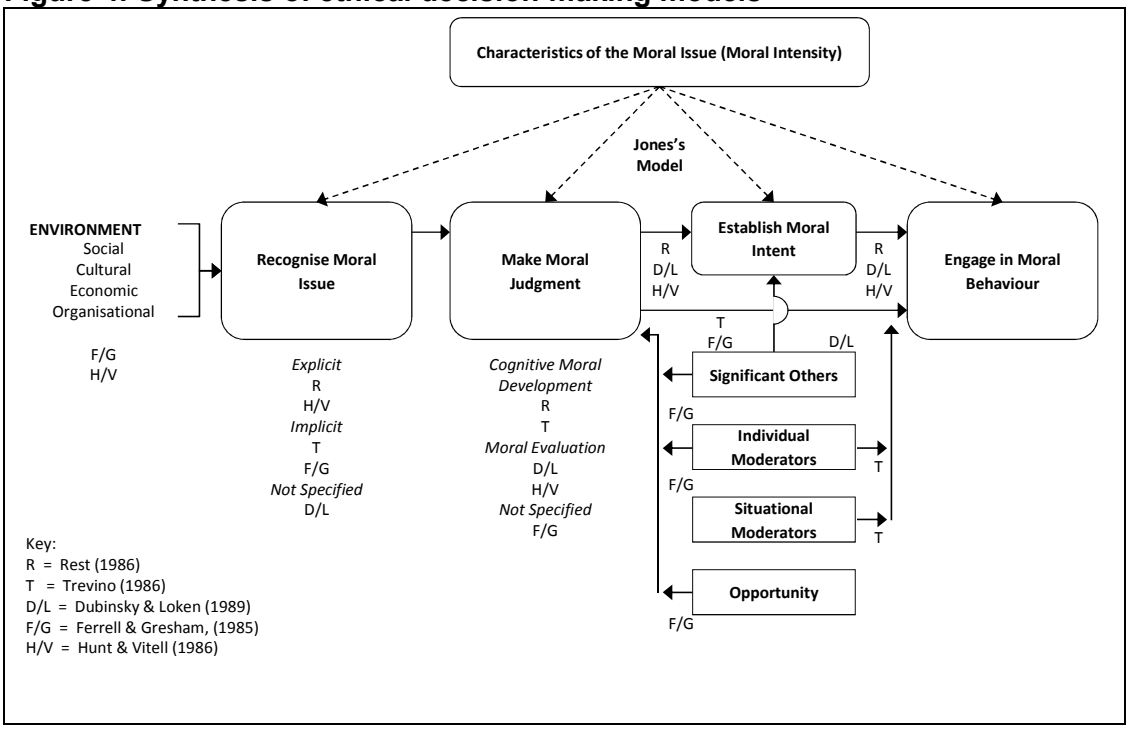
Figure 3: An issue-contingent model of ethical decision-making in organisations



Source: Jones (1991, p. 379)

Jones' (1991) model is derived from intuitive, observational and empirical factors which influence ethical decision-making and was developed taking into account the failures of previous models. It was developed through a synthesis of the existing models as depicted in Figure 4.

Figure 4: Synthesis of ethical decision-making models



Jones (1991, p. 374)

Four of the five models used in Jones' synthesis contain some form of moral judgment stage. According to Jones (1991) the ethical decision maker establishes moral intent before engaging in moral behaviour. Cognitive moral reasoning is integrated in both Rest's (1986) and Trevino's (1986) models. Moral evaluation is central to the Hunt and Vitell (1986) and Dubinsky and Loken (1989) models. Dubinsky and Loken's (1989) model is based on the theory of reasoned action. The theory of reasoned action assumes that individuals think rationally and make logical use of information available to them before making a decision.

2.3 Cognitive moral development

Within the context of the ethical decision-making process Kohlberg's (1969) theory of *cognitive moral development* (CMD) fits into the judgment stage of the decision-making process. Cognitive moral development (CMD) theory was proposed by Lawrence Kohlberg in 1969 (Kohlberg, 1969; 1973). As per Forte (2013), Kohlberg's theory describes the maturity of moral judgement in three hierarchical levels the pre-conventional level, the conventional stage and the post-conventional stage, which is further divided into six stages. Individual's progress in sequence from lower stages to higher stages as they develop in ethical maturity. Forte (2013) claims that most individuals never reach the highest level of moral maturity. At the highest level individuals seek to be ethical based on principles of human rights and justice, whereas at the lowest level, moral development is driven by principles obedience and punishment (Forte, 2013).

Research in cognitive moral development is ingrained in the work of Jean Piaget. Piaget studied the moral development of children, in his studies he recognises that everyone sees the world differently, Piaget (1965) was impressed with the complex mental exercises utilised in deriving meaning from experience. Piaget theorised that moral development occurs in separate stages and was of the view that moral development and cognitive development advance together. Through a series of interviews conducted with children Piaget discovered that cognitive development occurs in a progression of stages, which he broke in two three separate stages. He labelled these stages normal, heteronomous and autonomous (Piaget, 1965).

Piaget and Kohlberg differ in that Piaget studied children from ages 5 to 13 years old creating overlapping phases, whereas Kohlberg focused on attempting to explain the development in moral judgement through professional moral philosophers (Rest, 1979). Kohlberg used the word "stage" replacing the word "phase" used by Piaget and explained that an individual will progress through the stages without skipping a stage (Colby, Kohlberg, Gibbs & Berkowitz, 1983). Kohlberg recognised that to progress to an advanced moral reasoning ability, individuals must develop a social interpretative perspective allowing for the interpretation of thoughts, feelings and roles of other individuals whom would be potentially affected by a moral decision. Kohlberg (1984) explored

the reasons to explain an individual's moral perception and decision-making behaviour and translated these reasons into stages of moral development.

With Piaget's work as a foundation, in the late 60's Lawrence Kohlberg (1969) recognised that in order to achieve advanced moral reasoning an individual requires advanced logical reasoning capacity. Kohlberg reasoned that an individual who functions at the lower stages of cognitive thought would be unable to identify and understand the complexities that exist among the factors involved when making a decision with moral implications. As a result, the individual would not recognise all of the options and consequences which might result from a decision to follow a particular course of action. Therefore, the decision reached would not satisfy a moral ideal of meeting the needs of others involved (Kohlberg, 1984). Kohlberg reasoned that moral development follows the cognitive process. With the cognitive developmental process an individual at a lower stage of cognitive moral development would be unable to identify and analyse the complex *relationships* that exist among the factors involved in decision with moral implications, the individual would not recognise the options available and the consequences that may result from exercising an option. Therefore, the decision to exercise an option given the resultant consequences would not satisfy a moral ideal by meeting the needs of everyone involved (Kohlberg, 1984).

Kohlberg explored the reasons for moral perception and decision-making behaviour. According to Kohlberg (1969) cognitive moral development is described by the development of moral reasoning in terms of three levels and broken into six stages. Individuals may move through all six stages of moral development in a sequential progression. At each stage an individual acquires a broader more societal perspective, whereby they develop there logical interpretive capabilities and their moral judgements become less dependent upon societies interpretation of the situation. The cognitive component of ethical decision-making behaviour in organisations explores how organisational members think about ethical dilemmas, when faced with a situation of determining right from wrong (Travino 1986). According to Ferrell, Gresham & Fraedrich (1989), cognitive moral development is a step by step process of improvement defined by the reasons an individual uses in the justification of moral preference (Ferrell et al., 1989). An individual who has developed to stage 6 of Kohlberg's defined stages also understands stages 1 to 5 (Kohlberg, 1969). Individuals advance through the 6 stages in their development of understanding moral obligations (Rest, 1979).

Table 1: Kohlberg's six stages of moral judgment

Stage and Level	Psychology	Rationale
Level 1: Pre-conventional		
Stage 1: Heteronomous Morality	Egocentric	Avoids punishment and the superior authority of others; doesn't consider interest of others
Stage 2: Individualism; Instrumental Purpose; Individualistic Exchange	Concrete	Follows rules when self-serving; equal exchange; recognition of other's interest
Level 2: Conventional		
Stage 3: Interpersonal Expectations	Caring for others	Puts oneself in other's place
Stage 4: Social System, Conscience Social System	Systematic	See others in terms of social system
Level 3: Post Conventional Principled		
Stage 5: Social Contract; Utility	Law	Rational individual who is aware of rights prior to social/legal contract
Stage 6: Universal Principles	Morality	Personal and rational commitment to universal ethics

Source: Kohlberg (1984, in Forte 2013)

Cognitive moral development level 1 pre-conventional: Pre-conventional reasoning is moral reasoning based on highly self-centred rationales where individuals are concerned with their own benefit. In this level the individual chooses to either (a) avoid punishment (stage 1) or (b) seek pleasure from external sources (stage 2).

> **Stage 1, Heteronyous morality:** Individuals at the first stage are known for their character of obedience to authority and the avoidance of punishment. To avoid punishment they are doing what is right. These individuals focus upon themselves and do not recognise the interests of others or consider them in the process of making a decision.
>
> **Stage 2, Instrumental purpose and individualistic exchange:** Individuals in the second stage follow rules when it suits their own self-interest and let others do the same. These individuals recognise that people have the right to pursue their own interests.

Cognitive moral development level 2 conventional: The conventional level incorporates stages 3 and 4. Here individuals are focused on significant others and peer relations. This phase is based on the desire of the individual to receive approval from significant others (stage 3) or from society in general (stage 4).

> **Stage 3, Mutual interpersonal expectations, relationships and interpersonal conformity:** An individual at this stage is more inclined to do what others think is

appropriate behaviour. These individuals display good behaviour in accordance to what others view as being the right thing to do. They live up to a perceived expected behaviour in the many roles they play and they show concern for other people's positions or feelings. They are aware of other people's feelings, honour agreements and expectations, which are interpreted as more important than self-interest.

Stage 4, Social system and conscience: Individuals in the fourth stage have instilled a perspective of a social contract to abide by the laws for the good and protection of people's rights. Their reason for doing right is to abide by stated agreements and to avoid conflict. These individuals have internalised the rules and expectations of other people. They view the legal system as the highest moral authority. Stage 4 individuals operate to organisational policy or societal laws.

Cognitive moral development level 3 post-conventional: The post-conventional is the final and most advanced level. It reflects a level of reasoning that has developed beyond social influences and is driven internally. The moral judgment criteria move beyond the influence of group norms. The individual becomes less egocentric.

Stage 5, Social contract and individual rights: Individuals at the fifth stage base their reasoning on beliefs of community-based justice. For individuals at this stage the protection of people's rights is the core consideration. These individuals are aware that there are times when laws and morality conflict, they experience a difficult time accepting this difference. Their concerns for abiding to the law are based on the greatest good for the greatest number. As a result they have developed their own set of principles rather than reflecting the norms of the status quo.

Stage 6, Universal ethical principles: Individuals in the sixth stage respect laws and social contracts only to the extent that they are consistent with their own self-chosen ethical principles. Individuals in Stage 6 have developed a moral belief that extends above their own needs and beyond what is expected by family or social norms.

Empirical studies have shown that cognitive moral development has an important role in the ethical decision-making process (e.g. Trevino & Youngblood, 1990; Goolsby & Hunt, 1992). Kohlberg's stages of cognitive moral development have been extensively used and are vital in understanding moral reasoning (Goolsby & Hunt, 1992; Fraedrich Thorne & Ferrell, 1994). Fraedrich et al. (1994), state that cognitive moral development theory has been accepted as a construct to help explain business ethics as well as other organisational phenomena. Fraedrich et al. (1994), further states

that the concept of cognitive moral development is used in understanding the ethical reasoning process in business and that researchers may be encouraged to use the concept to understand the reasoning process that individuals use to make ethical judgements (Fraedrich et al. 1994). Based on the literature cognitive moral development is inherent in the process of making an ethical decision, the literature suggests that the level of an individual's cognitive moral development has an influence on ethical decisions.

2.3.1 Defining Issues Test

The *Defining Issues Test* (DIT) was developed by James Rest using Kohlberg's six stages of moral judgement (Forte, 2013). The DIT is structured in a multiple choice questionnaire assessment (see Appendix A) that determines an individual's level of moral development in respect of Kohlberg's six steps. Fraedrich et al. (1994), describes the Defining Issues Test, developed by James Rest, as a commonly used measurement instrument which based on Kohlberg's theory of cognitive moral development. As per Forte (2013), the DIT is based on a series of scenarios with solutions that are based on different rationales. According to Jones (1991), most empirical research on cognitive moral development has relied on Rest's, Defining Issues Test (DIT), and its revised version (DIT-2), for the assessment of cognitive moral development.

The DIT-2 questionnaire is deeply ingrained in moral philosophies and is considered to be the most well-known objective test of Cognitive Moral Development (Gibbs & Widamen, 1982). The DIT-2 questionnaire was selected by the researcher as the measure of Kohlberg's cognitive moral development due to its widely accepted use in moral literature.

2.4 Reward consequences

According to Tang, Chen and Sutarso (2008) the love of money and deceptive manipulations may be related to unethical behaviour. Tang et al. (2008) state that the root causes of corporate scandal is the overemphasis on maximising shareholder value without any regard to the effects on other stakeholders. "Enron's executives were provided with substantial bonuses in the form of stock options", Tang et al. (2008, p. 244). As a result of these incentives leaders are likely to be influenced to act deceptively and this may encourage unethical behaviours which may be to the detriment of others.

According to Dubinsky and Loken (1989), behavioural beliefs are described as a person's beliefs, that when performing a particular action, this action comes with a particular consequence that may

be either positive or negative as a result (p. 87). An individual perceiving that a particular behaviour will result in positive outcomes will have a positive attitude toward the behaviour. In general, outcome evaluations are described as being an individual's assessment on whether or not the resultant outcome is good or bad (Fishbein & Ajzen, 1975). The models of Ferrell and Gresham (1985), and Hunt and Vitell (1986) proposed that consequences of ethical behaviour will have a direct influence a person's action.

Butterfield et al. (2000) investigated influences on moral awareness. They found that the magnitude of consequences had a positive correlation with the degree of an individual's moral awareness in situations where the nature of the issue had negative consequences. They also found that engaging in ethically questionable activities that are expected to bring severe harm to a competitor triggered significantly more ethical awareness in comparison to the same ethically questionable activities that were not expected to bring as much harm.

Based on the literature it is apparent that there is a relationship between the magnitude of consequences and the influence on an individual's moral awareness or likelihood to make an un-ethical decision when faced with a moral issue.

2.5 Competitive bluffing and moral ambiguity

Guidice, Alder & Phelan (2009) describe competitive bluffing as "knowingly and intentionally communicating a misleading message or intended action into the marketplace with the expectation that competitors interpret and react to the message as if it was truthful" (p. 536). According to Allhoff (2003), bluffing has long been a topic of considerable interest to business ethicists, where they question its acceptability as a business practice. Bluffing seems to have a resemblance to lying but on the other hand many people have the intuition that bluffing is appropriate and morally permissible, especially as a negotiating tactic (Allhoff, 2003). Guidice et al. (2009) state that decision makers may consider bluffing as unethical, however they may feel otherwise when the recipient of the bluffing is the competition. Guidice et al. (2009) goes on to say that for many decision makers, the choice between right and wrong is blurred when the target under consideration is the competition.

Guidice et al. (2009) gives a number of examples that clearly show that using misleading signals creates uncertainty and can lead the competition astray. There are many examples to demonstrate competitive interactions in which companies have bluffed their competition by sending false messages into the industry in an attempt to gain a superior competitive position (Bayus, Jain, & Rao, 2001; Heil & Langvardt, 1994). One example was in the petroleum and pharmaceutical

industries, where strategic decision makers used decoy patents to mislead the competition into believing research is being conducted (Langinier, 2005).

According to Jones & Ryan (1998), moral ambiguity exists when there is uncertainty regarding the wrongfulness of behaviour. This is enhanced when there are circumstances in a company where normative standards compete with "common morality" in the minds of employees (Jones et al., 1998). Moral ambiguity exists when it is difficult to define one's moral-social role (Peter & Liaschenko, 2004). Guidice et al. (2009) references Lewicki and Stark (1996), whose findings suggest that the act of bluffing is an ethically grey issue. Based on these views it can be understood that moral ambiguity exists when there is an uncertainty in the level of social acceptability regarding the goodness or evil of a certain act.

2.6 Attitude towards business ethics

The *Attitude towards Business Ethics Questionnaire* (ATBEQ) scale was developed by Preble and Reichel, (1988). The ATBEQ was developed to understand business attitudes, philosophies and ethics by Stevens (1979) (Preble et al., 1988). The ATBEQ is not discussed further since it was solely used in the present study to include certain questions specially designed to measure 'Attitude towards the Ethicality of Competitor Bluffing' (ATECB).

2.7 Stakeholder theory

Diller (1999, as cited by Buchholtz & Carroll, 2012) defines a stakeholder as "any individual or group who can affect or is affected by the actions, decisions, policies, practices or goals of the organisation" (p. 63-64). Jones' (1991), states that any party who is affected by the magnitude of consequences resulting from the ethical decision-making of a company is therefore a stakeholder of that company. It is thus important to frame the study of ethical decision-making within this theory, as a company has a responsibility to act in the interests of all of its stakeholders, and each stakeholder of the company needs to acknowledge the interests of other stakeholders. Therefore the purpose of this study each candidate in the experiment assumes the role of a stakeholder, to enhance the validity of the experiment.

2.8 Conclusion

The literature discussed in this chapter indicates that both situational factors and personal moral philosophies inherent in an individual's level of cognitive moral development, combined, all play an

influential role in the formation of attitudes towards ethical behaviour. The literature on competitor bluffing supports the use of bluffing as a suitable example for an ethically ambiguous scenario. The literature on stakeholder theory supports the use of unique stakeholder roles in an experiment to enhance the realism in the simulation.

The literature review has shown that there is an influence of reward consequences on an individual's attitude to ethical decision-making. It has also shown that the level of an individual's cognitive moral development influences an individual's attitude to ethical decision-making. This study seeks to understand which of the above two factors is the stronger predictor of ethical behaviour.

CHAPTER 3: RESEARCH QUESTIONS AND HYPOTHESES

Following on from the literature review, the precise purpose of the research that was conducted is discussed in this chapter. This includes the research questions and detailed hypotheses have been formulated.

3.1. Research questions

In light of the literature review, the theory suggests that an individual's personal ethical philosophy is largely described by their level of ethical maturity. This ethical maturity can influence an individual's decision-making in situations of ethical ambiguity. Competitive bluffing is an example of a situation that can be morally ambiguous for the decision maker. The study seeks to explore whether or not this will still be true with the added influence of reward consequences. Based on the theory these are the key questions this research aims to address:

Research question 1:

Is the attitude of business stakeholders towards the ethicality of a morally ambiguous action influenced by the reward consequences of such action?

Research question 2:

Is the attitude of business stakeholders towards the ethicality of a morally ambiguous action related to a stakeholder's individual personal moral philosophy according to the individual's level of cognitive moral development (CMD)?

Research question 3:

Is the attitude of business stakeholders towards the ethicality of a morally ambiguous action more strongly influenced by the reward consequences of the action, than the stakeholder's individual personal moral philosophy according to the individual's level cognitive moral development (CMD)?

3.2. Research hypotheses

The following research hypotheses are based on the literature reviewed in Chapter two.

Hypothesis 1:

Stakeholder Role Players (SRPs) with the expectation of a positive Reward Consequences (RC) attributed to the act of competitor bluffing is a positive attitude and this will be even more positive Attitude towards the Ethicality of Competitor Bluffing (ATECB) than SRPs with the expectation of a negative reward consequence.

$H1_0$: $\mu_1 - \mu_2 \leq 0$ and
H1a: $\mu_1 - \mu_2 > 0$;

Where μ_1 is the mean ATECB score of the participants who received a positive RC treatment and μ_2 is the mean ATECB score of the participants who received a negative Reward Consequence treatment.

Hypothesis 2:

The Attitude towards the Ethicality of Competitor Bluffing (ATECB) of Stakeholder Role Players (SRPs) will differ in relation to the magnitude (high or low) and treatment (positive or negative) of Reward Consequences (RC) attributed to a competitor bluff (morally ambiguous action).

$H2_0$: $\mu_{RC\,1} \geq \mu_{RC\,2} \geq \mu_{RC\,3} \geq \mu_{RC\,4}$; and
H2a: $\mu_{RC\,1} < \mu_{RC\,2} < \mu_{RC\,3} < \mu_{RC\,4}$

Where: $\mu_{RC\,1}$ is the mean ATECB score for the High Negative RC group,
$\mu_{RC\,2}$ is the mean ATECB score for the Low Negative RC group,
$\mu_{RC\,3}$ is the mean ATECB score for the Low Positive RC group, and
$\mu_{RC\,4}$ is the mean ATECB score for the High Positive RC group.

Hypothesis 3:

Reward Consequences (RC) will be a stronger predictor of Attitude towards the Ethicality of Competitor Bluffing (ATECB) amongst Stakeholder Role Players (SRPs) than their *a priori* moral philosophy, as measured on Defining Issues Test (DIT-2) Cognitive Moral Development Level.

$H4_0$: $\rho_{CA} - \rho_{RA} = 0$;
$H4_a$: $\rho_{CA} - \rho_{RA} > 0$

Where ρ_{CA} is the (population) correlation between RC and ATECB and ρ_{RA} the (population) correlation between the DIT – 2 CMD Score and ATECB.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Introduction

This chapter outlines the process which was used in carrying out the research. The experiment was conducted with graduate students participating in the Genesis module of the 2013/14 MBA programme through the University of Pretoria's Gordon Institute of Business Science (GIBS). The Genesis module is the induction module for the MBA programme. During the initial phase of the programme the graduates are informed that during the programme they will complete a number of questionnaires which will assist with ongoing research at GIBS and that this data would be used in a variety of research projects.

