

**MORAL IDENTITY AND THE SELF-REGULATION OF  
UNETHICAL WORKPLACE BEHAVIOR**

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## **MORAL IDENTITY AND THE SELF-REGULATION OF UNETHICAL WORKPLACE BEHAVIOR**

This study examines the interaction between moral identity and organizational factors that may motivate unethical behavior. Findings from a field study suggest that people whose moral identity is salient report a lower likelihood of engaging in deceptive negotiation behavior. Using a simulated negotiation experiment to examine actual behavior, study 2 showed that people whose moral identity had high self-importance lied less than those whose moral identity had low self-importance, particularly when there were incentives for lying. Using a non-U.S. sample, study 3 extends these findings by showing a negative relationship between the self-importance of moral identity and a broad range of unethical workplace conduct. In all three studies the effect of moral identity on unethical workplace behavior was mitigated by situational factors that provide an individualistic motivation to engage in such behaviors.

A disturbing but unavoidable fact of organizational life is that employees sometimes engage in ethically questionable activities that harm their companies, their co-workers, or the general public. Unethical behavior has been defined as behavior that brings harm to and that is either illegal or morally unacceptable to the larger community (Jones, 1991). By this definition, lying, cheating, stealing, or interpersonal aggression would be examples of such behavior. The costs associated with unethical workplace behavior are staggering. Estimates range from \$4.2 billion for violence to \$200 billion for theft (Jacoby, 1999). Protecting organizations against these activities is also costly as illustrated by the estimated \$7 billion incurred by organizations to install security provisions against cyber-attacks (Lim, 2002). In addition to economic costs, organizations can suffer from a tarnished image and loss of public confidence when their employees are found to have engaged in unethical acts. Considering the detrimental effects of unethical behavior on organizations and society, there are compelling reasons for both managers and researchers to gain a better understanding of the factors that motivate their occurrence.

This paper introduces a previously unstudied variable into the management literature that may have broad explanatory power as a predictor of unethical workplace behavior. This variable is *moral identity*, or the mental representation a person holds about their moral character. We expect moral identity to predict the performance of unethical behavior in organizations because it acts as a *self-regulatory mechanism* that motivates people to make choices and pursue actions that are consistent with their moral self (Aquino and Reed, 2002). Drawing from identity theory (Stryker, 1980) we propose that people's behavior is directly connected to their sense of self. However, people have multiple identities of which only a subset, known as the working self-concept, is activated at any given time (Markus and Kunda, 1986). Thus, we expect moral identity to regulate ethical behavior only when it is activated. But even then, its influence on

behavior may be neutralized by situational factors that motivate other behaviors that are inconsistent with moral identity's self-regulatory demands. This argument is consistent with the literature on interactionism (Mischel, 1968) which suggests that no individual or situational factor alone is sufficient to sustain ongoing organizational behavior. Following this traditional view of the causes of human behavior, we examined whether situational variables that are part of the organizational context, may weaken, the impact of moral identity on behavior.

We focused on two possible moderators of the effect of moral identity on unethical behavior: the presence of incentives for behaving unethically and perceived injustice. We chose these variables because previous research (e.g., Aquino, Lewis, and Bradfield, 1999; Greenberg, 1990; Lim, 2002; Tenbrunsel, 1998; Treviño and Youngblood, 1990) suggests that they are reliable predictors of many kinds of unethical behavior in organizations. Hence, there are good reasons to assume that they may interact with moral identity to predict behavior. We tested the main effect of moral identity and the moderating effect of incentives and perceived injustice in three studies. Studies 1 and 2 tested the effects of moral identity on lying, a specific form of unethical behavior directed against another person. In a non-U.S. sample, study 3 examined a range of unethical behaviors directed against the organization. By examining a family of related behaviors in a different cultural milieu, study 3 allowed us to assess the broader effects of moral identity on employee misconduct. Collectively, the three studies provided a rigorous test of the role that moral identity plays in regulating unethical behavior, something that, to our knowledge, has never been done in the organizational behavior literature. The following sections present the theoretical rationale for our hypotheses regarding the effects of moral identity and the results of the three studies designed to test them.

## THEORETICAL BACKGROUND

The study of business ethics has been greatly influenced by rationalist models developed in the field of social psychology. Perhaps the most influential of these is the cognitive developmental model introduced by Kohlberg (1969). A key construct in this model is *moral reasoning*, which has been defined as “conscious mental activity that consists of transforming given information about people in order to reach a moral judgment” (Haidt, 2003: 6). In recent years, Kohlberg’s (1969) original conception of moral development has been criticized on philosophical and psychological grounds (e.g., Walker and Pitts, 1998). These criticisms have prompted new theoretical approaches (e.g., Rest and Navarez, 1994) for explaining the nature of different *kinds* of moral reasoning that avoid making normative and psychological claims that are as strong and narrowly defined as Kohlberg’s. What remains central to most neo-Kohlbergian models, however, is the assumption that a person’s ability and motivation to reason through moral problems is a powerful determinant of ethical conduct. Prominent models of ethical behavior in organizations (e.g., Jones, 1991; Street et al., 2001) make a similar assumption regarding the importance of moral reasoning as a precursor of ethical conduct.