The experiment took place during January 2013, where the researcher participated as a supervisor of the experiment with a group of participants. With the consent of Gavin Price the researcher's supervisor, who is also the lecturer of the Genesis module, consent was obtained to make use of the data collected during the January 2013 Genesis module for the purpose of this research study.

4.2 Research design

Based on the research problem and the research questions, the nature of the research problem will be researched by using the experimental strategy as a method. Saunders & Lewis (2012) describes an experiment as a study of the causal links between variables to establish whether a change in one independent variable will produce a change in another dependent variable. The experimental research design is commonly used to determine whether or not one or more specifically chosen variables have an effect on another variable (Huysamen, 1994). Following on from the definition above the experimental design was selected based on the causal nature of the study.

The research is an empirical study using primary data based on the experimental design. Strategic bluffing has been selected as a scenario presenting a form of moral ambiguity in the experiment. In the experiment the participants are grouped into competing companies, where each syndicate group in the class forms a company. Within each company the participants are assigned different stakeholder roles, which include four different roles (shareholder, manager, employee and supplier). The process of role allocation is by means of random selection, roles are placed in an envelope and each participant blindly selects a role from the envelope, once the role is assigned the role cannot be changed.

The independent variables in the research include: Reward Consequences (RC) with four levels (high positive, low positive, low negative and high negative), Business Stakeholder Role (SR), with four levels Shareholder (SH), Manager (M), Employee (E) and Supplier (SU)) and the stakeholders level of cognitive moral development (CMD). The dependent variable was Attitude towards the Ethicality of Competitor Bluffing (ATECB).

4.3 Overview of the experiment and procedure

The experiment is set in a business context. Where the business is simulated through a game called “Execugame” (MacDonald, 2007). The Players’ Manual for Execugame (MacDonald, 2007) is contained in Appendix A. The game simulates a role playing competitor rivalry context. The Execugame creates a unified sense of team spirit and belonging within each company, which enhances the competition between the different companies. The experiment takes place over a number of sessions, during these sessions the participants became entwined in their role. During the game a Defining Issues Test - 2 questionnaires (see attached Appendix B) were completed by each participant to measure the level of cognitive moral development per participant. It was coded by company and a unique stakeholder role.

The experiment tests the attitude of the business stakeholders in their respective roles when faced with the ethicality of competitor bluffing. The competitor bluffing will be in the form of a newspaper article, customised with the company names. During the game there is reward consequences linked to their actions. The researcher will determine which is stronger, the influence of a reward associated to competitor bluffing or the stakeholders cognitive moral development, when faced with competitor bluffing as a situation of moral ambiguity.

4.3.1 Execugame

Execugame is a business simulation exercise where companies compete in market. In the game participants are divided into groups, each group represents a company. Each company has two products. The companies compete against each other in the market. The class of 144 students had been allocated to one of twenty syndicates by the MBA programme manager. The number of students per syndicate ranged between six and eight. Each of the 20 MBA class syndicates represented a company in the Execugame. To enhance the realism of the simulation exercise each syndicate team was a company, but the company actually was not a factor in the design of the research experiment. The simulation exercise was set up into two groups, the blue group and the green group. Each group represented a different simulated world. There were ten teams competing against each other in each world. The two worlds were independent of the each other; any decisions made by any company in one world had no effect on the outcomes of any of the

companies competing in the other worlds. Each company in the simulation competed against the other companies in their world. They were measured on five key areas of business performance, namely market share, share price, stock levels, return on equity and total earnings. The game was played over four rounds. Each round represented three months in the life of the companies. Therefore the length of the full game was played over a period of one simulated year. The game consisted of a number of decisions and variables, decisions were made during each round of the game, success was measured after each round, dependant the quality of the decisions made relative to the decisions of the competition in the group of companies of that world.

The purpose of using the Execugame simulation was to reinforce the participants' adoption of the particular stakeholder roles to which they were randomly assigned. The participants did not know that the actual performance of the companies was not relevant to the experiment and the study design was created such that company performance would not have any effect on the research variables that were measured. Similarly, the creation of two separate worlds was merely to provide for the replication and convenience in administration and is not otherwise a factor in the experiment. The participants were informed that all the data collected would be kept strictly confidential and that their privacy would be maintained, with their identity protected.

4.4 Population

The population for this research consisted of employees at a managerial level in the corporate environment. Managerial as they are likely to be faced with situations where they need to make decisions tainted with ethical ambiguity.

4.5 Sample frame and sample size

The sample frame includes the entire class of the 2013/14 MBA students of the Gordon Institute of Business Science (GIBS), University of Pretoria. (N=144). All 144 of members of the sample frame took part as participants in the research that was conducted. Therefore this was a saturation sample. All participants took part in the experiment simultaneously across the separate and independent design variants. This removed the chance of any contamination that may have happened if the experiment had taken place at different times.

4.6 Units of analysis

The unit of analysis was the business stakeholder role players. Each role player was represented by a student from the 2013/14 MBA class participating in the experiment. The role of one of the four stakeholders was randomly assigned to each participant. The four respective Stakeholder

Role (SR) categories are Shareholders (SH), Managers (M), Employees (E) and Suppliers (SU). Each Stakeholder Role in the experiment experience received a different Reward Consequence. The four treatment levels of Reward Consequences (RC) are, high negative (HN), low negative (LN), low positive (LP) and high positive (HP).

4.7 *Exp*erimental design

The experiment is only concerned with the effects of the manipulated variables in the experimental design, being the two independent variables SR and RC, in relation to the dependent variable, being ATECB. The company and the world, or their interactions with RC and SR, were not considered to have noticeable effect on the results. Any potential effects were controlled by evenly spreading RC x SR combinations across the companies in each world. All other variables in the study were unrelated to the experiment.

4.7.1 The double-blind design

The 4 x 4 design was used, which is a double-blind 4 x 4 completely crossed two factor design (Huysamen, 1994). The 4 x 4 design contains two independent variables being Stakeholder Roles (SR) and Reward Consequences (RC), each containing four levels. The combinations of the levels of the 2 independent variables RC and SR were completely crossed within, as well as across five sets of four companies each, with four of the five sets consisting of unique versions of the 4 x 4 design and the fifth set a replication of the first set (first four companies 1-4, 5-8, 9-12, 13-16 constituted of unique designs and 17-20 replicates the design in companies 1-4). Table two contains the details and depiction of how the sixteen different combinations of the factor levels of the independent variables, Stakeholder Role (SR) and Reward Consequences (RC) were randomly assigned across the five instances of the 4 x 4 design.

The design was labelled a double-blind design (Huysamen, 1994), because all parties to the experiment were denied oversight into the random assignment to the experimentally manipulated independent variables of Reward Consequences (RC) and Stakeholder Role (SR). In addition to this design, neither the research monitors nor the participants were aware of the true purpose of the research behind the Execugame simulation. Both the research monitors and the participants in the study were informed that research was being conducted for the benefits of role-playing simulations in business education.

4.7.2 Allocation of the participants to each company

The programme manager of the MBA was in charge of assigning the students into 20 syndicate groups. The programme manager acted independently of both the researcher and the participants. The assignment criteria was set for the benefit of the MBA program, taking into account diversity within and across syndicates in respect of gender, age, race, education, job function and experience. Each syndicate represented a company in the Execugame.

4.7.3 Assignment of participants to stakeholder role

To ensure randomness in the experimental design for random assignment of participants to levels of the independent variable, Stakeholder Role (SR), each participant blindly drew a name badge depicting one of the four Stakeholder Role (SR) categories out of a bag. Due to the randomly assignment Stakeholder Role (SR), this results in the pre-assigned level of Reward Consequences (RC), to the second independent variable, (RC).

Table 2: Assignment of Levels of the Independent Variables (SR and RC) Within and Across Companies and Worlds

World One – B (Blue)					
Company Number / Reward Consequences	**1**	**2**	**3**	**4**	**5**
High Positive	M	E	SH	SU	E
Low Positive	E	SH	SU	M	M
Low Negative	SH	SU	M	E	SU
High Negative	SU	M	E	SH	SH
World One – B (Blue)					
Company Number / Reward Consequences	**6**	**7**	**8**	**9**	**10**
High Positive	M	SU	SH	SH	M
Low Positive	SU	SH	E	M	SU
Low Negative	SH	E	M	SU	E
High Negative	E	M	SU	E	SH
World Two – G (Green)					
Company Number / Reward Consequences	**1**	**2**	**3**	**4**	**5**
High Positive	SU	E	M	SH	E
Low Positive	E	SH	SH	E	SU
Low Negative	SH	M	E	SU	M
High Negative	M	SU	SU	M	SH
World Two – G (Green)					
Company Number / Reward Consequences	**6**	**7**	**8**	**9**	**10**
High Positive	SU	M	E	SH	SU
Low Positive	M	E	SH	SU	M
Low Negative	SH	SH	SU	M	E
High Negative	E	SU	M	E	SH

Categories of Stakeholder Role (SR):

M=Manager; E=Employee; SH = Shareholder; SU=Supplier

4.8 Construct measurements

For the purpose of this study there are two questionnaires used in the experiment, the Attitude towards the Ethicality of Competitor Bluffing (ATECB), disguised in the Attitudes towards Business Ethics Questionnaire (ATBEQ) and the Defining Issues Test (DIT-2).

4.8.1 The attitude towards the ethicality of competitor bluffing (ATECB) measure

For the purpose of this study, four specially developed questions, designed to measure the participants' attitude towards the ethicality of competitor bluffing, were merged into an existing published questionnaire known as the Attitudes towards Business Ethics Questionnaire (ATBEQ). The ATBEQ was developed by Preble and Reichel (1988), it was later used by Moore and Radloff (1996) and Price and van der Walt (2012) to measure attitudes towards business ethics in South Africa. The four new questions were inserted into the questionnaire and they are questions ten, 14, 16 and 31 of the modified and expanded ATBEQ. When the four questions are extracted from the original ATBEQ questions, the new questions constituted a sub-scale termed the Attitude towards the Ethicality of Competitor Bluffing (ATECB) scale. Question 16 was asked in the reverse context; hence the responses were reverse scored to allow for meaningful summation over the items in this scale. Refer to Appendix C for the adapted ATBEQ questionnaire containing the four ATECB questions.

All participants, whilst assuming their Stakeholder Role (SR), completed the Attitudes towards Business Ethics Questionnaire (ATBEQ), which contained the ATECB inserted questions. By adding the ATECB questions to questionnaire evaluates not only ethical attitudes in general, but also attitudes towards a variety of morally ambiguous situations, including competitor bluffing. The data collection took place just before the participants' discovery of the financial results of their company for the third round. It was planned in this way to ensure that the actual company performance did not influence their ATECB scores.

4.8.2 Defining issues test-2 questionnaire

The DIT questionnaire is based on Kohlberg's six stages and presents hypothetical ethical dilemmas that are similar to those developed by Kohlberg. Rest analysed Kohlberg's interviewing notes, Kohlberg discovered that individuals in the same stage demonstrated similar responses to the dilemmas presented to them. Kohlberg created Likert-type behavioural statements representing each stage and he used a rank ordering method to link the level to the 6 stages. In a multiple choice questionnaire format, respondents selected which one they would choose for each dilemma. Then respondents had to prioritize each behavioural statement in order of importance. Individuals rank the top four most important considerations. Based on this ranking, a *P* score is

derived, which is based on Kohlberg's CMD theory. P scores range from 0 to 95 and indicate the importance the individual gives to principled (Stage 5 and 6) moral reasoning. The higher the number indicates a higher level of moral development. (Rest, 1986)

On the morning of the day, before round three of the Execugame, before the game had resumed and completely outside of the game, the students were requested to complete Rest, Narvaez, Thoma & Bebeau's (1999) Defining Issues Test version 2 (DIT-2) questionnaires, designed to measure the participant's individual level of Cognitive Moral Development (CMD).

4.8.3 Consent to use proprietary instruments

All copyrighted test instruments and measurement scales were used with prior written permission from the authors. Consent was also obtained in advance to make the necessary amendments and adaptations were needed for purposes of this study.

4.9 The nature of the experimental treatments

4.9.1 Reward consequences

The factor of *reward consequences* (RC) was introduced as a treatment with the intention of influencing the ethical decision-making process. The reward consequences (RC) had four levels that varied in terms of direction (positive or negative) and magnitude (high or low). The reward consequences (RC) treatment was introduced to the experiment after round three and prior to the fourth and final round of the Execugame. This was timed to allow the participants to have developed an association with the company and allow the participant to become entrenched in the particular stakeholder role (SR) to which they had been randomly assigned. The independent variable of reward consequences (RC) was administered by means of short written "news reports" presented in the form of hot-off-the-press articles from "The Business Times" newspaper, handed to each participant prior to the start of the fourth and final round of the Execugame. Each newspaper article was uniquely customised to fit with their randomly assigned treatment (combination of stakeholder role (SR) and reward consequences (RC)). Each newspaper article stated that the bluff had resulted in particular reward consequences (RC) for their particular stakeholder role (SR) category in their particular company. Appendix B contains an example of each of the 16 different combinations of the newspaper article used in the experimental study.

Each newspaper article revealed that a senior executive of their company had used a strategy of a competitor bluff. This bluff involved an attempt to miss-direct their company's competitors in order to gain competitive advantage over the bluffed competitors. To contribute towards the moral

ambiguity of the action the nature of the competitor bluff in the newspaper article but was deliberately left vague, as well as the ecological validity of the experiment.

Details of the assigned levels of reward consequences (RC) per Stakeholder Role (SR) are shown in Table three:

Table 3: Operationalisation of the Reward Consequences per Stakeholder Role

Reward Consequences	**Stakeholder Role**			
	Manager (M)	**Shareholder (SH)**	**Employee (E)**	**Supplier (SU)**
High positive	Dramatic/ generous bonus received	Dramatic/ substantial increase in share price.	Generous and substantial wage increase	Dramatic / substantial increase in price of the raw materials sold to the Company
Low positive	Moderate/ reasonable bonus received	Slight/ marginal rise in share price.	Competitive and reasonable wage increase	Competitive/ moderate increase in price of the raw materials sold to the Company
Low negative	Disappointing/ small bonus pool	Disappointing moderate drop/ small drop in share price	Disappointing / token wage increase	Disappointingly low increase/ settle on lower increase in price of the raw materials sold to the Company
High negative	Regrettable that no bonuses to be paid	Dramatic drop in share price	Regrettable withholding of wage increase	Regrettable rejection of/ inability to accept increase in the proposed price of the raw materials sold to the Company

4.9.2 Competitive bluff

A newspaper articles was attached to the ATBEQ questionnaire that each subject would receive. Each newspaper article was customized with the name of the company of which the participant was a member, as well as the Stakeholder Role and level of Reward Consequences which had been randomly assigned. The participants were informed that an event had occurred in the Execugame. They were to read the details of the occurrence carefully. They were required to continue playing in their roles once they had completed the ATBEQ (which included the specially developed items of the ATECB), which was administered immediately after the newspaper article had been read. It was emphasised that there was no rush to complete the questionnaire. The participants were reminded that they were to answer the questionnaire from the perspective of their Stakeholder Role. The results of the game and company performance played no role whatsoever in the research experiment or analysis of research results.

4.10 Principle of validity and reliability

4.10.1 Social desirability response bias

Social desirability response bias is the tendency amongst survey respondents to answer questions in a way that they are perceived to appear more favourable to others (Crowne & Marlowe, 1960; Beams, Brown and Killough, 2003). The experimental design and setting was used to mitigate the threat of social desirability response bias in the assessment of the dependent variable of interest, being the attitudes of different stakeholders towards the use of bluffing in a competitor rivalry context.

4.10.2 Ecological validity

The use of the Execugame as a business simulation during the study contributed to the ecological validity of the experiment. The participants completed the ATECB questionnaire right after being exposed directly to the effects of a morally ambiguous action. This was intended to enhance the authenticity of real and meaningful attitudes being expressed from the participant in the perspective of their Stakeholder Role, in response to the questions in the ATECB.

4.11 Data analysis

The data collected was coded and labelled to allow for analysis. The data was manually captured in Excel. Thereafter the data was statistically analysed to identify any trends and the data was tested against the research questions.

4.11.1 Defining issues test – 2 (DIT-2) analysis

The Defining Issues Test as noted in Chapter two is used in the measure of an individual's level of Cognitive Moral Development. After receiving the returned questionnaires collected during the Execugame, the researcher checked to make sure each DIT-2 questionnaire and each demographic questionnaire contained the unique identifying codes. The researcher checked the condition of the answer sheets to ascertain that the answers were clearly marked. Where there were any irregularities identified, the questionnaire was discarded from the study. Where questionnaires were not completed properly they were discarded from the study.

After the questionnaires were screened for completeness, the researcher contacted the Office for the Study of Ethical Development at The University of Alabama in America. This Centre is dedicated to studies in the field of ethics. They provide professional services in analysing the DIT-2 questionnaires. The Centre provided the researcher with the Excel format in which the data had to

be captured. The researcher captured the data from the paper based questionnaires. After capturing the data in the prescribed format, the Centre conducted statistical analysis on the DIT-2 questionnaires and generated a report. The report provided the P-score and N2-score. The P-score is the sum of scores from stages five and six, and normalised by converting to a percentage. As per the literature review in Chapter two, stages five and six of Kohlberg's theory of Cognitive Moral Development represent Post-conventional moral thinking, and can be interpreted as the extent to which an individual prefers Post-conventional thinking. The N2 score is a new score that is an enhancement of the P-score. It is the same as the P-score except that it takes into account the degree to which Personal Interest (from the lower stages) have received a lower rating in relation to the Post-conventional scores. Therefore the N2 score is more reliable. As a result the N2 score was used in this study. The report was returned to the researcher for additional analysis.

4.11.2 Ethics Position Questionnaire (EPQ)

The data regarding the demographic variables were collected via specially added questions placed at the end of Forsyth's (1980) Ethics Position Questionnaire (EPQ), with the permission of the scale author (see Appendix E for the EPQ questionnaire). The participants had completed the EPQ before the start of the experiment.

4.11.3 The attitude towards the ethicality of competitor bluffing (ATECB) analysis

As per the literature review in Chapter two, The Attitude towards the Ethicality of Competitor Bluffing (ATECB) is a measure to understand the business attitudes in situations of competitor bluffing, which is included in The Attitude towards Business Ethics Questionnaire (ATBEQ). After receiving the returned questionnaires collected during the Execugame, the researcher checked to make sure each ATBEQ questionnaire contained the unique identifying codes and aligned it with the other questionnaires used in the study. The researcher checked the condition of the answer sheets to ascertain that the answers were clearly marked. Where there were any irregularities identified, the questionnaire was discarded from the study. Where questionnaires were not completed properly they were discarded from the study.

4.11.4 Statistical analysis tests conducted:

The statistical analysis included:

- An independent sample t-test was used to compare the mean ATECB score of the participants with a positive Reward Consequences (RC) with the mean ATECB score of the participants with a negative Reward Consequences (RC) treatment.

- A two way ANOVA was used to explore both the impact of Reward Consequences (RC) and Stakeholder Role (SR) on the individuals ATCEB score.
- A Multiple Regression Test was used to test the correlations between Reward Consequences (RC) and ATECB, and an individual's N2-score (which is a reflection of their Cognitive Moral Development) and their ATECB results.

4.12 Limitations

This research contains limitations, these include:

- Experimental research design:
    - By using an experimental design real-world factors are excluded. The real-world cannot be fully replicated;
    - The experiment was over a short period of time which does not allow for the participants to have really assumed their stakeholder role, as they would have in the real-world;
    - The sample frame although large in terms of traditional samples sizes, it is still small in relation to the greater economy as the population.
- The use of the MBA class as the sample
    - The class represents primarily medium to large corporate middle to senior management, which is not representative of all decision makers in the economy;
    - The class represents primarily South African citizens, which does not allow for a global study. However the study can be applied to similar type economies.

CHAPTER 5: RESULTS

5.1 Introduction

This chapter presents the findings of the experiment that was conducted based on the methodology in Chapter four. It evaluates if there is sufficient evidence to accept or reject the research hypothesis presented in Chapter three.

5.2 Descriptive Stats

A total of 144 participants took part in the Genesis Module of the 2013/14 MBA Programme through the University of Pretoria's Gordon Institute of Business Science (GIBS). The Genesis Module is the induction module for the MBA Programme. When analysing the data collected, it was found that certain questionnaires were not completed properly as a result, of the 144 participants a sample of 99 participants could be included for the purpose of the experiment. The frequency tables of the demographic variables of language, religion, age, gender and experience are contained in Tables 4-8.

5.2.1 Religion

The majority (75.8%) of the participants indicated that they were Christians; while only 6.1% claimed to have no religious beliefs (Table 4).

Table 4: Religion

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Christianity	75	75.8	75.8	75.8
	Judaism	1	1.0	1.0	76.8
	Hinduism	8	8.1	8.1	84.8
	Islam	2	2.0	2.0	86.9
	Other	3	3.0	3.0	89.9
	None	6	6.1	6.1	96.0
	Missing	4	4.0	4.0	100.0
	Total	99	100.0	100.0	

5.2.2 Language

There was a diverse spread of languages represented in the class. 43.4% of the participants indicated that one of the African official languages was their home language, whilst 32.3% of the participants indicated that English was their home language and 15.2% reported Afrikaans as their home language (Table 5). The GIBS MBA Programme is conducted in English. Students are required to be proficient in English as a pre-requisite for admission to the GIBS MBA and all applicants undergo an English proficiency test as part of the admissions entrance exam.

Table 5: Language

	Frequency	Percent	Valid Percent	Cumulative Percent
Afrikaans	15	15.2	15.2	15.2
English	32	32.3	32.3	47.5
Ndebele	1	1.0	1.0	48.5
Sepedi	4	4.0	4.0	52.5
Setswana	6	6.1	6.1	58.6
Southern Sesotho	3	3.0	3.0	61.6
Swati	5	5.1	5.1	66.7
Tsonga	2	2.0	2.0	68.7
Venda	1	1.0	1.0	69.7
Xhosa	9	9.1	9.1	78.8
Zulu	12	12.1	12.1	90.9
Missing	9	9.1	9.1	100.0
Total	99	100.0	100.0	

5.2.3 Age

The majority of the participants (68.7%) were between the ages of 30 and 40 years old (Table 6).

Table 6: Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	25-29	18	18.2	18.2	18.2
	30-34	45	45.5	45.5	63.6
	35-49	23	23.2	23.2	86.9
	40 or older	10	10.1	10.1	97.0
	Missing	3	3.0	3.0	100.0
	Total	99	100.0	100.0	

5.2.4 Gender

The majority of the participants are male (62.6%), with only a third of the participants who are female (Table 7). It is safe to say that this ratio represents the current shortage of females in managerial positions in South Africa.

Table 7: Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	33	33.3	33.3	33.3
	Male	62	62.6	62.6	96.0
	Missing	4	4.0	4.0	100.0
	Total	99	100.0	100.0	

5.2.5 Experience

The concern about using students as participants in management research study is that the students may not have gained the practical management exposure and work experience to be able to relate to questions concerning business issues. Due to management experience as an entry requirement as a pre-requisite for admission to the GIBS MBA, this concern was not founded in this instance since 79.8% of the participants were found to have two or more years of management experience and 60.4% of the participants had at more than four years of management experience (Table 8).

Table 8: Experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-2	17	17.2	17.2	17.2
	2-4	19	19.2	19.2	36.4
	4-6	24	24.2	24.2	60.6
	6-8	16	16.2	16.2	76.8
	8-10	10	10.1	10.1	86.9
	10+	10	10.1	10.1	97.0
	Missing	3	3.0	3.0	100.0
	Total	99	100.0	100.0	

The demographics of the sample indicate that the participants were appropriate to represent business people at a managerial level at which they are exposed to making decisions where there is ethical ambiguity.

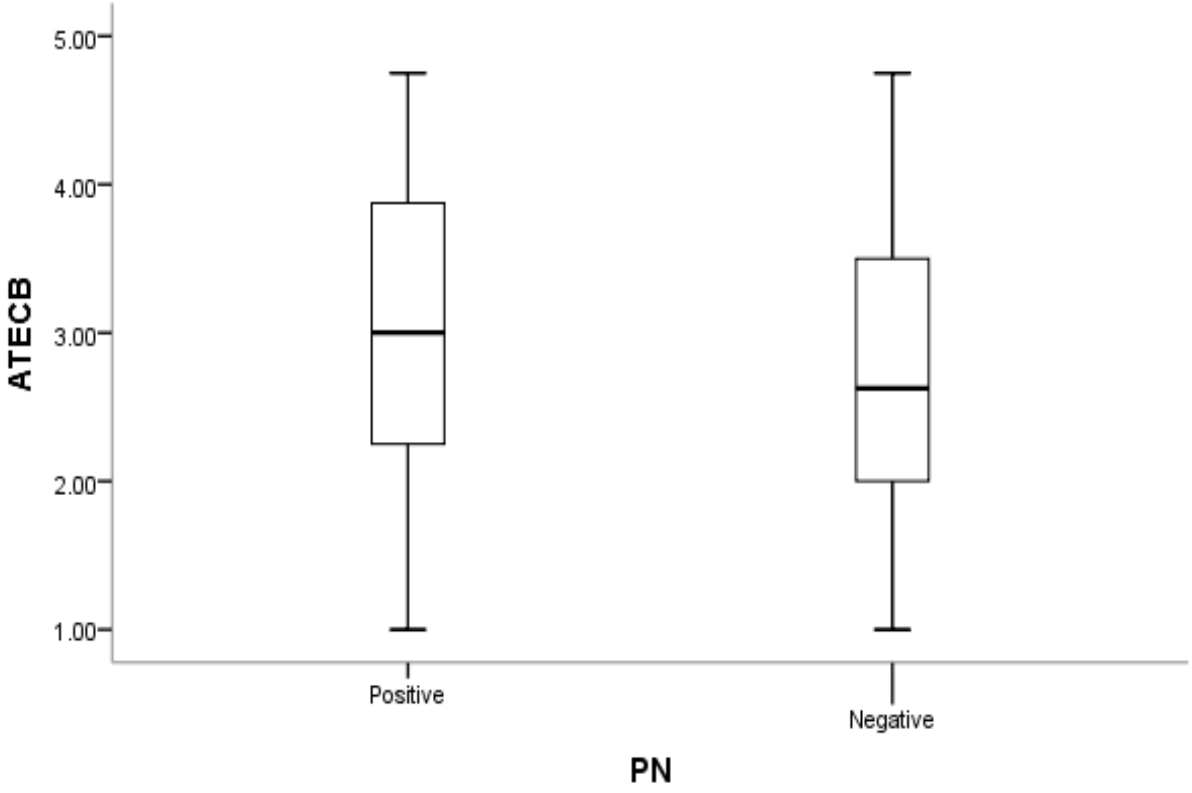
5.3 Initial Screening Process

Before proceeding with testing the hypotheses that have been presented, the data needed to be screened for the presence of outliers that could interfere with subsequent statistical analysis. Following on, Cronbach's alpha coefficients were calculated for measurement scales in an attempt to demonstrate scale reliability. Reliability can be defined as the consistency of the results based on measures or observations (Frankel & Wallen, 1993). These authors go on to explain that if an individual were to repeat the same test at different times, the scores of the two tests should be very similar. Lastly, all scales were then validated to confirm an assumption of normality, which according to Weiers (2010) is an important assumption of the anticipated parametric modelling to follow.

5.3.1 Outlier analysis

Many statistical techniques are sensitive to outliers (Pallant, 2010). As per the Boxplot diagram (Figure 5 below) there are no outliers present.

Figure 5: Boxplot Diagram – ATECB data



5.3.2 Scale reliability

Cronbach's Alpha is a commonly used indicator of internal consistency (Rest et al., 1999). The Cronbach Alpha for the ATECB data displays high internal consistency reliability at 0.874 (see Table 9 below). A recent study by Price (2012), using the same questionnaire, consisting of a sample resembling almost identical demographic variables found a Cronbach Alpha of 0.881 which is very similar to the results of this study. According to DeVellis (2003) a Cronbach Alpha of greater than 0.7 is acceptable. The result of 0.874 suggests that the data is suitable for use in the analysis.

Table 9: Reliability Statistics

Cronbach's Alpha	N of Items
.874	4

5.3.3 Test for normality

It is essential to test for normality before the statistical methods are applied. When using parametric techniques normal distribution is assumed (Pallant, 2010). A violation of the normality

assumption implies that parametric tests are not suitable for use on the current sample and that one would need to resort to non-parametric alternatives.

There are two tests one could perform. The Kolmogorov-Smirnov test for normality (typically used when sample sizes are greater than or equal to 50 subjects) and the Shapiro-Wilk (when sample sizes are less than 50 subjects), see table 10 below. The hypothesis is as follows:

$H1_0$: normally distributed
H1 a : not normally distributed

Table 10: Tests of normality

	PN	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
ATECB	**Positive**	.117	55	.058	.958	55	.053
	Negative	.132	44	.052	.963	44	.167

a. Lilliefors Significance Correction

With significance levels that exceed 0.05 (alpha) for both positive RC and negative RC, we can conclude the following: Fail to reject the null hypothesis. Therefore the sample is assumed to be normally distributed, (see figures 6 and 7 for a graphical presentation).

Figure 6: Histogram - ATECB positive rewards

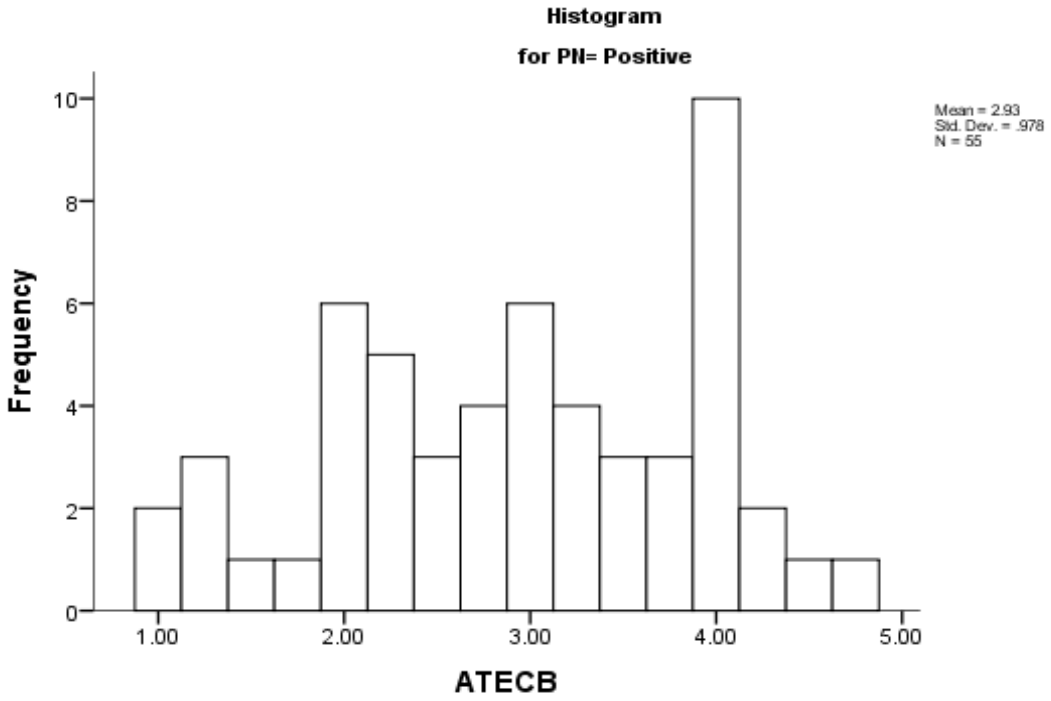
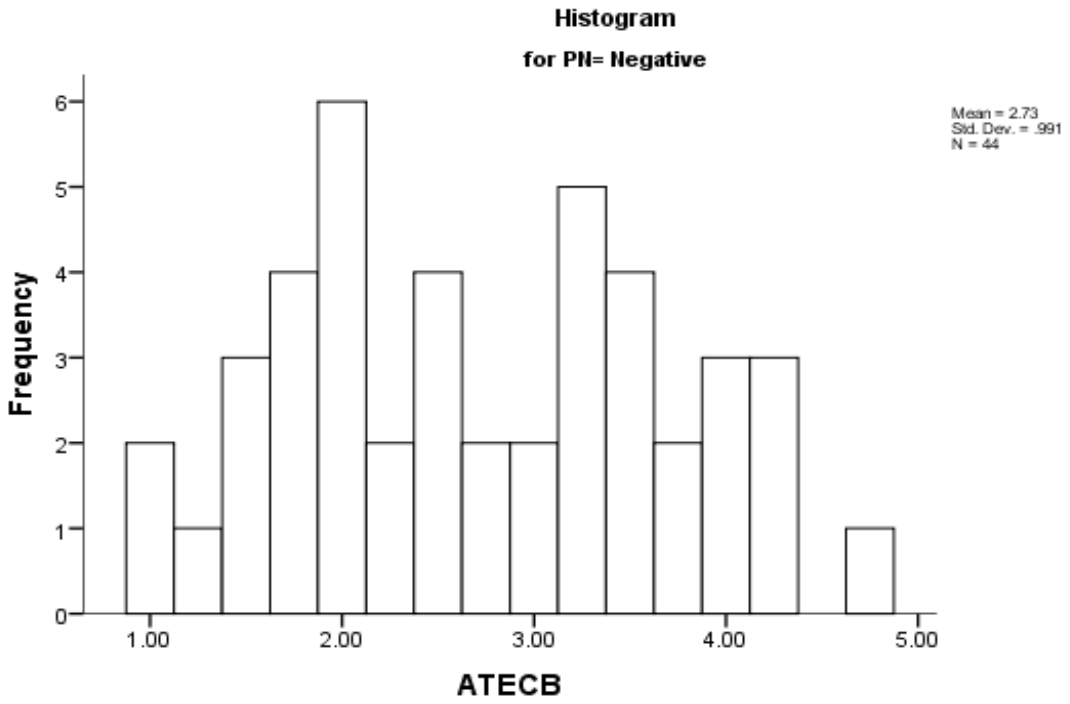


Figure 7: Histogram – ATECB negative rewards



5.3.4 DIT-2 data reliability tests:

Before the Office for the Study of Ethical Development at The University of Alabama conducted the analysis of the DIT-2 data, there were four problem areas that they inspected to measure the participant reliability. The reliability inspection is system based with empirically derived cut off values. The system calculates whether a response should be purged for lack of reliability. The final report returned by the Centre to the Researcher contained 28 out of 127 participants that were purged. These are the checks performed:

5.3.4.1 The problem of random sampling

To account for the participants who would answer questions randomly without applying their mind, the rate-rank consistency check is used, to check the participant's ratings for consistency with the participant's rankings.

5.3.4.2 The problem of missing data

Cut off values are derived based on the trial and error procedure described by Rest, Narvaez, Thoma & Bebeau (1999). Where a participant leaves out more than three rankings on any of the

two stories, the questionnaire is purged, and/or where a participant leaves out more than six rankings overall, the questionnaire if purged.

5.3.4.3 The problem of fictitious participants

The meaningless item check is performed to identify responses that are fictitious. This could be purely fictitious computer generated responses, or instances where a participant is trying to fake a high ethical score. In each scenario questions are included that contain statements that are essentially meaningless. They are dummy questions. These questions are measured separately by the M-item (meaningless items) score, where the participants weighted M-items total more than ten the questionnaire is purged.

5.3.4.4 The problem of non-discrimination

A special check was developed to measure respondents who are not using their discrimination to answer questions (e.g. where a participant answers "3" for all items). This problem is not identified in the rate-rank consistency check above (point 5.3.2.1). Participants who rate 11 questions the same on the same story are considered as non-discrimination and these questionnaires are purged.

5.4 Testing of the statistical hypotheses 1, 2 and 3

Hypotheses 1 was tested by means of an independent samples t-test. Hypothesis 2 was tested by means of a two-way ANOVA. Hypothesis 3 was tested by means of a Multiple Regression.

5.4.1 Hypothesis 1

The first hypotheses test was the hypotheses that Stakeholder Role Players (SRPs) for whom the valence of Reward Consequences (RC) attributed to competitor bluffing is positive will have a more positive ATECB than SRPs for whom such valence is negative.

$H1_0$: $\mu_1 - \mu_2 \leq 0$ and
H1a: $\mu_1 - \mu_2 > 0$;

Where μ_1 is the mean ATECB score of the participants who received a positive RC treatment and μ_2 is the mean ATECB score of the participants who received a negative RC treatment.

According to Pallant (2010), t-tests are used when there are two groups you wish to compare the mean score for (see table 11 below). Hence, an independent samples t-test was used to compare

the mean ATECB score of the participants with a positive RC with the mean ATECB score of the participants with a negative RC treatment.

Table 11: Independent samples t-test

Group Statistics

PN		N	Mean	Std. Deviation	Std. Error Mean
ATECB	**Positive**	55	2.9318	.97830	.13191
	Negative	44	2.7273	.99097	.14939

Table 12: Independent samples test

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
ATECB	Equal variances assumed	.100	.753	1.028	97	.307	.20455	.19901	-.19044	.59953
	Equal variances not assumed			1.026	91.769	.307	.20455	.19930	-.19129	.60038

Result: Levene's test value for equality of variances of the two groups was 0.753, which exceeds the significance threshold of 0.05 and indicates that the variances could be assumed to be equal (see table 12 above).

Two-tailed *p* value of 0.307
One tailed *p* value of 0.154

Conclusion: Fail to reject the null hypothesis. There is insufficient evidence to suggest that Stakeholder Role Players (SRPs) for whom the valence of Reward Consequences (RC) attributed to competitor bluffing is positive will have a more positive ATECB than SRPs for whom such valence is negative.

5.4.2 Hypothesis 2

The second hypotheses test was the hypotheses that the ATECB of Stakeholder Role Players (SRPs) will vary in relation to the magnitude (high or low) and valence (positive or negative) of Reward Consequences (RC) attributed to a competitor bluff (morally ambiguous action). Hence a strictly monotonic sequence of outcomes for the four treatment conditions (high negative, low negative, low positive, high positive) is expected.

$H2_0$: $\mu_{RC\,1} \geq \mu_{RC\,2} \geq \mu_{RC\,3} \geq \mu_{RC\,4}$; and
H2a: $\mu_{RC\,1} < \mu_{RC\,2} < \mu_{RC\,3} < \mu_{RC\,4}$

Where: $\mu_{RC\,1}$ is the mean ATECB score for the High Positive RC group,
$\mu_{RC\,2}$ is the mean ATECB score for the Low Positive RC group,
$\mu_{RC\,3}$ is the mean ATECB score for the Low Negative RC group, and
$\mu_{RC\,4}$ is the mean ATECB score for the High Negative RC group.

According to Pallant (2010), a two-way analysis of variance (ANOVA) allows the testing of the impact of two independent variables on one dependent variable. Hence a two way ANOVA was used to explore both the impact of RC and SR on the individuals ATCEB score.

The cell means and frequencies are reported as follows (see table 13 below):

Table 13: Descriptives ATECB

ATECB

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
High Positive	28	2.9018	.85348	.16129	2.5708	3.2327	1.50	4.50
Low Positive	27	2.9630	1.10876	.21338	2.5244	3.4016	1.00	4.75
Low Negative	20	2.7000	1.00197	.22405	2.2311	3.1689	1.25	4.75

High	24	2.7500	1.00271	.20468	2.3266	3.1734	1.00	4.25
Negative								
Total	99	2.8409	.98422	.09892	2.6446	3.0372	1.00	4.75

Table 14: Test of homogeneity variances

ATECB

Levene Statistic	df1	df2	Sig.
.501	3	95	.683

Table 15: ANOVA

ATECB

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.101	3	.367	.372	.774
Within Groups	93.830	95	.988		
Total	94.932	98			

Result: Levene's test value for equality of variances of the four treatment groups was 0.683 (see table 14 above), which exceeds the significance threshold of 0.05 and indicates that the variances could be assumed to be equal.

Conclusion: Fail to reject the null hypothesis. There is insufficient evidence to suggest that the Attitude towards the Ethicality of Competitor Bluffing (ATECB) of Stakeholder Role Players (SRPs) will vary in relation to the magnitude (high or low) and valence (positive or negative) of Reward Consequences (RC) attributed to a competitor bluff (morally ambiguous action).

Further tests to conducted to ensure the results are representative of the results, showing that the ATECB results and the Competitive Bluff are not following a pattern of logic, see table 17 and 18, as well as the graphical representation in Figure 8 below.

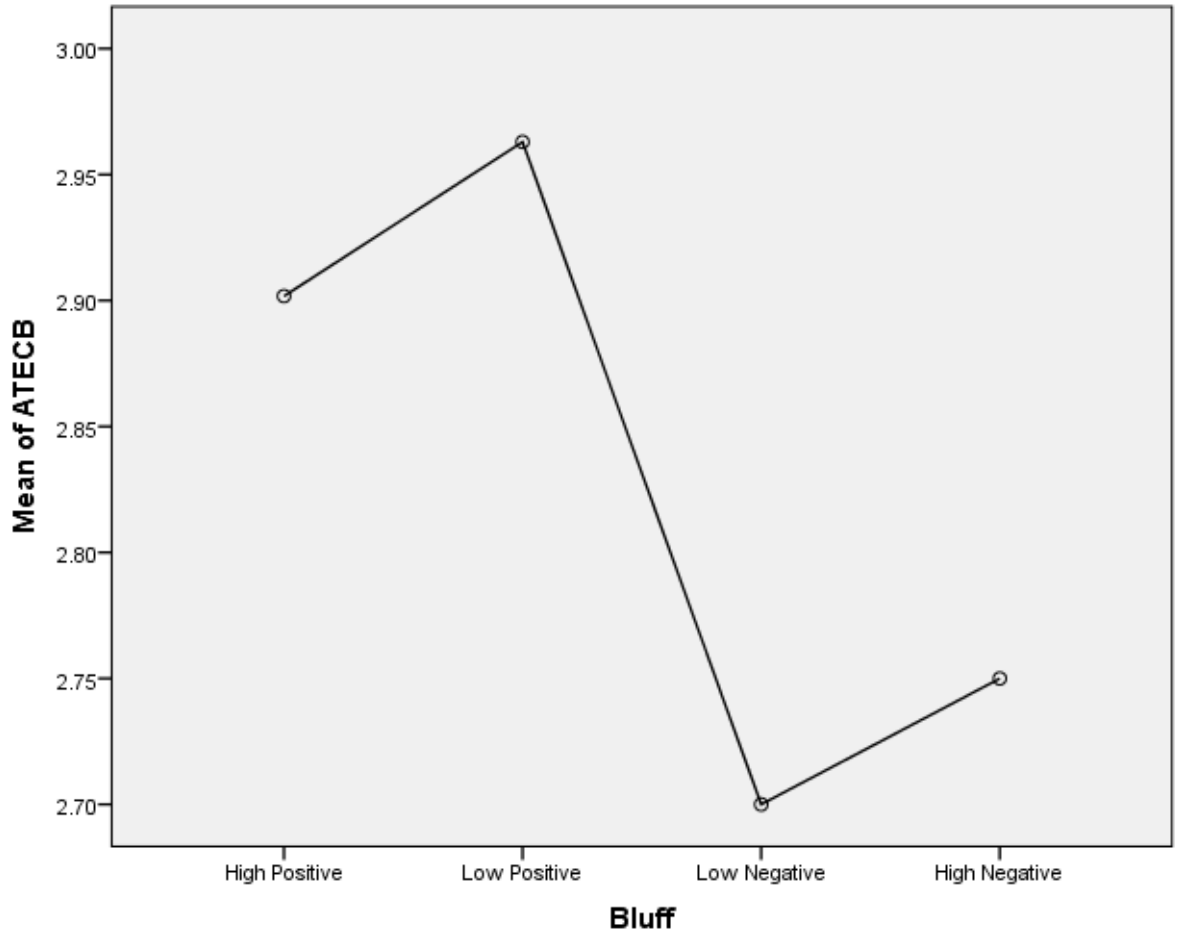
Table 16: Contrast Coefficients

Contrast	Bluff			
	High Positive	Low Positive	Low Negative	High Negative
1	-1	0	0	1

Table 17: Contrast Tests

		Contrast	Value of Contrast	Std. Error	t	df	Sig. (2-tailed)
ATECB	Assume equal variances	1	-.1518	.27646	-.549	95	.584
	Does not assume equal variances	1	-.1518	.26059	-.582	45.491	.563

Figure 8: Graphical representation – Mean ATCEB in relation to Competitive Bluff



5.4.3 Hypothesis 3

The last hypotheses test was the hypotheses that the Reward Consequences (RC) will be a stronger predictor of ATECB amongst Stakeholder Role Players (SRPs) than their *a priori* moral philosophy, as measured on the individual's DIT-2 CMD Score.