Although studies have shown that moral reasoning predicts positive (e.g., helping, whistleblowing, resisting pressure from authority figures) and negative (cheating, stealing) moral acts, its relationship to these behaviors is not as strong as one might expect (Rest and Navarez, 1994). This has led some psychologists to suggest that a limitation of rationalistic models is their failure to recognize that reasoning alone is unlikely to guide moral action unless it is integrated into the structure of the self (Aquino and Reed, 2002; Blasi, 1995; Damon, 1984). From this perspective, theories that take into account the role that the self and the identities of

which it is comprised might play in regulating moral behavior provide a valuable complement to more rationalistic explanations.

### **The Self and Moral Identity**

Earlier we invoked identity theory (Stryker, 1980) as a basis for our argument that a person's behavior is directly connected to his or her conception of self. Identity theory provides a general framework for relating the self and the identities of which it is comprised, to behavior. However, other theoretical elaborations focus more explicitly on the concept of moral identity and its relation to moral action. According to Blasi's (1980; 1983) *self model*, the felt obligation to engage in a moral action is directly related to the essential definition of oneself and the motivational basis for such action is the internal demand for psychological self-consistency. Blasi (1984; 1985; 1993) argued that the moral personality results when a person constructs their identity on moral grounds or, alternatively, when their moral commitments are central to their self-definition. In the self model, the concept of moral identity is the key psychological mechanism that translates moral judgments, principles, or ideals into action. Damon's (1984) theory of *moral development/integration* also incorporates the concept of moral identity as a regulator of moral behavior. According to Damon (1984), morality and the self are separate conceptual systems that are unrelated in childhood but come together, however incompletely, during adolescence. One implication of Damon's model is that people with similar moral beliefs may differ in how important it is for them to be moral in a personal sense. Thus, where some may consider morality to be central to their self-identities, others may consider it to be peripheral. This means that just having the concept of a moral person in one's mind may be insufficient for guiding moral action if it is not also essential for one's self-identity to *be* such a person.

A third perspective in which moral identity plays a leading role is based on a *social-cognitive model* of behavior. Social-cognitive models (e.g., Bandura, 1999; Bandura et al., 1996) suggest that conduct is translated into action through self-regulatory mechanisms (Bandura et al., 1996). One of these mechanisms is moral identity (Aquino and Reed, 2002). Based on a social cognitive perspective, Lapsley and Lasky (2001) argued that a person who has a moral identity is one, for whom, moral schemas are chronically available, readily primed, and easily activated for processing social information. Extending Lapsley and Lasky's (2001) conceptualization, Aquino and Reed (2002) proposed that people possess a cognitive schema of the moral self that is organized around a set of moral trait associations. Aquino and Reed's (2002) trait-based definition of moral identity built upon the work of other writers (e.g., Brewer and Gardner, 1996) who argued that traits were the loci of self-definition around which personal identities were organized.

Social cognitive models of moral identity suggest that the activation of mental representations of the self is critical for processing social information and providing guidelines for action (Cervone and Shoda, 1999a). These mental representations include "knowledge of social situations, representations of self, others, and prospective events; personal goals, beliefs, and expectations and knowledge of behavioral alternatives and task strategies" (Cervone and Shoda, 1999b: 18) and are variously conceptualized as schemas, prototypes, plans, goals, and similar constructs. The social-cognitive approach grounds the concept of moral identity in moral self-schema that can become more or less activated in different situations<sup>1</sup>. It is this conceptualization of moral identity that we adopt in our paper.

## **The Activation of Moral Identity: Salience vs. Self-Importance**

Identity theory assumes that the self is comprised of multiple identities that are hierarchically ordered (Stryker, 1980). One implication of this hierarchical ordering is that identities are more likely to influence behavior when they are cognitively accessible than when they are not. There are many ways to make identities cognitively accessible. In experimental settings, researchers have used priming tasks that involve bringing a concept or idea to mind thereby temporarily activating a particular identity. Such procedures include getting people to reflect upon visual images, symbols, words, self-descriptive thoughts or self-elicitation tasks that are likely to prompt participants to categorize themselves along identity oriented criteria (Forehand and Deshpandé 2001; Forehand, Deshpandé, and Reed 2002; Turner and Oakes 1986). Although a priming approach can make a person's moral identity momentarily *salient*, moral identity may be more readily accessible for some people *across* situations because it occupies more *self-importance* in a person's overall self-schema relative to other identities (Aquino and Reed, 2002). This possibility suggests that an alternative way to operationalize moral identity is to measure its chronic self-importance.

Aquino and Reed (2002) developed a method for measuring the self-importance of moral identity based on the assumption that its cognitive salience within a person's overall self-schema has some temporal stability. This means that a moral identity might be more chronically accessible for some people than others across different situations. In support of their argument, they showed that scores on their measure predicted morally-relevant behaviors (i.e., donating food to the needy, donating money to out-groups) over a period of several weeks in the absence of any priming procedure (Aquino and Reed, 2002; Reed and Aquino, 2003). These findings



support the notion that certain moral schemata may be accessible for processing and acting upon social information across situations.

The studies we reported here extended previous theory and research on moral identity by testing whether this aspect of the self predicts work-related behaviors that a) are likely to evoke moral contemplation, b) may be harmful to other people or the organization, and c) are seen as violating legal or community standards of acceptable behavior. Below we present the theoretical rationale for studies 1 and 2 which examined the effect of moral identity on lying.