$H4_0$: $\rho_{CA} - \rho_{RA} = 0$;
$H4_a$: $\rho_{CA} - \rho_{RA} > 0$

Where, ρ_{CA} is the (population) correlation between RC and ATECB, and ρ_{RA} the (population) correlation between the DIT – 2 CMD Score and ATECB.

According to Pallant (2010), a Multiple Regression is a sophisticated extension of correlation, which is used to explore the predictive ability of a set of independent variables on one continuous dependent measure. A test for linearity was conducted as a requisite assumption of a multiple regression, (see figure 9 below). The Multiple Regression (see table 19 below) was used to test the correlations between valence of RC and its predictability on ATECB, and an individual stakeholder's level CMD and the predictability of the corresponding ATECB.

Figure 9: Test for linearity

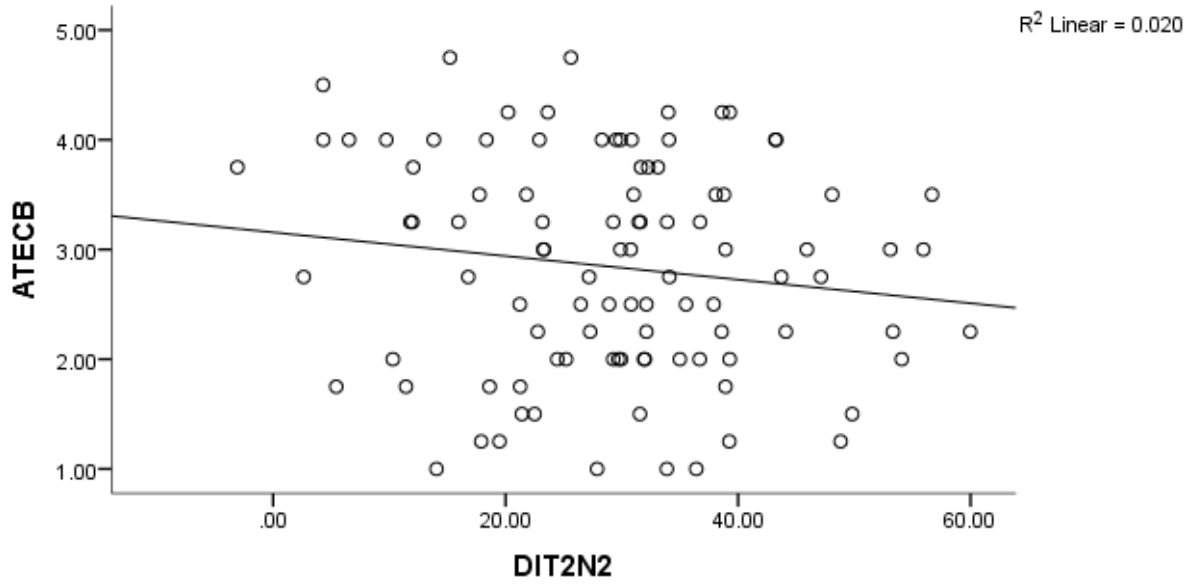


Table 18: Coefficients[a]

Model		Un-standardised Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.088	.302		10.240	.000
	HighPosRC	.179	.275	.082	.651	.516
	LowPosRC	.221	.277	.101	.800	.426
	LowNegRC	-.076	.299	-.031	-.253	.801
	DIT2N2	-.012	.008	-.154	-1.507	.135

a. Dependent Variable: ATECB

Alternative: Multiple regression analysis

Result: Treating RC as a nominal variable, we therefore code the following dummy variables = 4 (RC categories) -1 = HighPosRC, LowPosRC, LowNegRC. Standardised beta coefficients for the regression output suggests that DIT-N2 (Beta = 0.154, p = 0.135) > All RC variables (as per Table 19). Therefore the DIT-2 N2 score is a stronger predictor of ATECB than RC. However both the DIT-2 N2 score and all the RC treatments have a significance > 0.05, therefore the correlation for both variables is not significant.

Conclusion: Fail to reject the null hypothesis. A reward consequence is not a stronger predictor of Attitude towards Ethicality of Competitor Bluffing in comparison to the stakeholders' level of cognitive moral development. The level of stakeholder cognitive moral development (from the DIT-2 N2 score) is a stronger predictor of Attitude towards Ethicality of Competitor Bluffing, in comparison to all the levels of Reward Consequences. However the correlation of both Reward Consequences and level of Cognitive Moral Development is not significant. There is insufficient evidence to suggest that both Reward Consequences and level of Cognitive Moral Development are correlated to Attitude towards Ethicality of Competitor Bluffing.

CHAPTER 6: DISCUSSION OF RESULTS

6.1 Introduction

This chapter is a discussion of the findings detailed in chapter five, in order to address the study objectives and research questions. The discussion focuses on the corresponding hypotheses, to provide insights and explanations into the findings. Whilst drawing parallels with the findings and past literature.

6.2 Discussion of hypothesis 1

Hypothesis 1: Stakeholder Role Players (SRPs) with the expectation of a positive Reward Consequences (RC) attributed to the act of competitor bluffing is a positive attitude and this will be even more positive Attitude towards the Ethicality of Competitor Bluffing (ATECB) than SRPs with the expectation of a negative reward consequence.

6.2.1 Data summary of hypothesis 1

The study results in Chapter five, as detailed in table 12, failed to reject the null hypotheses, due to a significance level of 0.753, which exceeds the significance threshold of 0.05. There is insufficient evidence to suggest that Stakeholder Role Players (SRPs) for whom the valence (positive or negative) of Reward Consequences (RC) attributed to competitor bluffing is positive will have a more positive Attitude towards the Ethicality of Competitor Bluffing (ATECB) than SRPs for whom such valence is negative.

6.2.2 Discussion of hypothesis 1

These findings are not consistent with the findings from past research. Riegelman (1979) describes the relationship between reward and effect (being ethical attitude) as a contributory causal relationship because the presumed cause of reward consequences precedes the effect (ethical attitude) and changing the cause changes the effect. The findings also fail to support the thesis of Ferrell and Gresham (1985) which purports that the opportunity factors resembling reward and punishment influence the evaluation of behaviour and impact the ethical decision-making process. The findings of Chen et al. (2009) refers to the relationship between attitude and intent, which is supported by Ajzen's Theory of Planned Behaviour (Ajzen, 1991) and further supported in the ethical decision-making process (Armitage & Conner, 2001). The findings of the contributing causal effect of reward consequences support and strengthen the theories of Moral Intensity (Jones, 1991) and Contingency (Ferrell et al., 1985).

6.2.3 Conclusion of hypothesis 1

An objective of this research was to seek evidence to support the causal relationship between reward consequences and stakeholder attitudes toward the ethicality of a morally ambiguous action. The findings are contrary to what the researcher was expecting based on prior research. The researcher is of the view that the results are impacted by the weaknesses in the experimental design were it is difficult to realistically simulate the feeling of a reward by saying you will receive a bonus in comparison to the physical sight of one million Rand in hard cash in front of your eyes, equally it is difficult to truly simulate the impact of punishment by stating you will be severely punished in comparison to the actual feeling of isolation and claustrophobia of a jail cell for an indefinite term. The literature supports the Hypothesis 1, however according to the data, the findings of this study indicate that the magnitude (positive or negative direction) of consequences element of moral intensity, represented by reward consequences, is not an important factor in the predicting the behaviour of an individual in the ethical decision-making process.

6.3 Discussion of hypothesis 2

Hypothesis 2: The ATECB of Stakeholder Role Players (SRPs) will differ in relation to the magnitude (high or low) and treatment (positive or negative) of Reward Consequences (RC) attributed to a competitor bluff (morally ambiguous action).

6.3.1 Data summary of hypothesis 2

The study results in Chapter five, as detailed in Table 12, failed to reject the null hypotheses, due to the significance result of 0.683. This is based on Levene's test value for equality of variances of the four treatment groups. This exceeds the significance threshold of 0.05. Therefore there is insufficient evidence to suggest that the ATECB of Stakeholder Role Players (SRPs) will vary in relation to the magnitude (high or low) and valence (positive or negative) of Reward Consequences (RC) attributed to a competitor bluff (morally ambiguous action).

6.3.2 Discussion of hypothesis 2

These findings are not consistent with the findings from past research. The negative finding with regard to Hypothesis 1 laid the foundation for the findings pertaining to the subsequent hypotheses. The findings of this study indicate that either the stakeholders cannot relate to the consequences or the reward consequences do relate but have limited influence on their

decision when determining an attitude towards the ethicality of a morally ambiguous action. However the literature supports a different view, it is argued that the presence of reward consequences in morally ambiguous situations can diminish the level of moral awareness (Werhane, 1998) and therefore influence the behaviour towards an ethical decision. The finding is also inconsistent with Jones' (1991) model of ethical decision-making that indicated reward consequences do have an impact on the ethical decision-making process. Evidence was not found to support the view that influence on attitudes towards the ethicality of a morally ambiguous action vary from negative for stakeholder role players who attributed negative reward consequences to the action to positive for those who attributed positive reward consequences.

6.3.3 Conclusion of hypothesis 2

Hypothesis 2 refers to the notion that the magnitude of consequences is a factor in how reward consequences influence an individual's attitude towards a morally ambiguous action and purports that the greater the magnitude of reward consequences, the more favourable the attitudes of stakeholder towards a morally ambiguous action. This finding is contrary to the literature, which supports Hypothesis 2. Similarly to the conclusion of Hypothesis 1, the researcher is of the view that the effect that the results are impacted by the weaknesses of the experimental design where it is difficult to realistically simulate the feeling of a reward in a way that the participant can relate to the magnitude of reward and differentiate between a big reward or a massive life changing reward. However according to the data, the findings of this study indicate that the magnitude (high or low) and valence (positive or negative) of consequences represented by reward consequences, is not an important factor in the predicting the behaviour of an individual in the ethical decision-making process.

6.4 Discussion of hypothesis 3

Hypothesis 3: Reward Consequences (RC) will be a stronger predictor of ATECB amongst Stakeholder Role Players (SRPs) than their *a priori* moral philosophy, as measured on Defining Issues Test (DIT-2) Cognitive Moral Development Level.

6.4.1 Data summary of hypothesis 3

The study results in Chapter 5, as detailed in table 19, failed to reject the null hypotheses. The valence of reward consequences are not a stronger predictor of Attitude towards Ethicality of Competitor Bluffing in comparison to the stakeholders' level of cognitive moral development. However the correlation of both Reward Consequences and level of Cognitive Moral Development is not significant. There is insufficient evidence to suggest

that both Reward Consequences and level of Cognitive Moral Development are correlated to the Attitude towards Ethicality of Competitor Bluffing.

6.4.2 Discussion of hypothesis 3

These findings are not consistent with the findings from past research. The negative finding with regard to Hypothesis 1 and 2 laid the foundation for the findings pertaining to hypotheses 3. The findings of this study indicate that neither the level Cognitive Moral Development nor the valence of Reward Consequences is a predictor of attitude in a morally ambiguous context. The findings indicate that the level of Cognitive Moral Development is a stronger predictor than Reward Consequences. However both influences are not significant enough. This is contrary to the literature,

As stated in the Discussion of Hypotheses 2 above, the presence of reward consequences in morally ambiguous situations can diminish the level of moral awareness (Werhane, 1998) and therefore influence the behaviour towards an ethical decision. As per the Literature Review in Chapter 2 above, when faced with a situation of determining right from wrong, the cognitive component of ethical decision-making behaviour in organisations explores how organisational members think about ethical dilemmas, (Travino 1986). Kohlberg (1984) explored the reasons to explain an individual's moral perception and decision-making behaviour. The literature indicates that both Reward Consequences and an individual's level of cognitive moral development influences ethical decision-making.

In this study, the lack of support for Hypotheses 3 has contradicted the Literature that supports cognitive moral development as a predictor of ethical behaviour. It has also contradicted the literature that supports reward consequences as a factor that influences ethical behaviour.

6.4.3 Conclusion of hypothesis 3

Hypothesis 3 is based on the measure of the correlations between the valence of Reward Consequences (RC) and its predictability on the Attitude towards the Ethicality of Competitor Bluffing (ATECB), as well as an individual stakeholder's level of Cognitive Moral Development (CMD) and the predictability of the corresponding ATECB, intended to determine which of the two is a stronger predictor of ethical behaviour. The literature reviewed in the study indicates that both RC and CMD are predictors of ethical decision-making. The research results are contrary to the literature reviewed.

Similarly to the conclusion of Hypothesis 1 and 2, the researcher is of the view that the results are impacted by the weaknesses of the experimental design and the ability to realistically simulate reward consequences and ethical scenarios. The results were potentially influenced by inadequate control of the participants, whereby the participants did not give enough concentration and understand the importance of assuming the stakeholder role, comprehending the competitive bluff and the reward consequence when completing the ATECB questions. Another explanation of the results could be the effect of Cognitive Dissonance. According to Akerlof and Dickens (1982), the reaction of cognitive dissonance stems from the way people view themselves. When information received conflicts with this image of them it tends to be ignored, rejected or even result in changes in other beliefs. The authors also mention that people can control their beliefs, they are able to exercise choice over their beliefs based on available information and they can also be selective by manipulating their beliefs whereby they select from available information the information that confirm their desired belief.

The findings of this study suggest that both Reward Consequences and level of Cognitive Moral Development are not significantly correlated to the Attitude towards Ethicality of Competitor Bluffing, in order to be a predictor of Attitude towards Ethicality of Competitor Bluffing

CHAPTER 7: CONCLUSION

7.1 Introduction

This chapter provides a summary of the main findings from the study and managerial implications. It also provides recommendations for future research and limitations.

7.2 Background and objectives

The objective of the study was to examine the effect of cognitive moral development on ethical attitudes, in the presence of reward consequences, under conditions of moral ambiguity amongst business stakeholders under conditions of strategic business competition.

The participants of the experimental study were MBA business students with managerial experience. They were randomly assigned to different stakeholder roles in a controlled business simulation game, with varying treatments of reward consequences and a strategic competitor bluff.

7.3 Summary of key findings

The findings of this study indicate that the “magnitude” of consequences, represented by reward consequences, is not an influencing factor of an individual’s behavior in the ethical decision-making process. The findings of this study indicate that the magnitude (high or low) and valence (positive or negative) of consequences represented by reward consequences, is not an influencing factor of an individual’s behavior of an individual in the ethical decision-making process.

The findings indicate that the level of cognitive moral development is a stronger predictor of ethical behavior than Reward Consequences. However, the findings of this study indicate that neither the level of cognitive moral development nor the valence of Reward Consequences is a predictor of attitude in a morally ambiguous context, due to their level of significance. The findings of this study suggest that both Reward Consequences and level of cognitive moral development are not significantly correlated to the Attitude towards Ethicality of Competitor Bluffing, in order to be a predictor of Attitude towards Ethicality of Competitor Bluffing.

7.4 Implications of the research

This research responded to the recommendations for future research from Dr. Gavin Price’s Doctorate, titled “The Reward Contingency of Ethical Attitudes of Business Stakeholders under Conditions of Moral Ambiguity” (Price, 2012). It did this by a repeat of the Execugame and addressing Price’s main limitation, which was the measure of Cognitive Moral Development. Thus this research has added to the research of Price (2012) with the intention of providing future researchers insight into the understanding of the factors influencing the individual decision-making process.

There is a strong need for leaders to understand the impact of reward consequences if they want to effectively influence their managers in making ethical decisions. It is also important for leaders to

understand the influence of cognitive moral development if they want to effectively understand their managers and influence and hire the right people who will act ethically.

7.5 Research limitations

Controlling participants: The results were potentially influenced by inadequate control of the participants, whereby the participants did not give enough concentration and understand the importance of assuming the stakeholder role, comprehending the competitive bluff and the reward consequence when completing the Attitude towards Ethicality of Competitor Bluffing (ATECB) questions.

The effect of cognitive dissonance: Another explanation of the results could be the effect of cognitive dissonance, where a participant can be selective by manipulating their beliefs whereby they select from the available information only the information that confirms their desired belief.

The use of an experimental design: The use of an experimental research design has many pros and cons. However, there will always be questions regarding the ability of the researcher to realistically simulate all the elements. Namely the business environment in such a manner that the true impact of the valence of reward consequences felt and the ethicality of a competitor bluff is properly comprehended.

Strict randomness not used: The method of random assignment of participants to stakeholder roles requires the equal probability of selection. Participants' blindly pulling stakeholder name tags out of a bag does not satisfy the requirements of strict random assignment. Each Stakeholder Role (SR) did not have an equal probability of selection.

7.6 Recommendations for future research

This research responded to the recommendations for future research from Dr. Gavin Price's Doctorate, as stated above (see sec. 7.4, p. 62). However, even though great measures were taken to try anticipating potential limitations and attempt to prevent their occurrence, there were still areas where the experiment could have been improved. Along with above limitations, the quality of questionnaire completion was poor. As a recommendation for future research, the researcher recommends addressing these limitations and conduce a repeat of the experiment.

Future research conducted applying the methodology of this study could also be extended to non-business stakeholders to determine the extent to which reward consequences influence their attitude toward morally ambiguous actions. The influence of non-financial rewards on an individual's attitude could also be investigated.

7.7 Concluding statement

The findings of this study failed to find evidence to support the argument that cognitive moral development plays a less significant role in predicting ethical attitude than the factor of reward

consequences. However Cognitive Moral Development does still play some role in the ethical decision-making process, future research in this area would shed additional light on the influence of cognitive moral development on business stakeholders' ability to make sound ethical decisions.

Overall the results did not find evidence to support the research hypotheses. However this does not prove the null hypotheses. This effectively means that the research failed to prove a relationship but didn't find evidence to support a relationship. This finding is contrary to literature and may be a result of the research limitations discussed. Future research in this area is encouraged taking into account these limitations.

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APPENDICES

APPENDIX A: THE PLAYER'S MANUAL FOR EXECUGAME

EXECUGAME

PLAYER'S MANUAL

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APPENDIX 1 Sample Input forms and historical data

1. INTRODUCTION

Execugame is an exercise in management decision making. A computer spreadsheet model simulates a business environment in which several companies compete with each other in the production and marketing of two products.

As a participant in the exercise, you are the top management team of your firm, which makes decisions for a succession of three-month periods.

Records are available for eight quarters of history, and the exercise begins with teams preparing decisions for Quarter 9. Thereafter, teams make four quarterly decisions during each year of simulated operations. Initially, all teams are on an equal footing, since the date for Quarters 1 to 8 are identical for each team. The results of the simulation depend entirely on the quality of the decisions of individual firms and how the firms interact with each other.

EXECUGAME participants can:

- gain an improved understanding of the management functions of marketing, production, finance, labour relations and planning, and the way in which they must be integrated;
- gain insight into the influence of the external environment, and especially competitive behaviour; and
- have an opportunity to understand the process of group decision making and ways to foster team spirit.

2. THE EXECUGAME EXERCISE

Before making your first decision, there are several things that you should do:

- Familiarise yourself with the contents of this manual, in particular the rules and limitations of the exercise;
- Analyse the historical data covering the first eight quarters;
- Organise your team and agree on the allocation of the various functions: marketing, finance, production and labour relations; and
- Decide on a name for your firm and names for the two products which you will be manufacturing and marketing.
- At the start of each quarter, make a forecast of total market demand and the sales volume you expect for each of your products.

At the end of the allocated time, the game co-ordinator collects the teams' decision sheets and runs the period-end routine. This routine determines the size of the total market and the actual allocation of sales volumes to the respective teams, as a function of economic forces and the competitive interplay of prices, advertising, R&D, etc.