### **OVERVIEW OF STUDIES 1 AND 2**

Studies 1 and 2 used different methods for capturing the cognitive accessibility of moral identity to conduct two tests of our theoretical propositions. In each case, the predicted relationships between moral identity and unethical behavior were identical.<sup>2</sup> Study 1 used a priming procedure to activate moral identity prior to presenting people with an ethical dilemma, thus increasing its temporary *saliency*. Study 2 utilized Aquino and Reed's (2002) measure to assess the *self-importance* of moral identity prior to placing participants in a situation where they could engage in unethical behavior. This second method of operationalizing moral identity captured its chronic accessibility across situations. In both studies, the activation of moral identity was hypothesized to predict lying. However, we also hypothesized that providing incentives for engaging in unethical behavior might weaken this effect. Lying was examined in the context of negotiations. We chose negotiations because they have often been described as breeding grounds for unethical behavior (Lewicki, 1983; Tenbrunsel, 1998), making them an ideal context for testing our predictions.

## THEORETICAL BACKGROUND AND HYPOTHESES

The *Oxford English Dictionary* defines lying as “a false statement made with the intent to deceive.” Essential to this definition is that the person who tells the lie a) *knows* the information is false, b) *wants* to mislead the other person, and c) behaves *proactively* to do so (Bok, 1978). Other than lying, people can mislead others by omitting facts or information, by presenting information in a certain order, or by framing statements to guide the listener away from the truth (Grover, 1997). Ekman (1985) refers to these methods as *concealment*; Bok (1978) calls them *secrets*. We view these behaviors as distinct from lying because they do not involve an *active* attempt to give *false* information.

Lying in the workplace falls under the domain of unethical conduct because it can have detrimental organizational and social consequences, as the recent scandals at companies like Enron and WorldCom have shown. At the interpersonal level, lies can erode trust, anger other parties, and dissolve a potentially beneficial business relationship (Shapiro, 1991). The fabric of trust and cooperation that allows organizations to function can unravel when lying becomes a workplace norm. Some writers argued that lying, deception, and bluffing are all morally legitimate strategies for advancing one’s interests during a business transaction (Carr, 1968). However, there is evidence that many people view lying as unethical even in contexts such as negotiation where some deception, opportunism, and guile are expected.

A study by Anton (1990) showed that among Executive MBA and MBA students, full-time managers, and clergymen, not a single person believed making false statements in a negotiation was ethical. It is worth mentioning that many of the participants in Anton’s study, including clergy, did not view overstating one’s initial position during a negotiation as unethical, suggesting that making statements that are not completely in line with objective reality is

*sometimes* considered morally acceptable. What Anton's (1990) study suggested, though, is that while some deviation from reality may be permissible outright lies are not widely accepted as a "normal" part of business negotiations. For this reason, we expect psychological variables that regulate the way people perceive, evaluate, and respond to the moral aspects of situations to be reliable predictors of lying.

Lying during negotiations can harm the other party if it leads them to accept outcomes that are unfavorable or that they would have rejected if they had more accurate information. The severity of harm depends on many factors such as the magnitude of the loss or the importance to the other party of achieving a certain outcome. For our purposes, what is theoretically important is that lying can allow the party who lies to benefit at the other's expense by employing an ethically questionable tactic that may be inconsistent with the self-regulatory demands of one's moral identity. This is because lying can violate a person's internalized standards about what it means to be a moral person. In studies 1 and 2, we used the context of a two-party negotiation to test whether moral identity predicted lying in organizations and whether incentives moderate its effect. In both studies, we tested the following hypothesis based on the arguments presented above:

**Hypothesis 1:** Moral identity is negatively related to lying in negotiations.

As noted earlier, situational factors may sometimes motivate behaviors that are inconsistent with the self-regulatory demands of one's moral identity. Thus, it is possible that the influence of moral identity on lying will be weaker in the presence of an individualistic performance incentive that provides negotiators with a sufficiently powerful motivation for telling lies.

## **The Moderating Effects of Incentives on Lying**

Tenbrunsel (1998) showed that the presence of incentives increased people's willingness to misrepresent information to another party in a social exchange. Similarly, we hypothesize that when a negotiator's performance is linked to a reward, their motivation to lie is strengthened because the tactical advantage gained by lying increases their chances of obtaining the reward. This prediction is consistent with Lewicki's (1983) argument that negotiators lie to the extent that it benefits them. We extended this argument by suggesting that the presence of a performance incentive could neutralize the influence of moral identity on lying because it provided the person with a compelling motivation for telling a lie. The following hypothesis tests this prediction:

**Hypothesis 2:** The negative relationship between moral identity and lying in negotiation is weaker the greater the incentive for performing well in the negotiation.

We tested Hypotheses 1 and 2 in Study 1 by asking people to imagine how they were likely to behave in a fictional negotiation. We measured three types of behavioral intentions that represented a continuum of statements they might make to their partner during the negotiation. At one end was truth-telling, at the other was a lie, and in between was an ambiguously deceptive statement. We introduced the ambiguously deceptive statement as a contrast to truth-telling and lying because we believed that the self-report nature of the Study 1 might discourage participants from admitting that they would tell an outright lie. However, they may be more willing to admit that they would make a statement that was partly, but not entirely, true. The difference between an ambiguously deceptive statement and an outright lie is subtle, but theoretically important, because it can be argued that a lie represents a more serious ethical transgression than ambiguous deception which, in turn, is less ethical than telling the truth.