3. KEY VARIABLES IN THE BUSINESS ENVIRONMENT

In Appendix One, the section headed Variables lists several elements that define the EXECUGAME environment and provide eight quarters of historical data. The variables include:

- Business Index (GNP) and Seasonal Factor
- Unit costs of raw materials, labour and maintenance
- Rates for call money, loan and overdraft interest, tax payable, plant depreciation, sales commissions and general selling expenses
- Executive and sales salaries

- Administrative costs

Initially, your forecasts will be based on the eight quarters of history. Forecasts are automatically replaced by actual values as each quarter becomes history.

The following paragraphs flesh out some characteristics of the market, the products and the consumer in the world of EXECUGAME.

3.1. The Market

The general economy and the particular season of the year influence the total market. The Gross National Product (GNP) index measures general economic conditions, following a business cycle that shows both recessionary and growth phases. The Seasonal Factor reflects quarterly seasonal fluctuations in demand, roughly in accordance with the following pattern:

Quarter 1	January to March	1.00
Quarter 2	April to June	0.94
Quarter 3	July to September	0.96
Quarter 4	October to December	1.10

Industry-wide pricing policies and advertising and R&D expenditure and the size of the sales force also have an important influence on total market demand. If the general levels of price for the industry are high and advertising and R&D expenditures are low, the products in the industry are liable to substitution by imported goods or those of other industries. Market potential will reduce. The reverse also applies. For instance, aggressive price-cutting in the industry can lead to significant stimulation of total demand.

General economic trends influence interest rates on company borrowing and call rates.

3.2. The Products

Product One and Product Two are similar items. Product One is a basic item sold in a price range of R8.00 to R14.00. Product Two is a higher quality item that has more customer appeal. It sells at between R16.00 and R22.00. Firms are free to pitch their prices within these ranges, or outside them. Unless there are significant inflationary pressures, however, it is unlikely that any sales will be achieved at a price over R15.00 for Product One and R23.00 for Product Two.

The demand curves for the two products are largely independent, but there is some sensitivity to the *price gap* between the products. A significant narrowing of gap will encourage a shift towards the more attractive qualities of Product Two. A widening of the gap will not, however, attract buyers of Product Two to Product One.

3.3. The Consumer

Products are purchased from retail outlets by the ordinary consumer. The market is competitive and, while there is brand loyalty, some consumers respond to the influence of price and quality by switching brands. If the price increases, some customers will leave the product, and this proportion will increase as the price increases. Similarly, being fickle, some customers will respond to stock-outs by purchasing a competitive product. They become loyal to the new product, even though their original choice has come back into stock.

4. DECISIONS

After the Variables section in Appendix One, the Decisions are listed. These are fully in your control. The values you enter for each upcoming quarter reflect your company policy and the way in which you intend to deal with the competitive business environment. The following paragraphs provide important information on the different operational categories for which decisions are required each quarter.

4.1. Marketing Decisions

4.1.1 Selling prices

These are the prices you charge for your products in the current quarter. As mentioned above, consumers are fairly sensitive to price differences between products, and also to price changes. Brand loyalty suffers when prices increase.

4.1.2 Advertising

This represents expenditure on point-of-sale promotions and advertising in the local press. It has a great influence on demand for the firm's products. Advertising has immediate impact, and there is also a carryover effect that lasts with diminishing influence for several quarters. Promotion of one product does not influence the sales of the other.

4.1.3 Research and Development

This is for the improvement of the product's quality, its appearance and its durability. Some of the expenditure goes to market research that studies the ultimate needs of the consumer. Effective Research and Development (R&D) produces a product that is closer to the consumer's concept of the ideal item, and this improves demand.

R&D is a long-term activity. Expenditures do not influence sales in the period in which they are incurred. They take effect in the following and subsequent periods, so do not be surprised if there is a time lag before you notice the results of expenditure in this area.

4.1.4 Sales people

Each salesperson handles both products and can greatly influence demand and market share. Sales staff are paid a basic salary of R1 000 per month (i.e. R3 000 per quarter), and earn a commission of 25c for each unit sold. You may hire or fire as many salespeople as you wish in each quarter.

New salespeople are trained on the job and become operative immediately. However, for each salesperson hired, the interviewing and induction costs amount to R600. When salespeople are fired, they leave immediately and are paid a severance amount of one month's salary.

In summary, marketing decisions are entered against the following headings:

- Product One Price
- Product One Advertising Expenditure
- Product One R&D Expenditure
- Product Two Price
- Product Two Advertising Expenditure
- Product Two R&D Expenditure

4.2 Production Decisions

The production capability of the firm is a function of available plant capacity, the number of workers in the plant and expenditure on quality control.

4.2.1 Production capacity

It takes one unit of machine capacity to make one unit of product (One or Two). Machine capacity costs R10 per unit and, once purchased, cannot be sold.

Factory equipment is subject to wear and tear, and current overall capacity is lost at a rate of 8% per annum. This wear and tear can be offset to a certain extent by regular expenditure on Plant Maintenance. It is, however, more cost effective to purchase new capacity in advance than to spend money on Plant Maintenance. It achieves a larger benefit in the following quarter, and then declining benefits over subsequent quarters. To have a beneficial effect on wear and tear, you should spend between R5 000 and R15 000 per quarter, and carefully monitor the results.

You may request production of Product One and Product Two in whatever proportions you feel are appropriate. However, if your plant cannot meet the specific total production volume, production will be reduced proportionately, e.g. if

production of 40 units of Production One and 60 units of Production Two is requested, and sufficient capacity to produce only 80 units is available, 32 units of Product One and 48 units of Product Two will be produced.

Since you have to import plant equipment, there is one-quarter lead time for delivery. Machinery ordered in one period becomes productive only in the following period. The purchase of new capacity is limited, and normally the capacity purchased in one quarter may not exceed 10% of the previous quarter's productive capacity. However, in an emergency, up to another 10% may be purchased by resorting to more costly measures. The incremental capacity costs R20 per unit, and also becomes productive only in the following period.

Payment for new factory capacity is made in the quarter in which the new capacity comes on stream.

You may manufacture Product One and Product Two in any proportions, provided that at least 1 000 units of each are made in each quarter.

4.2.2 Workforce

You may hire workers in any number, but in any quarter lay-offs must be less than 10% of the current labour force. Hired workers are productive immediately and there is no hiring charge. Union regulations demand that laid-off workers are paid compensation of one month's wages. Workers are automatically allocated between the two products. If there are too few workers to deliver the production requested, production will reduce proportionately, as in the case of plant capacity. Costs of idle workers are allocated in proportion across the two products.

Each worker is currently paid R4 per hour for 504 hours per quarter. This guarantees a wage of R2 016 per quarter whether the workers are active or not. By industry minimum agreement, and because of the stressful nature of the work, no overtime is permitted. An industry minimum wage of R3.50 is in effect as of Quarter 9, but minimum and actual wage levels may increase or decrease in response to specific events in the labour market. You are free to adjust wages for the upcoming quarter, as long as the adjustments are advised in writing on the decision sheet.

There is no motivational effect to increase wages, but developments in the labour market may lead to dissatisfaction amongst the labour force which could threaten firms' scheduled production.

4.2.3 Quality Control

Careful monitoring of the various production processes and training of workers can improve plant operations. Expenditure on Quality Control in the range R5 000 to R15 000 (or even higher) will reduce raw materials wastage and frequency of machine maintenance. You should carefully monitor unit raw materials and maintenance costs in the Variables section to establish the optimum level of Quality Control expenditure.

4.2.4 Production Requests

In each quarter you must specify the number of units of each product that you wish to produce. Only one third of a given quarter's production is available for sale in that quarter. The balance goes into stock at the end of the quarter.

Initially, variable unit costs are as follows:

Product One	
Raw materials	R2.50
0.5 Labour hour	R2.00
Machine maintenance	R1.00
Total unit cost	R5.50

Product Two	
Raw materials	R5.00
1.0 Labour hour	R4.00
Machine maintenance	R1.00
Total unit cost	R10.00

Decisions that relate to production are thus as follows:

- Product One production volume
- Product Two production volume
- Purchase of new plant capacity (in units)

- Total number of workers
- Plant maintenance expenditure
- Quality assurance expenditure
- Wage rate

4.3 Financial Decisions

Financial decisions relate to raising and investigating funds and paying dividends. The Variables section shows the prevailing interest applicable to your firm.

4.3.1 Raising Funds

Your firm may raise funds by issuing new shares or raising a bank loan. If you do not have sufficient cash to meet your current obligations even after this, your bank manager will generally extend an overdraft. The overdraft rate varies with economic conditions and also with the overall creditworthiness of your firm.

You may issue new shares at any time at the price prevailing in the quarter prior to the share issue (after a "dilution" factor has been applied). A 5% broker's fee is deducted and the net proceeds are added to Cash and Ordinary Share Capital. It is not possible for you to repurchase your own shares.

You may negotiate or repay a Bank Loan at any time. Annual interest is currently 18% and is charged and paid in the current quarter. To repay a loan, enter a negative amount against the appropriate line item in the Decisions section.

4.3.2 Investing Funds

You may place surplus cash on call. The average rate on call money changes with the economy. The figure in the Decisions section represents the total money on call. To place or redeem call money, vary this figure upwards or downwards to reflect the total amount you want on call.

4.3.3 Dividend Payments

You may declare dividends in any quarter. Should you elect to pay dividends, you should establish a regular quarterly dividend policy. Dividends paid in any one quarter are limited to one half of the retained earnings at the end of the previous quarter. Dividends are paid in cash in the quarter declared. The amount shown

against the Current Dividend line item represents the total amount in Rands paid to the shareholders (e.g. enter R50 000, not 4 cents/share).

Note that market analysts and purchasers of a company's shares are influenced by both its dividend policy and its earnings performance.

The share price of the firm does not depend on dividend payments alone. Even if you pay no dividends, your share price will grow significantly if earnings performance is good.

The financially related decisions are thus:

- Number of new shares issues
- Value of loans negotiated/repaid
- Total money on call
- Dividend payments

4.4 Competitive Market Report

A competitive market report is prepared after each quarter. This report costs R25 000 and contains the quarter's information on competitor sales, expenditures on advertising and R&D, quarterly earnings, share price, etc.

If you wish to purchase this report, enter "1" against this line item in the Decisions section. If you do not request the full report, you will receive only product prices, share information and pre-tax earnings of your competitors.

Note that there is some statistical error in some of the entries in this report, reflecting the problems of obtaining such information in the market place.

5. EVALUATION TO TEAM PERFORMANCE

At the end of the exercise each team will be evaluated against the criteria listed below.

Criterion	**Measure**

Attractiveness to investors	Average share price over last four quarters
Market penetration	Volume market share over last four quarters
Stock control	Sum of quarter-end unsold stocks and lost orders over whole exercise
Return on equity	Profit after tax divided by Average share capital and reserves over last four quarters
Total earnings	Total earnings over whole exercise

At the end of the exercise the teams are ranked on each criterion and the scores are added. The final standing of the teams is based on total penalty points, the winning team having the lowest total.

All teams should leave their firms in a healthy state for the subsequent management teams. End-game strategies which distort a firm's performance and leave it in an unhealthy state may be penalised.

6. MANAGEMENT REPORTS

This section provides an explanation of the line items of the Company Reports which appear in Appendix Two, and are updated and distributed to players after each decision has been processed. These reports are merely print-outs of the various pages of the spreadsheet on which players work in the course of making their decisions.

The reports in Appendix Two contain historical data from Quarter One to Quarter Eight. As each quarter's decision is processed, an additional column will appear on each page with the results of the most recently-processed quarter.

6.1. Variables

Seasonal factor	A regular pattern of seasonal fluctuations in business conditions
GNP	A much longer cycle of growth/contraction in general economic conditions, and thus less predictable
Interest rate on	Interest rate charged by the bank on loans advanced

loans % per quarter	
Tax rate	Tax rate charged on current quarter's profits, unless the firm has an accumulated loss
Plant volume depreciation factor	Base rate at which factory capacity reduces through the effects of wear and tear. Can be effected by expenditure on Plant Maintenance
Salespersons' salaries	Basic retainer paid to sales people
Sales commission rate/unit	Commission paid to salespeople on each unit of product sold
General selling expenses/unit	Fixed cost per unit, will be affected by inflation, if any
Executive salaries	Fixed cost per quarter, will be affected by inflation, if any
Administration costs	Fixed cost per quarter, will be affected by inflation, if any
Product One raw material base cost	Basic raw material cost for Product One. Can be reduced by expenditure on Quality Control
Product Two raw material base cost	Basic raw material cost for Product Two. Can be reduced by expenditure on Quality Control
Maintenance basic/unit	Basic maintenance cost per unit produced. Can be reduced by expenditure on Plant Maintenance and Quality Control
Miscellaneous charge	Includes hiring and firing costs and price of Market Report
Interest rate	Base interest rate charged by bank
Call rate	Interest paid on money placed on call
Overdraft rate	Actual overdraft rate charged, affected by firm's profitability
Product One unit maintenance cost	Achieved unit maintenance cost per unit, affected by expenditure on Plant Maintenance and Quality Control
Product One unit raw material cost	Achieved raw material cost, affected by expenditure on Quality Control
Product One unit labour cost	Achieved labour cost per unit, affected by idle workers, if any
Last three lines	As for previous three, but for Product Two

6.2. Results

Factory capacity	Actual capacity available in completed quarters. Unless money is spent on Plant Maintenance, this will depreciate by 2% per quarter
P1 and P2 production volume	Requested production, proportionally reduced if total exceeded Factory Capacity
Orders	Underlying market demand for company's products
Unfulfilled orders	Lost sales due to insufficient saleable stock
Reallocated orders	A proportion of sales lost by competitors through stock-outs
Sales	Units actually sold
Opening stock	Previous quarter's unsold stock, plus 2/3 of previous quarter's production
Saleable volume	1/3 of current quarter's production
Unsold stock	Any surplus after deducting actual sales from (opening stock + saleable volume)
Closing stock	Unsold stock plus 2/3 current production
Total shares issued	Initial share issue plus subsequent units issued
Share price	Calculated on the basis of a combination of Capital Asset Pricing Model and Earnings Model

6.3. Income Statement

Gross	Initial share issue plus subsequent units issued
Cost of goods	The cost of the units sold. Stock is rotated on a first-in-first-out (FIFO) basis. The cost of goods sold is NOT simply unit sales multiplied by cost because the unit costs can vary each period depending on Quality Control expenditure and the total wage bill.
Gross margin	Gross Sales less Cost of Goods
Direct Costs: Adverting	as expended
Research and Development	as expended
Plant Maintenance	as expended
Quality Control	as expended
General Selling Expense	Covers sales force selling kits, stationery, expense account and so on. This totals R25 000, plus an amount that varies according to the number of units sold
Direct profit/Loss	Gross margin less Direct Costs
Admin Expenses: Executive Salaries	R60 000 per quarter
Administration	R40 000 per quarter to cover fixed administration costs
Depreciation	Plant, property and equipment is depreciated in a straight line at 10% per annum
Miscellaneous Expenses	the cost of hiring sales people (R600 each); the cost of firing sales people (R1 000 each); the cost of purchasing the Market Report (R25 000); inventory holding costs, applied only to units of opening stock not sold in the quarter (50c/unit)
Operating Profit/Loss	Direct Profit (Loss) less Admin Expenses
Interest Paid and received: **Overdraft Interest**	The value of interest incurred on the current account overdraft at the rate shown in the last period's Variables section. Payable in the following quarter
Loan Interest	4.5% per quarter incurred on current bank loans. Payable in the current quarter
Interest Received	the value of interest received in the current quarter based on money placed on call and call rate of the previous quarter
Net Income/Loss Before Tax	Operating Profit/Loss less Interest Paid and Received
Taxation	50% of Net Income for the current quarter after deducting any previous tax loss
Net Income/Loss for Quarter	Net Income/Loss before tax less Taxation
Previous Retained Earnings	The amount of income or loss carried over to the previous next period
Retained Earnings	The amount of income or loss carried over the next period

6.4. Balance Sheet

Ordinary Share Capital	The value of shares sold previously and in the current quarter. The shares have no Par value and there is therefore no Share Premium Account
Distributable Reserves	the value of the Income Statement Retained Earnings
Share Capital and Reserves	Ordinary Share Capital plus Distributable reserves
Loans	The value of loans negotiated previously and in the current quarter
Capital Employed	The sum of the above four items
Fixed Assets	Plant, Property and Equipment, less depreciation
Stock	The value of stock on hand on a FIFO basis
Accounts Receivable	Half of the current accounts are receivable now, plus the outstanding half of the pervious quarter's debts
Cash	The amount of excess cash as shown in the Cash Flow Statement
Money on Call	The value of call money placed by the firm
Current Assets	The sum of values of Stock, Accounts Receivable, Cash and Money on Call
Creditors	Half the current Raw Materials bill, plus the outstanding half of the previous quarter's bill
Overdraft	The value of any overdraft required to cover a negative cash flow
Overdraft Interest	Interest on the current overdraft, to be paid in the following quarter
Tax Payable	Current period taxation as shown on the Income Statement. Payable in the following quarter
Current Liabilities	The sum of Creditors, Overdraft, Overdraft Interest and Tax Payable
Net Current Assets	Current Assets less Current Liabilities
Employment of Capital	Fixed Assets plus net Current Assets, Should this figure become negative, the company goes out of business

6.5. Cash Flow Statement

Debtors Receipts	The value of debts received, which is half of the previous quarter's debts plus half of the current quarter's debts
Loans Negotiated	The value of bank loans issued in the current period
Shares Issued	The value of shares issued in the current quarter, less the 5% broker's fee
Interest Received	Interest received on call money at the rate stated in the previous quarter
Call Money Redeemed	The value of call money redeemed in the current quarter
Total Inflows	The sum of the above five items
Purchase of Plant	The number of production units by which the plant has been expanded, multiplied by R10 per unit to 10% expansion and R20 for up to a further 10% expansion. The expansion is achieved by increasing the factory unit capacity in the Decisions area.
Money Placed on Call	The value of money placed on call during the current quarter
Creditor Payments	The value of half of the previous quarter's Raw Material Cost, plus half of the current quarter's cost
Wages	The number of workers multiplied by the quarterly wage per worker of R2 016 (at R4.00 per hour)
Maintenance	The total machine maintenance expenditure in the current quarter less any savings achieved through Quality Control expenditure
Overdraft Interest Paid	The previous period's overdraft interest
Loans Repaid	The value of loans repaid in the current quarter
Interest on Loans	The current period's interest on loans
Income Tax Paid	The previous quarter's income tax
Dividends	As specified in the input decision for the period
Other Expenses	The sum of Advertising, Sales Salaries, Sales Commissions, General Selling Expenses, R&D, Executive Salaries, Administration and Miscellaneous Expenses, all of which are shown in the Income Statement
Total Outflows	Total Outflows
Net Cash Gain or Loss	Total Inflows less Total Outflows
Cash Position	Net Cash Gain or Loss, plus the previous quarter's Overdraft
Overdraft Requirements	If the Cash Position is negative, the company has an automatic overdraft facility to cover the deficit
Surplus Cash	If the Cash Position is positive, then this is the Cash Position. In a case where an overdraft is required, this will be zero

6.6 Factory Status

P1 Opening Stock	The previous quarter's Closing Stock
+ Saleable stock	Opening Stock plus 1/3 of current production
- Sales	The number of units sold in the quarter
Closing Stock	Saleable Stock less Sales, plus 2/3 Current Production
Closing Stock Cost	FIFO value of Closing Stock
Next 5 line items	P2 equivalents of the above 5 line items
Available Factory Capacity	Pervious quarter's capacity less net wear and tear and Plant Improvement plus previous quarter's plant purchases
Utilised Factory Capacity	Units of P1 and P2 produced – may be limited because available man-hours were reached
Available Man Hours	Number of workers times 504 hours
Utilised Man Hours	Man hours required to meet production requests – may be limited by available factory capacity
Idle Factory Workers	Workers not required because of production volumes requested, or because factory capacity limits were reached

6.6. Management Indicators

All line items	Extracted from relevant management reports

Appendix 1

Sample Input Forms

EXECUGAME TEAM DETAILS

Programme	
Group No.	
World No.	
Firm No.	
Seminar Room No.	
Company Name	
Product One Name	
Product Two Name	

EXECUGAME DECISION SHEET

World No.	
Firm No.	
Seminar Room No.	