## METHOD

### Sample and Procedures

The sample consisted of community residents located throughout the United States. The residents were all alumni of the college of business at a Mid-Atlantic university. A random sample of 200 alumni with U.S. addresses was drawn from the college's alumni list and sent a copy of a self-administered survey entitled "A Survey of Negotiation Behavior" along with a cover letter requesting their participation. Alumni were told that participation was voluntary and that all responses were anonymous and confidential as no names or other identifying information appeared on the survey. Fifty nine alumni provided usable data on all study variables (30% response rate). Twenty six percent of the sample was female. The average age of participants was 45.3 years (SD=11.2). Their average number of years of work experience was 22.6 (SD=10.5). Six percent of participants were first level supervisors or below; eleven percent were mid-level managers; forty percent were upper level managers; and forty-three percent were executive level managers.

**Design.** The study was a 2 X 2 (Moral Identity X Incentive) factorial design in which participants were randomly assigned to role play in a simulated hiring scenario questionnaire.

**Task.** The mail-out survey presented participants with a hypothetical negotiation situation and asked them several questions about how they would act *if they were in the role of one of the actors in the negotiation*. The scenario asked participants to assume the role of a manager for a company seeking to hire a systems programmer—hereafter referred to as *the candidate*. Within the scenario and as background information, they were given information about the job, what the hypothetical candidate knows about the position, and other pertinent information (e.g., organizational need to hire, authorized negotiable salary range, etc.). The

common instructions described a two-party negotiation in which the participant (manager) and the hypothetical candidate would be meeting to see if they could agree on a starting salary for the systems programmer position. If the candidate accepted the agreed upon salary, then a contract would be signed and the candidate would be hired for the position.

The managers were also told in the scenario that the job for which the candidate was to be hired would be *eliminated in six months* due to an organizational restructuring and that the incumbent would be moved to another job within the company. The manager was told that the candidate had no idea that this will occur. However, the manager also knew that this particular candidate strongly desired to remain in the same job for at least 2 years and had openly stated that s/he was likely to accept a lower salary in exchange for a *verbal guarantee of job stability* from the manager. The managers were told that their boss had instructed them to do whatever they think was necessary to hire the candidate at the lowest possible salary. After reading this information, participants were asked to imagine that they were the managers in the hypothetical situation and to report on how they were likely to respond if the job candidate directly asked them to give him a verbal guarantee that he will be able to remain in the same job for at least 2 years. The survey concluded with several opinion items and demographic questions.

### **Experimental Manipulations**

**Moral identity.** We manipulated the *salience* of moral identity using a self-generated priming task. This manipulation was introduced *prior* to the presentation of the negotiation situation. The fundamental premise of classic priming experiments (cf. Higgins, et. al, 1977) is that consciously deliberated attention to environmental stimuli (e.g., asking subjects to write down thoughts linked to self-assessment) is likely to “activate mental concepts relevant to them” (Todorov and Bargh, 2002: 55) with this activation continuing to persist later which then results

in its “use” in a subsequent situation or decision (Higgins, 1996). We used this approach for two reasons. First, researchers have noted that the concept of “priming” is often thought of as a proxy for natural influences of context in social situations (Todorov and Bargh, 2002). Second, the assumption of research on differentially salient identities is that people may perceive themselves in terms of various levels of abstractions (Tajfel and Turner 1979) linked to different working self conceptions (Markus and Kunda, 1986). Having participants cognitively reflect on the reasons why they are a moral person should therefore activate the store of self-knowledge that reflects their past experiences in terms of their moral identity. We manipulated the relative salience of moral identity by asking participants in the high (low) salience condition to write down 10 (2) reasons why they believed they are a moral person.

**Incentive.** This manipulation introduced an incentive to engage in ethically questionable behavior during the salary negotiation by linking negotiation performance to a personal reward. In the “Low Incentive” condition, the scenario description included the following statement about the consequences for negotiation performance:

You are authorized to offer the candidate a salary in the range of \$45,000-\$55,000, although your company obviously prefers that you negotiate the lowest salary the candidate will accept. Again, keep in mind that the candidate has expressed his willingness to accept a lower salary in exchange for a verbal guarantee of job stability.

In the “High Incentive” condition, the description was as follows:

You are authorized to offer the candidate a salary in the range of \$45,000-\$55,000, although your company obviously prefers that you negotiate the lowest salary the candidate will accept. As a further incentive, your boss has offered you a \$5,000 performance bonus and a 3-day all expenses paid vacation to a local resort if you can convince the candidate to accept the job at \$45,000. Again, keep in mind that the candidate has expressed his willingness to accept a lower salary in exchange for a verbal guarantee of job stability.

## Dependent Measures

**Lying.** We asked participants to indicate whether in response to the candidate's request for a verbal guarantee of jobs stability they would: (1) Tell the candidate that the job will be eliminated in 6 months (Truth), (2) Tell the candidate that there is a small chance that the job may be eliminated some time in the next 2 years, so the manager can't give him a guarantee (Ambiguous Deception) and (3) Give the candidate a verbal guarantee that he will be in the same job for two years (Lie). As mentioned earlier, we constructed these measures to reflect a continuum of truth-telling with the lie being arguably the least ethical response given that the manager knows it is untrue and that it is important for the candidate to have an assurance of job stability. By lying, the manager can induce the candidate to accept an offer the candidate would otherwise reject. Participants indicated the likelihood of making these three statements hereafter referred to as Truth, Deception, and Lie, respectively, on a 5 point likert scale (1 = Not at all likely, 5 = Very likely).

**Control Variables.** We controlled for two variables that were not of direct interest, but that may affect responses on the dependent measures. We controlled for *social desirability* response tendency since the study involved admitting the willingness to use unethical behavior. We measured this construct using 18 items from Paulhus' (1989) impression management measure ( $\alpha = .72$ ). We also controlled for *negotiating experience* because experienced respondents might be more aware of the potential costs of telling outright lies, and hence may be less likely to report their intention to do so. We assessed this variable by asking respondents to indicate how often they negotiate as part of their job on a 5 point Likert scale (1=Never, 5=All the time).



## RESULTS

### Manipulation Check

We assessed the effectiveness of our incentive manipulation by asking respondents whether their boss offered “strong incentives” for them to persuade the candidate to accept a salary of \$45,000. This item was measured on a 5 point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree). As expected, respondents in the High Incentive conditions reported that they perceived their boss to have offered a stronger incentive as compared to respondents in the Low Incentive condition ( $M_{low} = 1.96$   $M_{high} = 3.13$ ,  $p < .05$ ).

### Hypothesis Tests

We tested our hypotheses by conducting a MANOVA that included the two control variables, the moral identity and incentive manipulations, and their interaction as predictors of the three self-reported negotiation behaviors. We used MANOVA because the behavioral intentions (Truth, Deception, and Lie) were repeated measures. We found no significant main effect of the salience of moral identity manipulation on any of the dependent measures, including lying, thus failing to support Hypothesis 1. However, within subjects effects analysis revealed that the moral identity x incentives interaction interacted with the three repeated measures of negotiation behavior ( $F(2,106)=3.02$ ,  $p = .05$ ). Table 1 shows the means and standard deviations across different conditions for all three dependent variables.

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Insert Table 1 here

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We conducted planned contrasts to probe the nature of the interaction. These contrasts revealed that the moral identity x incentive interaction pattern for Deception was significantly different from the patterns for the Truth ( $F(1,53)=4.06, p < .05$ ) and Lie responses ( $F(1,53)=3.72, p = .05$ ). The interactions for these latter two responses were not significantly different from each other ( $F < 1$ ). We also performed univariate tests for each of the dependent variables and found no significant main or interaction effects of the independent variables on the Truth and Lie response ( $F$ 's  $< 1$ ). However, consistent with the earlier planned contrast for Deception (i.e., telling the candidate that there is a small chance that the job may be eliminated some time in the next 2 years, so the manager can't give him a guarantee), we found a significant moral identity x incentive 2-way interaction ( $F(1,58) = 5.58, p < .05$ ) on this response. The means for Deception are presented graphically in Figure 1.

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 Insert Figure 1 here  
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The figure shows that people in the high moral identity salience condition (i.e., those who generated 10 reasons why they were a moral person) reported that they would be less likely to make an ambiguously deceptive statement in response to the candidate's question about job stability compared to those in the low moral salience condition when there were few incentives to perform well in the negotiation. However, when there was a strong incentive to persuade the candidate to accept a lower salary, participants did not differ in their self-reported intention to deceive as a function of the moral identity manipulation. This pattern is consistent with the prediction of Hypothesis 2, although it was found for a less serious form of unethical behavior than outright lying.

## DISCUSSION

Study 1 provides preliminary support for our hypothesized interaction between moral identity and incentives on intention to engage in questionable ethical behavior during negotiation. However, this effect was found for only one of the dependent variables. Since we did not find an effect of moral identity on what was arguably the least ethical response, we treat the findings of Study 1 as promising but inconclusive. We also note several methodological and conceptual limitations of the study. Methodologically, one may argue that the effect we found is the result of demand artifacts given that moral identity was manipulated by a survey. This explanation seems unlikely, however, since the hypothesized interaction emerged only on the middle option in the set of dependent variables. Second, the manipulation itself can be criticized for inherent interpretational ambiguity. For example, more so than generating two reasons, one may argue that generating ten reasons for why one is a moral person may be particularly difficult to do. From a self-persuasion point of view, this might actually undermine one's belief that one is indeed a moral individual (cf. Schwarz and Bohner 2000). Finally, while data regarding behavioral intentions of actual managers provides a reasonable first attempt to test our hypotheses, a more stringent test would be to measure actual behavior under more rigorous experimental control. The goal of Study 2 was to address all of these limitations.

### STUDY 2: THE SELF-IMPORTANCE OF MORAL IDENTITY

Study 2 examined Hypotheses 1 and 2 using an alternative method of operationalizing moral identity that captured its chronic self-importance. Recall that in Study 1 we directly manipulated moral identity *salience* using a priming task. Although priming the salience of moral identity may have some conceptual similarities to measuring its self-importance, these approaches are not identical. The salience of moral identity may merely represent its momentary

activation. In contrast, using an established measure of the self-importance of moral identity may capture a relatively enduring association between an individual's sense of self and his or her moral self-conception. Another methodological improvement we made in Study 2 was to separate the measure of moral identity in time from our measure of lying to protect against demand artifacts. More importantly, Study 2 used a *behavioral* measure of lying rather than self-reported intentions. In a theoretical extension of Study 1, Study 2 further explored how incentives could influence the effects of moral identity by testing whether moral identity might be sensitive to the *magnitude* of an incentive and not just its presence. Specifically, we expected the combination of rewarding for performance and offering a larger rather than smaller incentive for performing well to produce the strongest motivation to lie. We expected the combination of these conditions to greatly weaken the effect of moral identity on lying. Based on these arguments, we explored the following three-way interaction involving moral identity, incentive, and incentive size in Study 2, in addition to the two hypotheses tested in Study 1:

**Hypothesis 3:** The moderating effect of incentives on the relationship between the salience of moral identity and unethical behavior becomes stronger as the size of the reward for performing well in the negotiation increases.