Total number of workers	
Wage rate (R per hour)	
Total number of salespeople	
Units of new plant capacity (units)	
Plant maintenance ®	
Quality control ®	
P1 Price ®	
P1 Advertising ®	

P1 R&D ®	
P1 Estimated sales volume (units)	
P1 Production volume (units)	
P2 Price ®	
P2 Advertising ®	
P2 R&D ®	
P2 Estimated sales volume (units)	
P2 Production volume (units)	
Total money on call ®	
Current dividend ®	
Number of new shares issued (shares)	
Loans negotiated/(repaid) ®	
Market report request (1=Yes; 0=No)	

Variables

Period	***1***	***2***	***3***	***4***	***5***	***6***	***7***	***8***
Current Period 9								
Seasonal factor	1.00	0.94	0.96	1.10	1.00	0.94	0.96	1.10
GNP	400	406	420	428	425	413	408	405
Interest rate on loans % qtr	0.045	0.045	0.045	0.045	0.045	0.045	0.045	0.045
Tax rate % pa	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Plant volume depreciation factor	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Salespersons salaries	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Sales commission rate/unit	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
General selling expenses/unit	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Executive salaries	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Administration costs	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000

Period	***1***	***2***	***3***	***4***	***5***	***6***	***7***	***8***
Product 1 raw mat base cost/unit	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Product 2 raw mat base cost/unit	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Maintenance basic/unit	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Miscellaneous charge	0	0	0	0	0	0	0	0
Call Rate	0.12	0.12	0.11	0.11	0.12	0.13	0.13	0.13
Overdraft rate	0.24	0.25	0.26	0.26	0.26	0.25	0.25	0.25
Product 1 unit maintenance cost	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Product 1 unit raw material cost	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Product 1 unit labour cost	2.16	3.78	3.02	2.18	2.18	2.09	2.13	2.25
Product 2 unit maintenance cost	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Product 2 unit raw material cost	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Product 2 unit labour cost	4.32	7.56	6.05	4.35	4.35	4.19	4.25	4.49

Decisions

Period	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*
Current Period 9								
Total Number Of Workers	150	150	135	135	135	135	135	140
Wage Rate / Hour	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Total Number Of Salespersons	5	10	10	15	15	15	17	17
Units Of New Plant Capacity	100,000	0	0	0	0	0	0	0
Plant Maintenance	0	0	0	0	0	0	0	0
Quality Assurance	0	0	0	0	0	0	0	0
P1 Price	10.50	10.50	10.25	10.50	10.50	10.50	10.25	10.25
P1 Advertising	30,000	30,000	35,000	45,000	45,000	50,000	55,000	55,000
P1 R and D	20,000	20,000	25,000	30,000	30,000	40,000	40,000	40,000
P1 Estimated Sales Volume	20,000	31,406	35,157	63,724	60,220	56,160	50,000	50,186

Period	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*
P1 Production Volume	60,000	40,000	40,000	55,000	55,000	50,000	50,000	50,751
P2 Price	18.50	18.50	18.25	18.50	18.50	18.00	18.00	18.00
P2 Advertising	35,000	35,000	40,000	45,000	45,000	50,000	55,000	55,000
P2 R and D	25,000	25,000	30,000	35,000	35,000	40,000	40,000	40,000
P2 Estimated Sales Volume	13,333	19,046	21,210	38,541	36,331	36,574	40,600	43,154
P2 Production Volume	40,000	20,000	25,000	35,000	35,000	40,000	40,000	41,175
Total Money On Call	0	0	0	0	0	0	0	0
Current Dividend	0	0	0	0	0	0	0	0
Number of New Shares Issued	200,000	0	0	0	0	0	0	0
Loans Negotiated / Repaid	0	0	0	0	0	0	0	0
Market Report (0 or 1)	0	0	0	0	0	0	0	0

Results

Period	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*
Production / Sales								
Factory Capacity	100,000	98,000	96,040	94,119	92,237	90,392	88,584	86,812
P1 Production Volume	60,000	40,000	40,000	55,000	55,000	50,000	49,213	47,928
P2 Production Volume	40,000	20,000	25,000	35,000	35,000	40,000	39,371	38,884
Product 1								
Orders	22,701	31,406	35,157	63,724	57,483	50,243	56,286	63,779
Unfulfilled Orders	-2,701	0	0	0	0	0	0	-12,889
Reallocated Orders	0	0	0	0	0	0	0	0
Sales	20,000	31,406	35,157	63,724	57,483	50,243	56,286	50,890
Opening Stock	0	40,000	48,594	53,437	44,713	42,230	41,987	34,914
Saleable Volume	20,000	13,333	13,333	18,333	18,333	16,667	16,404	15,976

Period	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*
Unsold Stock	0	21,927	26,770	8,046	5,563	8,654	2,105	0
Closing Stock	40,000	48,594	53,437	44,713	42,230	41,987	34,914	31,952
Product 2								
Orders	13,767	19,046	21,210	38,541	34,680	32,667	34,910	39,487
Unfulfilled Orders	-434	0	0	0	0	0	0	0
Reallocated Orders	0	0	0	0	0	0	0	0
Sales	13,333	19,046	21,210	38,541	34,680	32,667	34,910	39,487
Opening Stock	0	26,667	27,621	31,411	27,870	28,190	35,523	39,984
Saleable Volume	13,333	6,667	8,333	11,667	11,667	13,333	13,124	12,961
Unsold Stock	0	14,288	14,744	4,537	4,857	8,856	13,737	13,458
Closing Stock	26,667	27,621	31,411	27,870	28,190	35,523	39,984	39,381

Period	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*
Total Shares Issued	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Share Price	8.00	6.08	5.17	4.73	5.28	5.71	6.12	6.19

Income Statement

Period	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*
Gross Sales	456,661	682,114	747,442	1,382,111	1,245,152	1,115,558	1,205,312	1,232,389
Less: P1 Cost Of Sales	113,200	177,758	245,870	413,334	326,347	284,573	315,316	288,250
P2 Cost Of Sales	137,597	196,555	268,647	456,230	359,096	337,503	355,631	404,859
Gross Margin	205,864	307,801	232,924	512,547	559,708	493,482	534,364	539,280
Less: Direct Costs								
Advertising	65,000	65,000	75,000	90,000	90,000	100,000	110,000	110,000
R and D	45,000	45,000	55,000	65,000	65,000	80,000	80,000	80,000
Plant Maintenance	0	0	0	0	0	0	0	0
Quality Assurance	0	0	0	0	0	0	0	0
Salespersons Salaries	15,000	30,000	30,000	45,000	45,000	45,000	51,000	51,000
Salespersons Commission	8,333	12,613	14,092	25,566	23,041	20,728	22,799	22,594
Gen. Selling Expenses	33,333	37,613	39,092	50,566	48,041	45,728	47,799	47,594
Direct Profit (Loss)	39,197	117,575	19,741	236,414	288,627	202,027	222,766	228,091
Less: Admin. Overheads								
Executive Salaries	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000

Period	***1***	***2***	***3***	***4***	***5***	***6***	***7***	***8***
Gross Sales	456,661	682,114	747,442	1,382,111	1,245,152	1,115,558	1,205,312	1,232,389
Administration	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Depreciation	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Miscellaneous Exp.	0	11,108	20,004	3,000	0	0	1,507	249
Operating Profit (Loss)	-85,803	-18,533	-125,263	108,414	163,627	77,027	96,260	102,843
Less: Overdraft Interest	5,744	28,250	41,280	43,103	28,348	22,457	19,500	13,805
Interest On Loan	0	0	0	0	0	0	0	0
Plus: Interest Received	0	0	0	0	0	0	0	0
Net Income (Loss) Before Tax	-91,547	-46,782	-166,543	65,311	135,279	54,571	76,760	89,038
Taxable Income	-91,547	-138,329	-304,872	-239,561	-104,282	-49,711	27,049	89,038
Less: Taxation	0	0	0	0	0	0	13,524	44,519
Net Income (Loss) For Period	-91,547	-46,782	-166,543	65,311	135,279	54,571	63,235	44,519
Plus: Previous Earnings	0	-91,547	-138,329	-304,872	-239,561	-104,282	-49,711	13,524
Less: Dividends	0	0	0	0	0	0	0	0
Retained Earnings	-91,547	-138,329	-304,872	-239,561	-104,282	-49,711	13,524	58,043

Balance Sheet

Period	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*
Capital Employed								
Ordinary Share Capital	1,520,000	1,520,000	1,520,000	1,520,000	1,520,000	1,520,000	1,520,000	1,520,000
Distributable Reserves	-91,547	-138,329	-304,872	-239,561	-104,282	-49,711	13,524	58,043
Share Capital + Reserves	1,428,453	1,381,671	1,215,128	1,280,439	1,415,718	1,470,289	1,533,524	1,578,043
Loans	0	0	0	0	0	0	0	0
	1,428,453	1,381,671	1,215,128	1,280,439	1,415,718	1,470,289	1,533,524	1,578,043
Employment Of Capital								
Fixed Assets								
Plant	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Less Cum. Depreciation	25,000	50,000	75,000	100,000	125,000	150,000	175,000	200,000
	975,000	950,000	925,000	900,000	875,000	850,000	825,000	800,000

Period	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*
Current Assets								
Stock	501,604	689,691	737,334	542,430	531,647	596,731	606,416	596,599
Debtors	228,330	341,057	373,721	691,055	622,576	557,779	602,656	616,194
Cash	0	0	0	0	0	0	0	0
Money On Call	0	0	0	0	0	0	0	0
	729,934	1,030,748	1,111,055	1,233,485	1,154,222	1,154,510	1,209,071	1,212,793
Current Liabilities								
Creditors	175,000	100,000	112,500	156,250	156,250	162,500	159,944	157,120
Overdraft	95,737	470,827	667,146	653,692	428,905	349,264	307,578	219,305
Overdraft Interest	5,744	28,250	41,280	43,103	28,348	22,457	19,500	13,805
Tax Payable	0	0	0	0	0	0	13,524	44,519
	276,481	599,076	820,926	853,045	613,503	534,220	500,546	434,749

Period	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*
Net Current Assets	453,454	431,672	290,129	380,440	540,719	620,290	708,525	778,044
	1,428,454	1,381,672	1,215,129	1,280,440	1,415,719	1,470,290	1,533,525	1,578,044

Cash Flow

Period	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*
Debtors Receipts	228,330	569,387	714,778	1,064,776	1,313,631	1,180,355	1,160,435	1,218,850
Loans Negotiated	0	0	0	0	0	0	0	0
Share Capital Raised	1,520,000	0	0	0	0	0	0	0
Interest Received	0	0	0	0	0	0	0	0
Call Money Redeemed	0	0	0	0	0	0	0	0
Total Inflows	1,748,330	569,387	714,778	1,064,776	1,313,631	1,180,355	1,160,435	1,218,850
Purchase Of Plant	1,000,000	0	0	0	0	0	0	0
Money Placed On Call	0	0	0	0	0	0	0	0
Creditor Payments	175,000	275,000	212,500	268,750	312,500	318,750	322,444	317,064
Wages	302,400	302,400	272,160	272,160	272,160	272,160	272,160	282,240
Maintenance	100,000	60,000	65,000	90,000	90,000	90,000	88,584	86,812

Period	***1***	***2***	***3***	***4***	***5***	***6***	***7***	***8***
Overdraft Interest Paid	0	5,744	28,250	41,280	43,103	28,348	22,457	19,500
Loans Repaid	0	0	0	0	0	0	0	0
Interest On Loans Paid	0	0	0	0	0	0	0	0
Income Tax Paid	0	0	0	0	0	0	0	13,524
Dividends Paid	0	0	0	0	0	0	0	0
Other Expenses	266,667	301,334	333,188	379,133	371,082	391,455	413,105	411,437
Total Outflows	1,844,067	944,478	911,097	1,051,322	1,088,844	1,100,713	1,118,749	1,130,577
Net Cash Gain (Loss)	-95,737	-375,090	-196,319	13,454	224,787	79,642	41,686	88,273
Cash Position	-95,737	-470,827	-667,146	-653,692	-428,905	-349,264	-307,578	-219,305
Overdraft Required	95,737	470,827	667,146	653,692	428,905	349,264	307,578	219,305
Surplus Cash	0	0	0	0	0	0	0	0

Factory Report

Period	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*
Product 1								
Opening Stock	0	40,000	48,594	53,437	44,713	42,230	41,987	34,914
+ Saleable Stock	20,000	53,333	61,927	71,770	63,046	58,897	58,391	50,890
- Sales	20,000	31,406	35,157	63,724	57,483	50,243	56,286	50,890
Closing Stock	40,000	48,594	53,437	44,713	42,230	41,987	34,914	31,952
Closing Stock Cost	226,400	339,842	354,932	253,848	239,752	234,856	196,461	183,578
Product 2								
Opening Stock	0	26,667	27,621	31,411	27,870	28,190	35,523	39,984
+ Saleable Stock	13,333	33,334	35,954	43,078	39,537	41,523	48,647	52,945
- Sales	13,333	19,046	21,210	38,541	34,680	32,667	34,910	39,487
Closing Stock	26,667	27,621	31,411	27,870	28,190	35,523	39,984	39,381
Closing Stock Cost	275,203	349,848	382,401	288,581	291,894	361,875	409,954	413,020

Period	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*
Available Factory Capacity	100,000	98,000	96,040	94,119	92,237	90,392	88,584	86,812
Utilised Factory Capacity	100,000	60,000	65,000	90,000	90,000	90,000	88,584	86,812
Available Person Hours	75,600	75,600	68,040	68,040	68,040	68,040	68,040	70,560
Utilised Person Hours	70,000	40,000	45,000	62,500	62,500	65,000	63,978	62,848
Idle Factory Workers	11	71	46	11	11	6	8	15

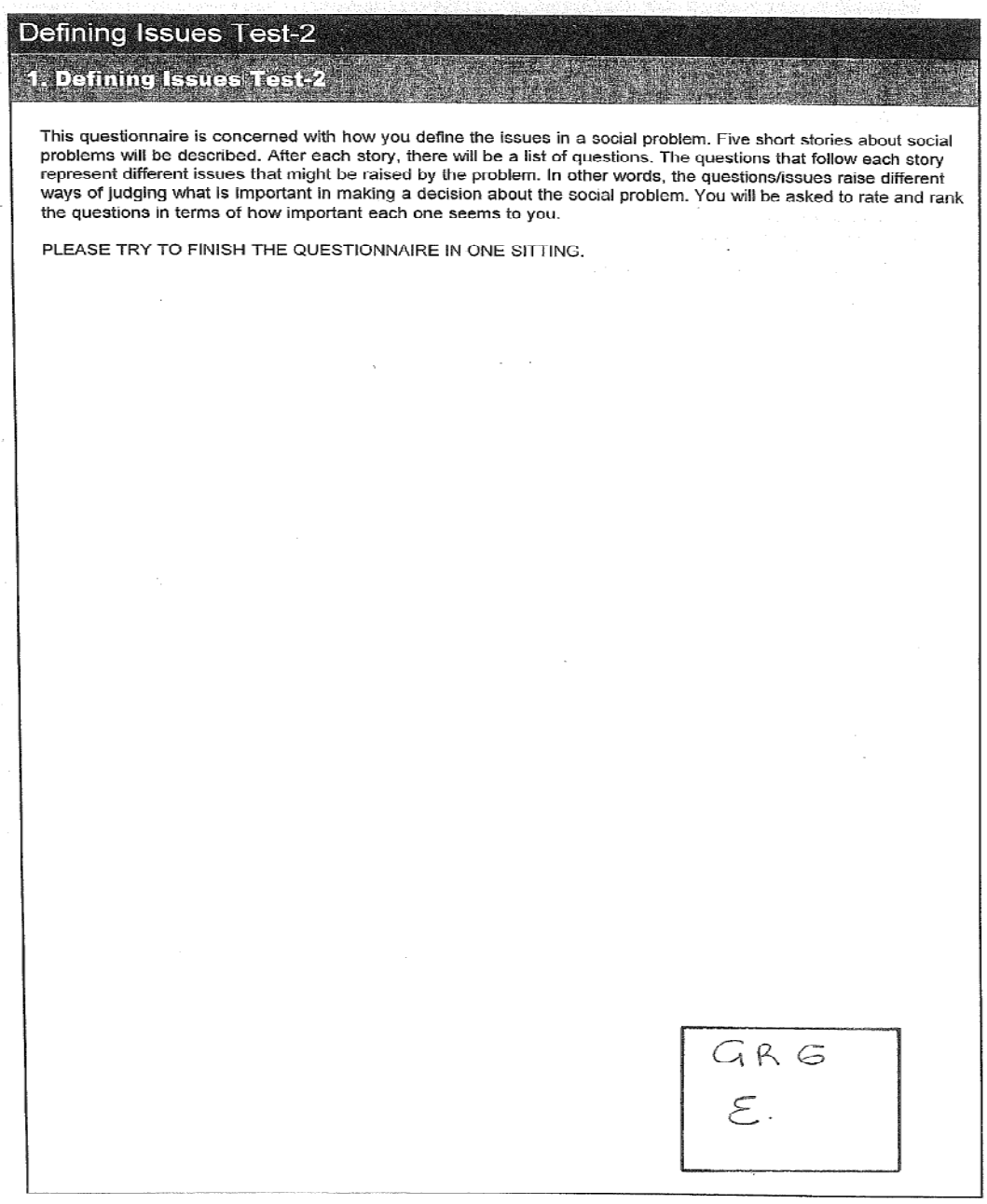
Indicators

Period	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*
Management Indicators								
Net Income Before Tax	-91,547	-46,782	-166,543	65,311	135,279	54,571	76,760	89,038
Cash Position	-95,737	-470,827	-667,146	-653,692	-428,905	-349,264	-307,578	-219,305
Surplus Factory Capacity	0	38,000	31,040	4,119	2,237	392	0	0
Idle Factory Workers	11	71	46	11	11	6	8	15

Market Report

	Team01	***Team02***	***Team03***	***Team04***	***Team05***
Market Report Period 8					
Product 1					
Actual Prices	10.25	10.25	10.25	10.25	10.25
Industry Average	10.25	10.25	10.25	10.25	10.25
Advertising (est.)					
Industry Average					
R & D (est.)					
Industry Average					
Market Demand (est.)					
Sales (est.)					
Total Market Demand					
Market Share (est.)					
Product 2					
Actual Prices	18.00	18.00	18.00	18.00	18.00
Industry Average	18.00	18.00	18.00	18.00	18.00
Advertising (est.)					
Industry Average					
R & D (est.)					
Industry Average					
Market Demand (est.)					
Sales (est.)					
Total Market Demand					
Market Share (est.)					
Salespersons	17	17	17	17	17
Shares Issued	200,000	200,000	200,000	200,000	200,000
Share Capital	1,520,000	1,520,000	1,520,000	1,520,000	1,520,000
Current Share Price	6.19	6.19	6.19	6.19	6.19
Dividend Paid	0	0	0	0	0
Pre-Tax Income	89,038	89,038	89,038	89,038	89,038

Appendix A: Example of the Defining Issues Test -2



Defining Issues Test-2

1. Defining Issues Test-2

This questionnaire is concerned with how you define the issues in a social problem. Five short stories about social problems will be described. After each story, there will be a list of questions. The questions that follow each story represent different issues that might be raised by the problem. In other words, the questions/issues raise different ways of judging what is important in making a decision about the social problem. You will be asked to rate and rank the questions in terms of how important each one seems to you.

PLEASE TRY TO FINISH THE QUESTIONNAIRE IN ONE SITTING.

GRG
E.

Defining Issues Test-2

4. Story 2

Reporter

Molly Dayton has been a news reporter for the *Gazette* newspaper for over a decade. Almost by accident, she learned that one of the cadidates for Lieutenant Governor for her state, Grover Thompson, had been arrested for shop-lifting 20 years earlier. Reporter Dayton found out that early in his life, Candidate Thompson had undergone a confused period and done things he later regretted, actions which would be very out-of-character now. His shoplifting had been a minor offense and charges had been dropped by the department store. Thompson has not only straightened himself out since then, but built a distinguished record in helping many people and in leading constructive community projects. Now, Reporter Dayton regards Thompson as the best candidate in the field and likely to go on to important leadership positions in the state. Reporter Dayton wonders whether or not she should write the story about Thompson's earlier troubles because in the upcoming close and heated election, she fears that such a news story could wreck Thompson's chance to win.

***1. Do you favor the action of reporting the story?**

◯ Should report the story ◯ Can't decide ⊗ Should not report the story

***2. Rate the following issues in terms of importance.**

	Great	Much	Some	Little	No
1. Doesn't the public have a right to know all the facts about all the candidates for office?	◯	⊗	◯	◯	◯
2. Would publishing the story help Reporter Dayton's reputation for investigative reporting?	◯	◯	◯	⊗	◯
3. If Dayton doesn't publish the story wouldn't another reporter get the story anyway and get the credit for investigative reporting?	◯	⊗	◯	◯	◯
4. Since voting is such a joke anyway, does it make any difference what reporter Dayton does?	◯	◯	◯	⊗	◯
5. Hasn't Thompson shown in the past 20 years that he is a better person than his earlier days as a shop-lifter?	⊗	◯	◯	◯	◯
6. What would best service society?	◯	◯	◯	⊗	◯
7. If the story is true, how can it be wrong to report it?	⊗	◯	◯	◯	◯
8. How could reporter Dayton be so cruel and heartless as to report the damaging story about candidate Thompson?	◯	◯	◯	⊗	◯
9. Does the right of "habeas corpus" apply in this case?	◯	⊗	◯	◯	◯
10. Would the election process be more fair with or without reporting the story?	◯	⊗	◯	◯	◯
11. Should reporter Dayton treat all candidates for office in the same way by reporting everything she learns about them, good and bad?	◯	◯	⊗	◯	◯
12. Isn't it a reporter's duty to report all the news regardless of the circumstances?	◯	◯	⊗	◯	◯

***3. Consider the 12 issues you rated above and rank which issues are the most important.**

	1	2	3	4	5	6	7	8	9	10	11	12
Most important item	◯	◯	◯	◯	⊗	◯	◯	◯	◯	◯	◯	◯
Second most important	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯	⊗
Third most important	⊗	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯
Fourth most important	◯	◯	◯	◯	◯	⊗	◯	◯	◯	◯	◯	◯

Defining Issues Test-2

6. Story 4

Cancer

Mrs. Bennett is 62 years old, and in the last phases of colon cancer. She is in terrible pain and asks the doctor to give her more pain-killer medicine. The doctor has given her the maximum safe dose already and is reluctant to increase the dosage because it would probably hasten her death. In a clear and rational mental state, Mrs. Bennett says that she realizes this; but she wants to end her suffering even if it means ending her life. Should the doctor giver her an increased dosage?

*1. Do you favor the action of giving more medicine?

◯ Should give Mrs. Bennett an increased dosage to make her die. ◯ Can't decide ⊗ Should not give her an increased dosage

*2. Rate the following issues in terms of imortance.

	Great	Much	Some	Little	No
1. Isn't the doctor obligated by the same laws as everybody else if giving an overdose would be the same as killing her?	⊗	◯	◯	◯	◯
2. Wouldn't society be better off without so many laws about what doctors can and cannot do?	◯	◯	◯	◯	◯
3. If Mrs. Bennett dies, would the doctor be legally responsible for malpractice?	⊗	◯	◯	◯	◯
4. Does the family of Mrs. Bennett agree that she should get more painkiller medicine?	◯	◯	◯	◯	⊗
5. Is the painkiller medicine an active heliotropic drug?	◯	◯	◯	◯	◯
6. Does the state have the right to force continued existence of those who don't want to live?	⊗	◯	◯	◯	◯
7. Is helping to end another's life ever a responsible act of cooperation?	◯	◯	◯	◯	⊗
8. Would the doctor show more sympathy for Mrs. Bennett by giving the medicine or not?	◯	◯	◯	⊗	◯
9. Wouldn't the doctor feel guilty from giving Mrs. Bennett so much drug that she died?	⊗	◯	◯	◯	◯
10. Should only God decide when a person's life should end?	⊗	◯	◯	◯	◯
11. Shouldn't society protect everyone against being killed?	⊗	◯	◯	◯	◯
12. Where should society draw the line between protecting life and allowing someone to die if the person wants to?	◯	◯	◯	◯	⊗

*3. Consider the 12 issues you rated above and rank which issues are the most important.

	1	2	3	4	5	6	7	8	9	10	11	12
Most important item	⊗	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯
Second most important	◯	◯	⊗	◯	◯	◯	◯	◯	◯	◯	◯	◯
Third most important	◯	◯	◯	◯	◯	◯	⊗	◯	◯	◯	◯	◯
Fourth most important	◯	◯	◯	◯	◯	◯	◯	◯	◯	⊗	◯	◯

Defining Issues Test-2

3. Story 1

Famine

The small village in northern India has experienced shortages of food before, but this year's famine is worse than ever. Some families are even trying to feed themselves by making soup from tree bark. Mustaq Singh's family is near starvation. He has heard that a rich man in his village has supplies of food stored away and is hoarding food while its price goes higher so that he can sell the food later at a huge profit. Mustaq is desperate and thinks about stealing some food from the rich man's warehouse. The small amount of food that he needs for his family probably wouldn't even be missed.

*1. What should Mustaq Singh do? Do you favor the action of taking food?

◯ Should take the food ◯ Can't decide ⊗ Should not take the food

*2. Rate the following issues in terms of importance.

	Great	Much	Some	Little	No
1. Is Mustaq Singh courageous enough to risk getting caught for stealing?	◯	⊗	◯	◯	◯
2. Isn't it only natural for a loving father to care so much for his family that he would steal?	◯	◯	◯	◯	⊗
3. Shouldn't the community's laws be upheld?	⊗	◯	◯	◯	◯
4. Does Mustaq Singh know a good recipe for preparing soup from tree bark?	◯	◯	⊗	◯	◯
5. Does the rich man have any legal right to store food when other people are starving?	⊗	◯	◯	◯	◯
6. Is the motive of Mustaq Singh to steal for himself or to steal for his family?	◯	◯	⊗	◯	⊗
7. What values are going to be the basis for social cooperation?	◯	◯	◯	⊗	◯
8. Is the epitome of eating reconcilable with the culpability of stealing?	◯	◯	◯	◯	⊗
9. Does the rich man deserve to be robbed for being so greedy?	◯	◯	◯	◯	⊗
10. Isn't private property an institution to enable the rich to exploit the poor?	◯	◯	◯	◯	⊗
11. Would stealing bring about more total good for everybody concerned or wouldn't it?	◯	◯	◯	⊗	◯
12. Are laws getting in the way of the most basic claim of any member of a society?	◯	◯	◯	◯	⊗

*3. Consider the 12 issues above and rank which issues are the most important.

	1	2	3	4	5	6	7	8	9	10	11	12
Most important item	◯	◯	◯	◯	◯	◯	◯	⊗	◯	◯	◯	◯
Second most important	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯	⊗	◯
Third most important	◯	◯	⊗	◯	◯	◯	◯	◯	◯	◯	◯	◯
Fourth most important	◯	◯	◯	◯	◯	◯	◯	◯	⊗	◯	◯	◯

Defining Issues Test-2

5. Story 3

School Board

Mr. Grant has been elected to the School Board District 190 and was chosen to be Chairman. The district is bitterly divided over the closing of one of the high schools. One of the high schools has to be closed for financial reasons, but there is no agreement over which school to close. During his election to the School Board, Mr. Grant had proposed a series of "Open Meetings" in which members of the community could voice their opinions. He hoped that dialogue would make the community realize the necessity of closing one high school. Also he hoped that through open discussions, the difficulty of the decision would be appreciated, and that the community would ultimately support the school board decision. The first Open Meeting was a disaster. Passionate speeches dominated the microphones and threatened violence. The meeting barely closed without fist-fights. Later in the week, school board members received threatening phone calls. Mr. Grant wonders if he ought to call off the next Open Meeting.

*1. Do you favor calling off the next Open Meeting

◯ Should call off the next open meeting ◯ Can't decide ⊗ Should have the next open meeting

*2. Rate the following issues in terms of importance.

	Great	Much	Some	Little	No
1. Is Mr. Grant required by law to have Open Meetings on major school board decisions?	◯	◯	◯	⊗	⊗
2. Would Mr. Grant be breaking his election campaign promises to the community by discontinuing the Open Meetings?	◯	⊗	◯	◯	◯
3. Would the community be even angrier with Mr. Grant if he stopped the Open Meetings?	◯	⊗	◯	◯	◯
4. Would the change in plans prevent scientific assessment?	◯	◯	◯	⊗	◯
5. If the school board is threatened, does the chairman have the legal authority to protect the Board by making decisions in closed meetings?	◯	⊗	◯	◯	◯
6. Would the community regard Mr. Grant as a coward if he stopped the open meetings?	◯	⊗	◯	◯	◯
7. Does Mr. Grant have another procedure in mind for ensuring that divergent views are heard?	◯	◯	◯	◯	⊗
8. Does Mr. Grant have the authority to expel troublemakers from the meetings or prevent them from making long speeches?	◯	◯	◯	⊗	◯
9. Are some people deliberately undermining the school board process by playing some sort of power game?	◯	⊗	◯	◯	◯
10. What effect would stopping the discussion have on the community's ability to handle controversial issues in the future?	◯	◯	◯	◯	⊗
11. Is the trouble coming from only a few hotheads, and is the community in general really fair-minded and democratic?	◯	⊗	◯	◯	◯
12. What is the liklihood that a good decision could be made without open discussion from the community?	◯	⊗	◯	◯	◯

*3. Consider the 12 issues you rated above and rank which issues are the most important.

	1	2	3	4	5	6	7	8	9	10	11	12
Most important item	⊗	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯
Second most important	◯	⊗	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯
Third most important	◯	◯	◯	◯	◯	◯	◯	◯	◯	⊗	◯	◯
Fourth most important	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯	⊗

Defining Issues Test-2

7. Story 5

Demonstration

Political and economic instability in a South American country prompted the President of the United States to send troops to "police" the area. Students at many campuses in the U.S.A. have protested that the United States is using its military might for economic advantage. There is widespread suspicion that big oil multinational companies are pressuring the President to safeguard a cheap oil supply even if it means loss of life. Students at one campus took to the streets in demonstrations, tying up traffic and stopping regular business in the town. The president of the university demanded that the students stop their illegal demonstrations. Students then took over the college's administration building, completely paralyzing the college. Are the students right to demonstrate in these ways?

*1. Do you favor the action of demonstrating in this way?

◯ Should continue demonstrating in these ways

◯ Can't decide

(X) Should not continue demonstrating in these ways

*2. Rate the following issues in terms of importance.

	Great	Much	Some	Little	No
1. Do the students have any right to take over property that doesn't belong to them?	◯	◯	◯	◯	(X)
2. Do the students realize that they might be arrested and fined, and even expelled from school?	◯	◯	(X)	◯	◯
3. Are the students serious about their cause or are they doing it just for fun?	◯	◯	(X)	◯	◯
4. If the university president is soft on students this time, will it lead to more disorder?	◯	(X)	◯	◯	◯
5. Will the public blame all students for the actions of a few student demonstrators?	◯	(X)	◯	◯	◯
6. Are the authorities to blame by giving in to the greed of the multinational oil companies?	◯	(X)	◯	◯	◯
7. Why should a few people like Presidents and business leaders have more power than ordinary people?	◯	(X)	◯	◯	◯
8. Does this student demonstration bring about more or less good in the long run to all people?	◯	◯	◯	(X)	◯
9. Can the students justify their civil disobedience?	◯	◯	◯	(X)	◯
10. Shouldn't the authorities be respected by students?	◯	(X)	◯	◯	◯
11. Is taking over a building consistent with principles of justice?	◯	◯	◯	◯	(X)
12. Isn't it everyone's duty to obey the law, whether one likes it or not?	◯	(X)	◯	◯	◯

*3. Consider the 12 issues you rated above and rank which issues are the most important.

	1	2	3	4	5	6	7	8	9	10	11	12
Most important item	◯	◯	◯	◯	◯	(X)	◯	◯	◯	◯	◯	◯
Second most important	◯	◯	◯	◯	◯	◯	◯	◯	◯	◯	(X)	(X)
Third most important	◯	◯	◯	◯	◯	◯	◯	(X)	◯	◯	◯	◯
Fourth most important	◯	◯	◯	◯	◯	◯	◯	◯	(X)	◯	◯	◯

Appendix C: Adapted ATBEQ Including ATECB Items

Attitudes Toward Business Ethics Questionnaire

Please consider each of the following statements FROM THE PERSPECTIVE OF THE <u>SUPPLIER</u> STAKEHOLDER ROLE that you have been playing during the Execugame and mark each with an "X" over the number to each statement that corresponds to what your attitude in the ROLE of SUPPLIER in the Execugame is.	Likert Scale: 1 = Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree
1. The only moral of business is making money.	1 – 2 – 3 – 4 – 5
2. A person who is doing well in business does not have to worry about moral problems.	1 – 2 – 3 – 4 – 5
3. Every business person acts according to moral principles, whether he/she is aware of it or not.	1 – 2 – 3 – 4 – 5
4. Act according to the law, and you can't go wrong morally.	1 – 2 – 3 – 4 – 5
5. The use of tax avoidance structures of major companies to reduce their tax liability is unethical.	1 – 2 – 3 – 4 – 5
6. Business decisions involve a realistic economic attitude and not a moral philosophy.	1 – 2 – 3 – 4 – 5
7. Moral values are irrelevant to the business world.	1 – 2 – 3 – 4 – 5
8. The lack of public confidence in the ethics of business people is not justified.	1 – 2 – 3 – 4 – 5
9. 'Business ethics' is a concept for public relations only.	1 – 2 – 3 – 4 – 5
10. In business, bluffing is a morally acceptable part of the "rules of the game".	1 – 2 – 3 – 4 – 5
11. Lobbying to influence government policy to favour business is an acceptable practice.	1 – 2 – 3 – 4 – 5
12. Conditions of a free economy will serve best the needs of society. Limiting competition can only hurt society and actually violates basic natural laws.	1 – 2 – 3 – 4 – 5
13. When making an insurance claim, I try to get as much as possible regardless of the extent of the damage or loss.	1 – 2 – 3 – 4 – 5
14. Competitor bluffing as a strategic business practice is morally legitimate.	1 – 2 – 3 – 4 – 5
15. If an employee occasionally takes office supplies home, it does not hurt anyone.	1 – 2 – 3 – 4 – 5

Appendix D: Examples of the **News Paper Artic**les used across the 16 different **treatment conditions**

THE BUSINESS TIMES

Saturday, 21 January, 2012

Competitor Bluff Pays off
Employees to receive competitive bonus

From our Strategy Correspondent

Johannesburg

Following an investigation, it has been revealed that the reason behind the recently announced moderate increase in the “Company” employees’ wages was due to a competitive bluff of their main rivals, resulting in benefits to both the Company and its employees, who are to now receive an increase in their wages, albeit moderate.

The Gauteng-based Secretary General of the Execugame Strategy Forum of South Africa (ESFSA), Mr Chris Breen, confirmed this revelation today. Speaking at a function to mark the introduction of free-trade guidelines, Mr Breen claimed that other firms in the Execugame industry had been misled into wasting valuable resources and had, as a result, been compromised in terms of their competitiveness. This had allowed “Company” to reward its employees for their hard work over the past two quarters.

“Smart strategy has carried the day,” he said, “Execugame’s players are at last truly competing and ultimately winning the war for market share for the benefit of all their stakeholders.”

The Business Times understands that the other three firms in the industry have now suffered minor demand planning problems. This will, in all likelihood, result in problems in servicing their markets, thus opening the door for the “Company” to provide moderate increases to its employees’ wages.

Not all pundits, however, are as enthusiastic about the strategic decision to bluff a competitor: “Unless the despicable behaviour of these ruthless business people is rectified – and soon – industry-wide industrial reform is almost certain,” said Mr Croxon, Industry Affairs spokesman.

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THE BUSINESS TIMES

Saturday, 21 January, 2012

Competitor Bluff Backfires
Employees to receive a disappointingly low wage increase

From our Strategy Correspondent

Johannesburg

It was uncovered yesterday that the reason behind the decision to provide a disappointingly low increase in the wages of “Company”’s employees was as a result of a strategic ploy that had backfired. A spokesperson for the company admitted that an attempted competitive bluff of their main rivals had not gone as intended, leaving “Company” with no alternative but to provide only a token increase to the wages.

The Gauteng-based Secretary General of the Execugame Strategy Forum of South Africa (ESFSA), Mr Chris Breen, speaking at a function to mark the introduction of free-trade guidelines, claimed that the other three firms in the Execugame industry had to be commended for doing their homework properly and thereby avoiding the attempted bluff, the precise details of which continue to remain unknown.

“Smart strategy has carried the day,” he said, “Execugame’s players are at last truly competing and ultimately winning the war for market share for the benefit of all their stakeholders.”

The Business Times understands that the other three firms in the industry have now rallied together against ultra-competitive “Company”, whose employees will have to bear the brunt by having their wages remain below industry average for at least another quarter.

Not all pundits, however, are as critical with the strategic decision to bluff a competitor: “The principle of competitiveness is a sound one and companies should always be on the look-out to find legitimate ways of gaining a competitive advantage,” said Mr Croxon, Industry Affairs spokesman.

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THE BUSINESS TIMES

Saturday, 21 January, 2012

Competitor Bluff Pays Off Handsomely
Employees to receive substantial increase in wages

From our Strategy Correspondent

Johannesburg

Following an investigation, it has been revealed that the reason behind the recently announced substantial increase in the “Company” employees’ wages was a competitive bluff that was made on behalf of the company to their main rivals, resulting in benefits to both the Company and its employees, who are to now receive a very generous increase in their wages.

The Gauteng-based Secretary General of the Execugame Strategy Forum of South Africa (ESFSA), Mr Chris Breen, confirmed this revelation today. Speaking at a function to mark the introduction of free-trade guidelines, Mr Breen claimed that other firms in the Execugame industry had been misled into wasting valuable resources and had, as a result thereof, been severely compromised in terms of their competitiveness. This had allowed “Company” to richly reward its employees for their hard work over the past two quarters.

“Smart strategy has carried the day,” he said, “Execugame’s players are at last truly competing and ultimately winning the war for market share for the benefit of all their stakeholders.”

The Business Times understands that three firms in the industry have now suffered severe demand planning problems. This will, in all likelihood, result in problems in servicing their markets, thus opening the door for the “Company” to substantially increase its employees’ wages.

Not all pundits, however, are as enthusiastic about the strategic decision to bluff a competitor: “Unless the despicable behaviour of these ruthless business people is rectified – and soon – industry-wide industrial reform is almost certain,” said Mr Croxon, Industry Affairs spokesman.

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THE BUSINESS TIMES

Saturday, 21 January, 2012

Competitor Bluff Backfires Badly
Employees' wage increase to be withheld

From our Strategy Correspondent

Johannesburg

It was uncovered yesterday that the reason behind the regrettable decision to withhold the wage increase of "Company"'s employees was a strategic ploy that had backfired. A spokesperson for the company admitted that an attempt to bluff their main rivals had backfired, leaving "Company" with no alternative but to withhold the anticipated wage increases.

The Gauteng-based Secretary General of the Execugame Strategy Forum of South Africa (ESFSA), Mr Chris Breen, speaking at a function to mark the introduction of free-trade guidelines, claimed that the other three firms in the Execugame industry had to be commended for doing their homework properly and thereby avoiding the attempted bluff, the precise details of which continue to remain unknown.

"Smart strategy has carried the day," he said, "Execugame's players are at last truly competing and ultimately winning the war for market share for the benefit of all their stakeholders."

The Business Times understands that the other three firms in the industry have now rallied together against the ultra-competitive "Company", whose employees will have to suffer the consequences by not receiving an expected increase in their wages.

Not all pundits, however, are as critical of the strategic decision to bluff a competitor: "The principle of competitiveness is a sound one and companies should always be on the look-out to find legitimate ways of gaining a competitive advantage," said Mr Croxon, Industry Affairs spokesman.

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THE BUSINESS TIMES

Saturday, 21 January 2012

Competitor Bluff Pays Off
Management to receive moderate bonus

From our Strategy Correspondent

Johannesburg

Following investigation it has been established that the reason behind the recently announced bonus to be given to the management of “Company” was due to a competitor bluff made on behalf of the company, resulting in benefits to “Company” and its managers, who are to receive a moderate bonus.

This revelation was confirmed today by the Gauteng-based Secretary General of the Execugame Strategy Forum of South Africa (ESFSA), Mr Chris Breen. Speaking at a function to mark the introduction of free-trade guidelines, Mr Breen claimed that other firms in the Execugame industry had been misled into wasting valuable resources and had, as a result, been compromised in terms of their competitiveness.

“Smart strategy has carried the day,” he said, “Execugame’s players are at last truly competing and ultimately winning the war for market share for the benefit of all their stakeholders.”

The Business Times understands that three firms in the industry have now suffered minor demand planning problems. This will, in all likelihood, result in problems in servicing their markets, thus opening the door for “Company” to improve their market share at least moderately.

Not all pundits, however, are as enthusiastic about the strategic decision to bluff a competitor: “Unless the despicable behaviour of these ruthless business people is rectified – and soon – industry-wide industrial reform is almost certain,” said Mr Croxon, Industry Affairs spokesman.

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THE BUSINESS TIMES

Saturday, 21 January 2012

Competitor Bluff Pays Off Handsomely
Management to receive substantial bonus

From our Strategy Correspondent

Johannesburg

Following an investigation it has been revealed that the reason behind the recently announced generous bonus allocation to the management of “Company” was a successful competitive bluff of their main rivals, resulting in benefits to both the company and its managers, who are to now receive a substantial bonus as a result thereof.

This claim was confirmed today by the Gauteng-based Secretary General of the Execugame Strategy Forum of South Africa (ESFSA), Mr Chris Breen. Speaking at a function to mark the introduction of free-trade guidelines, Mr Breen claimed that other firms in the Execugame industry had been misled into wasting valuable resources and had, as a result thereof, been set back considerably in terms of their competitiveness.

“Smart strategy has carried the day,” he said, “Execugame’s players are at last truly competing and ultimately winning the war for market share for the benefit of all their stakeholders.”

The Business Times understands that the other three firms in the industry have now suffered demand planning problems. This will, in all likelihood, result in problems in servicing their markets, thus opening the door for the Company to provide this dramatic bonus to its managers.

Not all pundits, however, are as enthusiastic about the strategic decision to bluff a competitor: “Unless the despicable behaviour of these ruthless business people is rectified – and soon – industry-wide industrial reform is almost certain,” said Mr Croxon, Industry Affairs spokesman.

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THE BUSINESS TIMES

Saturday, 21 January 2012

Competitor Bluff Backfires Badly
No bonuses to be paid to Management

From our Strategy Correspondent

Johannesburg

It was uncovered yesterday that the reason behind the regrettable decision to withhold the expected management bonuses of “Company” was a strategic ploy that had backfired. A spokesperson for the company admitted that an attempted competitive bluff of their main rivals had backfired, resulting in the regrettable decision to withhold bonuses to the management of “Company”.

The Gauteng-based Secretary General of the Execugame Strategy Forum of South Africa (ESFSA), Mr Chris Breen, speaking at a function to mark the introduction of free-trade guidelines, claimed that the other firms in the Execugame industry had to be commended for doing their homework properly, thereby successfully calling the attempted bluff, the precise details of which continue to remain unknown.

“Smart strategy has carried the day,” he said, “Execugame’s players are at last truly competing and ultimately winning the war for market share for the benefit of all their stakeholders.”

The Business Times understands that the other three firms in the industry have now rallied together against the ultra-competitive “Company”. The minor drop in profits and the resultant denial bonuses can be ascribed to this rallying of “Company’s” competitors.

Not all pundits, however, are as critical of the strategic decision to bluff a competitor: “The principle of competitiveness is a sound one and companies should always be on the look-out to find legitimate ways of gaining a competitive advantage,” said Mr Croxon, Industry Affairs spokesman.

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THE BUSINESS TIMES

Saturday, 21 January 2012

Competitor Bluff Backfires
Management to receive a disappointing bonus

From our Strategy Correspondent

Johannesburg

It was uncovered yesterday that the reason behind the disappointing bonus allocation to the management of “Company” was a strategic ploy that had backfired. A spokesperson for the company admitted that an attempted bluff of their main rivals had not gone as intended, resulting in a disappointingly small bonus pool for the managers.