If we find support for Hypotheses 1 and 2 using a different method for assessing moral identity, this would provide further evidence for the internal validity of our self-regulatory model.

## METHOD

**Design.** The study was a 2 X 2 X 2 (Moral Identity X Incentive X Reward Size) factorial design in which participants were randomly assigned to play one of two roles in a simulated hiring situation. Moral identity was included as a measured covariate in this study.

**Task.** Participants assumed the role of either a systems programmer who wanted to leave his/her current job, or a manager within a large firm that was currently seeking to hire a programmer. The manager and programmer, hereafter referred to as the "*candidate*", were said to be in the final stages of trying to negotiate an agreement to bring the candidate into the employment of the manager's company. The only issue remaining to be negotiated was the candidate's starting salary. Since subjects negotiated over a single issue where one party's gain was the other's loss, the task was purely distributive.

**Participants.** Participants were 95 male and 129 female undergraduate students enrolled in introductory organizational behavior classes. The students participated in the negotiation to fulfill a course requirement. The average age of participants was 20.3 years ( $SD=1.2$ ). Their average number of years of work experience was 4.6 ( $SD=2.0$ ). Thirty eight percent of the participants were working either full or part-time while pursuing their bachelor's degrees.

**Procedures.** The study was conducted in the behavioral laboratory of a Mid-Atlantic university. Data were collected in two parts. In the first part, participants completed a personal opinion questionnaire that contained the measure of moral identity, demographic characteristics, and other measures unrelated to the present study. The questionnaire was completed anywhere from two weeks to two days prior to the negotiation, at participants' convenience. After completing part one, participants signed up for the second part of the study where they would take part in the simulation exercise. Participants arrived at the lab and were randomly assigned to roles, placed in separate rooms, and given common background information as well as confidential instructions unique to each role. The common instructions described a two-party negotiation in which the manager and candidate were meeting to see if they could agree on a

starting salary for the systems programmer position. If the candidate accepted the agreed upon salary, then they would sign a contract and the candidate would be hired for the position.

It was important to create a situation in which managers had the opportunity to lie, but for ethical reasons we did not want to explicitly tell them to do so. The managers' confidential instructions therefore provided managers with several pieces of information that would presumably enhance the competitiveness of the exercise and evoke contemplation about lying. First, the instructions informed them that the job the candidate was applying for would be eliminated in six months due to an organizational restructuring and that the candidate *did not have this information*. Second, managers were told that the candidate strongly desires to remain in the *same job* for at least two years and will accept a lower starting salary in return for a verbal commitment of job stability. This preference was also in the candidate's confidential information. Third, managers were told that there were no other qualified candidates being considered at the present time. Finally, managers were informed that a failure to quickly fill the position with a qualified applicant would negatively impact their own yearly performance review, and that the candidate was unaware of the lack of other qualified candidates. It can be seen that the information available to the manager and not the candidate allowed the former to strategically present false or misleading information about job stability to elicit concessions.

The candidates' confidential role instructions also made it clear that job stability was an important issue for them and that they would not accept any offer unless they could receive a verbal guarantee from the manager that they would remain at the same job for at least two years. In addition, candidates were told that they currently had an offer from another company that had already given such a guarantee. Since job stability was extremely important to candidates, they were instructed to explicitly ask the manager whether they could give them *a verbal guarantee*

of two-year job stability and that the candidate should not accept any salary (even a very high one) without receiving this guarantee. The candidates were instructed to ask managers the question regarding job stability at the beginning of the negotiation prior to discussing starting salary. This feature of the simulation forced the manager to decide whether to lie about a fact that he or she knew to be false, since they knew that the job the candidate was applying for would definitely be eliminated in six months.

After the participants read the common and confidential instructions, they were given a pre-bargaining questionnaire to assess their understanding of the task. When participants completed the questionnaire, the experimenter provided them with typewritten answers for the task-related questions on the pre-bargaining questionnaire. Participants were told to read the handout carefully and self-correct their answers to further assure that they correctly understood their confidential instructions. The experimenter then asked participants if they had any final clarification questions and answered only if the questions did not relate to strategy or how to properly address the issue of job stability. When all questions were answered, subjects were brought together in another room and given 15 minutes to negotiate. They were told to reach agreement only on the starting salary of the candidate and to write the agreement on a contract form. If they failed to agree in 15 minutes, they were told that the negotiation reached an impasse and that no future negotiations would take place. In either case, when subjects finished the negotiating session, they completed a post- experimental questionnaire. Upon turning in the completed post-questionnaire, participants were debriefed on the purpose of the experiment.

Participants were offered cash prizes as rewards to motivate involvement in the exercise. The conditions for receiving the rewards and the size of the rewards were varied for participants in the manager's role as part of the experimental manipulations. This information only appeared

in the manager's confidential role instructions. The assignment of participants to the experimental conditions was randomly determined.

### **Experimental Manipulations**

**Incentive.** This manipulation made the reward either dependent on the manager's performance or completely independent of performance. Presumably, the incentive to perform well would be much stronger in the former than the latter condition. In the "Random" condition, managers were told:

For participating in today's experiment, you may win a (\$150/\$50) cash prize. The winner of the prize will be *randomly* selected from among all of the persons who played the role of manager during the experiment.