The Gauteng-based Secretary General of the Execugame Strategy Forum of South Africa (ESFSA), Mr Chris Breen, speaking at a function to mark the introduction of free-trade guidelines, claimed that the other firms in the Execugame industry had to be commended for doing their homework properly and thereby avoiding the attempted bluff, the details of which remain unclear at this time.

“Smart strategy has carried the day,” he said, “Execugame’s players are at last truly competing and ultimately winning the war for market share for the benefit of all their stakeholders.”

The Business Times understands that the other three firms in the industry have now rallied together against the ultra-competitive “Company”. The minor drop in profits and the resultant poor bonuses can be ascribed to this rallying of “Company’s” competitors.

Not all pundits, however, are as critical about the strategic decision to bluff a competitor: “The principle of competitiveness is a sound one and companies should always be on the look-out to find legitimate ways of gaining competitive advantage,” said Mr Croxon, Industry Affairs spokesman.

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THE BUSINESS TIMES

Saturday, 21 January 2012

Competitor Bluff Backfires
Share price drops slightly

From our Strategy Correspondent

Johannesburg

It was uncovered yesterday that the disappointing moderate drop in “Company”’s share price was as a result of a strategic ploy that had not paid off. A spokesperson for the company admitted that a bluff of their main rivals had not gone as intended, resulting in a slight drop in the Company’s share price.

The Gauteng-based Secretary General of the Execugame Strategy Forum of South Africa (ESFSA), Mr Chris Breen, speaking at a function to mark the introduction of free-trade guidelines, claimed that the other firms in the Execugame industry had to be commended for doing their homework properly, thereby successfully calling the attempted competitive bluff.

“Smart strategy has carried the day,” he said, “Execugame’s players are at last truly competing and ultimately winning the war for market share for the benefit of all their stakeholders.”

The Business Times understands that the moderate drop in share price was as a result of the other three firms in the industry rallying together against the ultra-competitive “Company”.

Not all pundits, however, are as critical of the strategic decision to bluff a competitor: “The principle of competitiveness is a sound one and companies should always be on the look-out to find legitimate ways of gaining competitive advantage,” said Mr Croxon, Industry Affairs spokesman.

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THE BUSINESS TIMES

Saturday, 21 January 2012

Competitor Bluff Backfires Badly
Share price drops dramatically

From our Strategy Correspondent

Johannesburg

It was uncovered yesterday that the reason behind the dramatic drop in “Company”’s share price was a strategic ploy that had backfired. A spokesperson for the company admitted that a bluff of their main rivals had backfired, resulting in an extensive drop in the Company’s share price.

The Gauteng-based Secretary General of the Execugame Strategy Forum of South Africa (ESFSA), Mr Chris Breen, speaking at a function to mark the introduction of free trade guidelines, claimed that the other firms in the Execugame industry had to be commended for doing their homework properly and thereby avoiding the attempted competitor bluff.

“Smart strategy has carried the day,” he said, “Execugame’s players are at last truly competing and ultimately winning the war for market share for the benefit of all their stakeholders.”

The Business Times understands that the dramatic drop in share price was as a result of the other three firms in the industry rallying together against the ultra-competitive “Company”.

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THE BUSINESS TIMES

Saturday, 21 January 2012

Competitor Bluff pays off
Share price rises modestly

From our Strategy Correspondent

Johannesburg

It was uncovered yesterday that the modest rise in “Company”’s share price was as a result of a strategic ploy that paid off. A spokesperson for the company revealed that a bluff of their main rivals had succeeded, resulting in a modest increase in the Company’s share price over the last quarter.

This claim was made today by the Gauteng-based Secretary General of the Execugame Strategy Forum of South Africa (ESFSA), Mr Chris Breen. Speaking at a function to mark the introduction of free-trade guidelines, Mr Breen claimed that other firms in the Execugame industry had been misled into wasting valuable resources and had, as a result, been set back in terms of their competitiveness.

“Smart strategy has carried the day,” he said, “Execugame’s players are at last truly competing and ultimately winning the war for market share for the benefit of all their stakeholders.”

The Business Times understands that the other three firms in the industry have now suffered demand planning problems. This fact has been identified as the cause of the modest increase in the share price of “Company”.

Not all pundits, however, are as enthusiastic about the strategic decision to bluff a competitor: “Unless the despicable behaviour of these ruthless business people is rectified – and soon – industry-wide industrial reform is almost certain,” said Mr Croxon, Industry Affairs spokesman.

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THE BUSINESS TIMES

Saturday, 21 January 2012

Competitor Bluff pays off Handsomely
Share price rises dramatically

From our Strategy Correspondent

Johannesburg

It was uncovered yesterday that the dramatic increase in “Company”’s share price was as a result of a strategic ploy that paid off. A spokesperson for the company revealed that a bluff of their main rivals had gone very well, resulting in a substantial increase in the Company’s share price.

This claim was made today by the Gauteng-based Secretary General of the Execugame Strategy Forum of South Africa (ESFSA), Mr Chris Breen. Speaking at a function to mark the introduction of free-trade guidelines, Mr Breen claimed that other firms in the Execugame industry had been misled into wasting valuable resources and had, as a result thereof, been set back considerably in terms of their competitiveness.

“Smart strategy has carried the day,” he said, “Execugame’s players are at last truly competing and ultimately winning the war for market share for the benefit of all their stakeholders.”

The Business Times understands that the other three firms in the industry have now suffered demand planning problems. This fact has been identified as the cause of the dramatic increase in the share price of “Company”.

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THE BUSINESS TIMES

Saturday, 21 January 2012

Competitor Bluff Pays Off
Competitive raw material price increase accepted

From our Strategy Correspondent

Johannesburg

It was uncovered yesterday that the reason behind the recently announced acceptance of a competitive increase in the price of the raw materials negotiated with “Company” by their major supplier was as a result of a strategic ploy by “Company” that had paid off. A spokesperson for the company admitted that a bluff of their main rivals had gone well, resulting in an ability to accept the competitive price increase of their supplier.

This claim was confirmed today by the Gauteng-based Secretary General of the Execugame Strategy Forum of South Africa (ESFSA), Mr Chris Breen. Speaking at a function to mark the introduction of free-trade guidelines, Mr Breen claimed that other firms in the Execugame industry had been misled into wasting valuable resources and had, as a result, been set back considerably in terms of their competitiveness.

“Smart strategy has carried the day,” he said, “Execugame’s players are at last truly competing and ultimately winning the war for market share for the benefit of all their stakeholders.”

The Business Times understands that the acceptance by “Company” of the proposed competitive price increase was as a result of the other three firms in the industry suffering demand planning problems. This will, in all likelihood, result in problems in servicing their markets, thus opening the door for “Company” to adopt a reasonable stance with their suppliers.

Not all pundits, however, are as enthusiastic about the strategic decision to bluff a competitor: “Unless the despicable behaviour of these ruthless business people is rectified – and soon – industry-wide industrial reform is almost certain,” said Mr Croxon, Industry Affairs spokesman.

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THE BUSINESS TIMES

Saturday, 21 January 2012

Competitor Bluff Backfires Badly
Raw material price increase rejected

From our Strategy Correspondent

Johannesburg

It was uncovered yesterday that the regrettable rejection of the proposed increase in the price of the raw materials negotiated with “Company” by their major supplier was as a result of a strategic ploy by “Company” that had backfired. A spokesperson for “Company” admitted that a bluff of their main rivals had gone very poorly, resulting in an inability to accept any proposed price increases.

The Gauteng-based Secretary General of the Execugame Strategy Forum of South Africa (ESFSA), Mr Chris Breen, speaking at a function to mark the introduction of free-trade guidelines, claimed that the other firms in the Execugame industry had to be commended for doing their homework properly and thereby avoiding the attempted bluff, the precise details of which continue to remain unknown.

“Smart strategy has carried the day,” he said, “Execugame’s players are at last truly competing and ultimately winning the war for market share for the benefit of all their stakeholders.”

The Business Times understands that the regrettable rejection by “Company” of the proposed price increase was as a result of the other three firms in the industry rallying together against the ultra-competitive “Company”.

Not all pundits, however, are as critical of the strategic decision to bluff a competitor: “The principle of competitiveness is a sound one and companies should always be on the look-out to find legitimate ways of gaining competitive advantage,” said Mr Croxon, Industry Affairs spokesman.

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THE BUSINESS TIMES

Saturday, 21 January, 2012

Competitor Bluff Pays Off Handsomely
Substantial raw material price increase accepted

From our Strategy Correspondent

Johannesburg

It was uncovered yesterday that the reason behind the recently announced acceptance of a dramatic increase in the price of the raw materials negotiated with “Company” by their major supplier was as a result of a strategic ploy by “Company” that had paid off. A spokesperson for “Company” admitted that a bluff of their main rivals had gone very well, resulting in an ability to accept the substantial price increase proposed by their supplier.

The Gauteng-based Secretary General of the Execugame Strategy Forum of South Africa (ESFSA), Mr Chris Breen, speaking at a function to mark the introduction of free trade guidelines, claimed that the other firms in the Execugame industry had to be commended for doing their homework properly and thereby avoiding the attempted bluff.

“Smart strategy has carried the day,” he said, “Execugame’s players are at last truly competing and ultimately winning the war for market share for the benefit of all their stakeholders.”

The Business Times understands that the generous acceptance by the Company of the proposed price increase was as a result of the other three firms in the industry suffering demand planning problems. This will, in all likelihood, result in problems in servicing their markets, thus opening the door for “Company” to adopt a generous stance with their suppliers.

Not all pundits, however, are as enthusiastic about the strategic decision to bluff a competitor: “Unless the despicable behaviour of these ruthless business people is rectified – and soon – industry-wide industrial reform is almost certain,” said Mr Croxon, Industry Affairs spokesman.

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THE BUSINESS TIMES

Saturday, 21 January 2012

Competitor Bluff Backfires Badly
Raw material price increase rejected

From our Strategy Correspondent

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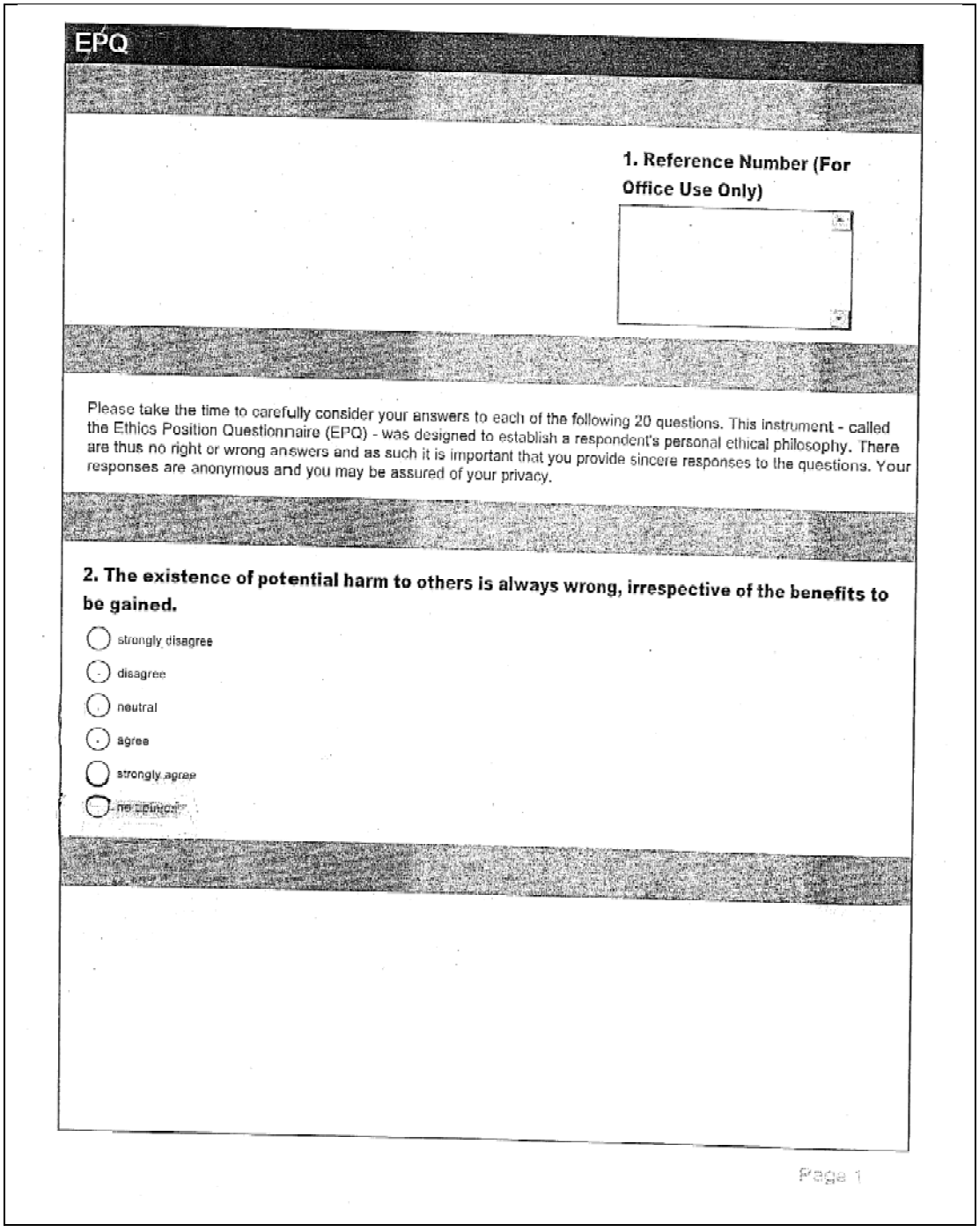
Appendix E: The version of Forsyth's (1980) EPQ used in the study



EPQ

1. Reference Number (For Office Use Only)

Please take the time to carefully consider your answers to each of the following 20 questions. This instrument - called the Ethics Position Questionnaire (EPQ) - was designed to establish a respondent's personal ethical philosophy. There are thus no right or wrong answers and as such it is important that you provide sincere responses to the questions. Your responses are anonymous and you may be assured of your privacy.

2. The existence of potential harm to others is always wrong, irrespective of the benefits to be gained.

- strongly disagree
- disagree
- neutral
- agree
- strongly agree
- no opinion

Page 1

EPQ

3. One should never psychologically or physically harm another person.

- ◯ strongly disagree
- ◯ disagree
- ◯ neutral
- ◯ agree
- ◯ strongly agree
- ◯ no opinion

4. One should not perform an action which might in any way threaten the dignity and welfare of another individual.

- ◯ strongly disagree
- ◯ disagree
- ◯ neutral
- ◯ agree
- ◯ strongly agree
- ◯ no opinion

5. If an action could harm an innocent other, then it should not be done.

- ◯ strongly disagree
- ◯ disagree
- ◯ neutral
- ◯ agree
- ◯ strongly agree
- ◯ no opinion

EPQ

15. Rigidly codifying an ethical position that prevents certain types of actions could stand in the way of better human relations and adjustment.

- ◯ strongly disagree
- ◯ disagree
- ◯ neutral
- ◯ agree
- ◯ strongly agree
- ◯ no opinion

16. No rule concerning lying can be formulated; whether a lie is permissible or not totally depends on the situation.

- ◯ strongly disagree
- ◯ disagree
- ◯ neutral
- ◯ agree
- ◯ strongly agree
- ◯ no opinion

17. Whether a lie is judged to be moral or immoral depends upon the circumstances surrounding the action.

- ◯ strongly disagree
- ◯ disagree
- ◯ neutral
- ◯ agree
- ◯ strongly agree
- ◯ no opinion

EPQ

6. Deciding whether or not to perform an act by balancing the positive consequences of the act against the negative consequences of the act is immoral.

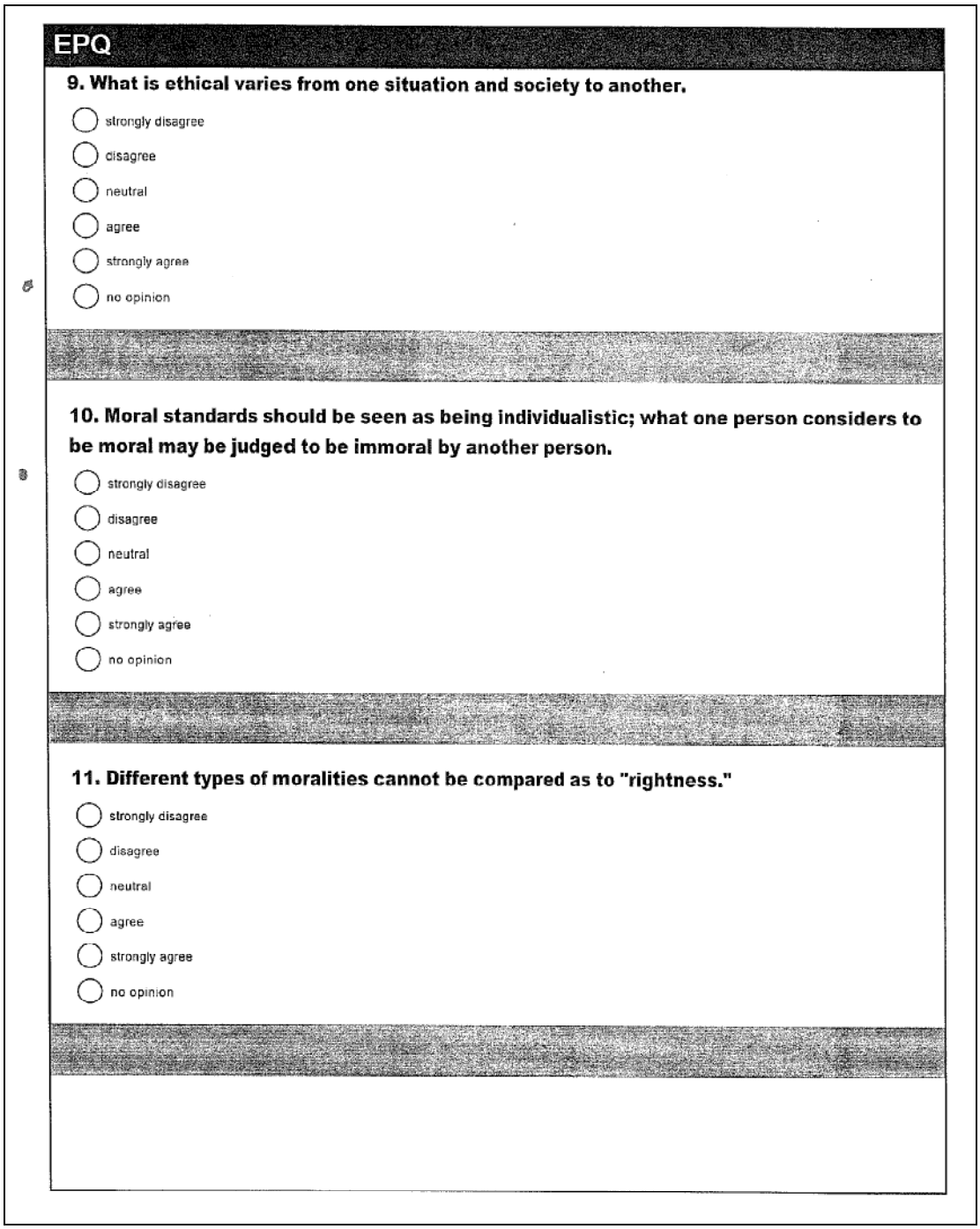
- ◯ strongly disagree
- ◯ disagree
- ◯ neutral
- ◯ agree
- ◯ strongly agree
- ◯ no opinion

7. Moral actions are those which closely match ideals of the most "perfect" action.

- ◯ strongly disagree
- ◯ disagree
- ◯ neutral
- ◯ agree
- ◯ strongly agree
- ◯ no opinion

8. There are no ethical principles that are so important that they should be part of any code of ethics.

- ◯ strongly disagree
- ◯ disagree
- ◯ neutral
- ◯ agree
- ◯ strongly agree
- ◯ no opinion



EPQ

9. What is ethical varies from one situation and society to another.

- ◯ strongly disagree
- ◯ disagree
- ◯ neutral
- ◯ agree
- ◯ strongly agree
- ◯ no opinion

10. Moral standards should be seen as being individualistic; what one person considers to be moral may be judged to be immoral by another person.

- ◯ strongly disagree
- ◯ disagree
- ◯ neutral
- ◯ agree
- ◯ strongly agree
- ◯ no opinion

11. Different types of moralities cannot be compared as to "rightness."

- ◯ strongly disagree
- ◯ disagree
- ◯ neutral
- ◯ agree
- ◯ strongly agree
- ◯ no opinion

EPQ

12. Questions of what is ethical for everyone can never be resolved since what is moral or immoral is up to the individual.

- ◯ strongly disagree
- ◯ disagree
- ◯ neutral
- ◯ agree
- ◯ strongly agree
- ◯ no opinion

13. Moral standards are simply personal rules which indicate how a person should behave, and are not to be applied in making judgments of others.

- ◯ strongly disagree
- ◯ disagree
- ◯ neutral
- ◯ agree
- ◯ strongly agree
- ◯ no opinion

14. Ethical considerations in interpersonal relations are so complex that individuals should be allowed to formulate their own individual codes.

- ◯ strongly disagree
- ◯ disagree
- ◯ neutral
- ◯ agree
- ◯ strongly agree
- ◯ no opinion

EPQ

3. One should never psychologically or physically harm another person.

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