Managers in the "Performance" condition were told:

Negotiating a low salary can also benefit you personally in this experiment because the person in the manager's role who negotiates the *lowest* salary at the end of this study will earn a (\$150/\$50) cash prize. In the event of a tie, the winner of the prize will be randomly selected.

Across all conditions, managers were informed that by doing better for themselves they would decrease their negotiating partner's chances of earning \$50 because the candidate's prize was dependent on their starting salary. The following information was presented to all managers role to make them aware that agreeing on a low salary could harm the other party:

You should also know that the person playing the candidate's role today has been told that s/he can earn a \$50 cash prize that s/he can keep if s/he negotiates the *highest* salary among all the participants who play the same role as him/her during this experiment. So although you and your partner are not directly competing for the same prizes, the procedure used to determine the prize means that negotiating a low salary *decreases* your partner's chances of earning \$50.

The candidate received the following confidential information, which was consistent with the information given to managers:



Negotiating the highest possible salary can benefit you personally in this experiment because the participant in the candidate's role who negotiates the *highest* salary at the end of this study will earn a \$50 cash prize. In the event of a tie, the winner of the prize will be randomly selected.

Like managers, candidates were told that the other party could receive a cash prize.

However, unlike the information presented to managers, candidates did not know the size of this prize or how it would be determined. This information was presented to all candidates in the following way:

You should know that the person playing the manager's role today has been told that he or she can also receive a cash prize. So although you and your partner are not directly competing for the same prize, the procedure used to determine the prize means that while negotiating a high salary *increases* your chances of earning \$50, it may *decrease* your partner's chances of earning his or her prize.

**Reward size.** This manipulation varied the size of the cash reward for people in the manager's role. The prize in the "High Reward" condition was \$150 and in the "Low Reward" condition it was \$50.

## Measures

**Lying.** Lying was assessed objectively by videotaping the negotiations and having two MBA research assistants independently code how managers responded to the candidate's question regarding guaranteed job stability. We used a strict standard to code lying in this study based on our earlier definition of lying as deliberately stating something that one knows to be false. This standard is consistent with Bok's (1978: 13) definition of lying as "any intentionally deceptive message which is stated". In the context of our study, a statement by the manager providing a verbal guarantee that the candidate would be able to remain on the same job for more than six months was coded as a lie. The coders were trained by the first author to distinguish four possible responses to this question: (1) telling the truth (e.g., "The job will be restructured after

six months”), (2) concealing (e.g., “It’s possible you may be on the job for at least two years”), (3) lying (e.g., “I can guarantee you that you will be at the same job for at least two years”), and (4) refusing to answer the question. As part of the training, the assistants watched three videotapes from the study, independently coded them, and then discussed their ratings with the first author. The focus of the training was to make sure that both assistants applied the same standards in evaluating managers’ responses.

After training, the assistants coded the remaining videotapes. The proportional agreement between coders was .89, indicating substantial convergence in their ratings. Disagreements were discussed by the coders and resolved such that both parties agreed on how the manager’s response should be classified. We were interested in predicting lying as opposed to other forms of deception, so we combined all responses that were coded as something other than lying (i.e., concealing, refusing to answer, and telling the truth). The dependent variable was therefore dichotomous (1=Lie, 0=No lie).

We also attempted to triangulate on the construct of unethical behavior by asking participants in the *candidate role* to report on the perceived ethicality of their partner’s behavior. In a post-questionnaire completed by candidates, we provided them with the verbatim information that was given to managers about the job being eliminated in six months. This revealed to candidates the information that was not available to them and that the manager could have revealed, lied about, distorted, or simply refused to discuss during the negotiation. After they had read this information, we then asked candidates to indicate how ethically they thought their partner behaved during the negotiation using a 5 point (1=Very unethical, 5=Very ethical) Likert scale. By asking candidates to report on their perceptions of their partner’s ethical

behavior, this measure provided an alternative, external source for validating the results of our objective measure of lying.

**Moral identity.** We used five items from Aquino and Reed's (2002) moral identity instrument to measure self-importance of moral identity. These items captured what Aquino and Reed (2002) referred to as "Internalization", or the degree to which moral trait associations are deeply embedded in the person's sense of self. Aquino and Reed (2002) provide considerable evidence supporting the construct validity of their approach to tapping the self-importance of moral identity. They also showed that the items measuring Internalization were internally consistent, showed significant test-retest reliability, had a stable factor structure, and predicted a variety of morally relevant cognitions and behaviors (Aquino and Reed, 2002; Reed and Aquino, 2003). Sample items are "It would make me feel good to be a person who has these characteristics," "Being someone who has these characteristics is an important part of who I am." Respondents answered the five items on 5-point (1=Strongly Disagree 5=Strongly Agree) Likert scale. Items were averaged to form a scale ( $\alpha=.82$ ).

**Control variables.** We controlled for *social desirability* response tendency since it is possible that people who want to present themselves in a socially desirable way may be less likely to lie. We measured this construct using 18 items from Paulhus' (1989) impression management measure ( $\alpha= .71$ ). These items were embedded within the initial questionnaire collected prior to the actual negotiation session.

## RESULTS

### Manipulation Checks

It was important to determine that participants in the manager role understood the context described in their instructions. Consequently, we assessed managers' understanding of their

confidential information by asking them to answer “True” or “False” to (1) whether the job candidate would be willing to accept a lower salary in exchange for job stability and (2) whether the candidate *did not* have any knowledge that the job for which they were being hired for would be eliminated in six months. All managers answered these questions correctly. Next, we asked the managers the following open-ended question to assess their understanding of the reward contingencies and the size of the reward: “What will you receive if you negotiate the *lowest* salary among all the persons who are assigned to the manager role in this study?” An MBA research assistant who was not involved in coding the videotapes coded the open-ended responses based on whether the participant correctly stated the amount of money they would receive (\$50 vs. \$150) and whether their answer indicated that they either did or did not perceive a relationship between their performance and reward and what the magnitude of that reward would be (e.g., “I will get \$150/\$50”). All managers in the Performance condition correctly stated that they would receive either \$150 or \$50 for negotiating the lowest salary, indicating that they understood the manipulation. Recall that prior to the actual negotiation, all participants were given an answer sheet and instructed to *self-correct* all the task-relevant questions on their pre-questionnaire. Presumably, the self-correction procedure should have made the rewards and the reward contingencies highly evident to any participants who may have failed to accurately perceive them initially.

### **Hypothesis Tests**

One hundred dyads reached agreement and twelve impasssed. We analyzed all of the dyads since for the purposes testing our hypotheses it was not important whether they reached agreement. Twenty-two percent of the participants in the manager role were coded as having

lied. The descriptive statistics and correlations among the independent and dependent variables are shown in Table 2.

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 Insert Table 2 here  
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Lying was dichotomous, so we used a binary logistic regression to test Hypotheses 1-3. The model included the control variable, main effects, all possible 2-way interactions involving moral identity and the reward variables, and the 3-way interaction predicted in Hypothesis 3. All variables were centered to reduce multicollinearity between the interaction terms and their components (Aiken and West, 1991). The results of logistic regression are shown in Table 3.

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Hypothesis 1 predicts that moral identity is negatively related to unethical behavior. This relationship was supported as indicated by the significant negative relationship between moral identity and lying ( $B = -1.33$ ,  $p < .05$ ). Hypothesis 2 predicts that the effect of moral identity on lying is moderated by incentives such that it will be weaker when rewards are rather than are not contingent upon performance. The significant moral identity x incentive interaction ( $B = 2.59$ ,  $p < .05$ ) provided preliminary support for this prediction. We found no significant three-way interaction involving incentive, reward size, and moral identity; hence, Hypothesis 3 was not supported. We probed the pattern of the significant two way interaction to see if it conformed to Hypothesis 2. The pattern is illustrated in Figure 2.

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Insert Figure 2 here  
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Figure 2 shows the percentage of managers scoring either high or low on the moral identity measure who lied in each of the two incentive conditions. Managers were assigned to high or low moral identity groups based on a median split of their scores on the moral identity measure. Figure 2 shows that managers who scored high in the self-importance of moral identity were less likely to lie than those who scored low when rewards were allocated randomly. However, this difference disappeared when rewards were allocated based on performance in the negotiation. This pattern supported Hypothesis 2 and is consistent with the pattern found in Study 1 for the behavioral intention to ambiguously deceive (See Figure 1).

We also tested our hypotheses using the candidates' perceptions of their partner's ethical behavior as the dependent variable. We added the *final negotiated agreement* as an additional control in the analysis since candidates who received favorable agreements might be inclined to evaluate their opponent more positively. We performed a hierarchical regression on this variable entering the control and main effects in the first step, the two-way interactions in the second step, and the three-way interaction in the final step. The results are presented in Table 4. Again, all variables were centered to reduce multicollinearity.

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Insert Table 4 here  
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The results partially replicated those of the logistic regression on lying. Although we found no significant main effect of moral identity on perceived ethicality, the two-way

interactions as a set explained significant additional variance in the dependent variable ( $\Delta R^2 = .11, p < .05$ ). Inspection of the individual regression weights showed that moral identity x incentive interaction term was significant ( $B = -1.33, p < .05$ ) as was the incentive x reward size interaction term ( $B = 1.38, p < .05$ ). We analyzed the form of the moral identity x incentive interaction to test Hypothesis 2. In these analyses, group assignment for moral identity was determined by a median split. The results showed that when rewards were allocated randomly, managers whose moral identity had high self-importance ( $M = 3.5, SD = 1.5$ ) were perceived as more ethical by *their partners* than managers whose moral identity had low self-importance ( $(M = 2.6, SD = 1.3), t(53) = 2.12, p < .05$ ). However, when rewards were based on negotiation performance, there was no difference in the perceived ethicality of managers who scored high ( $M = 3.0, SD = 1.6$ ) rather than low ( $M = 2.6, SD = 1.2$ ) on the self-importance of moral identity,  $t(53) = .98, n.s.$  These results, shown graphically in Figure 3, supported Hypothesis 2 and replicated the interaction effect on lying shown in Figure 2.

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 Insert Figure 3 here  
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## DISCUSSION

Study 2 replicated the findings of Study 1 with regard to the moderating effects of incentives (Hypothesis 2) while providing stronger support for the hypothesized direct relationship between moral identity and lying (Hypothesis 1). Five features of Study 2 strengthen our confidence in these results and the theoretical arguments we have proposed. First, we predicted an actual *behavior* rather than just behavioral intentions and we asked participants to negotiate rather than imagining that they did so. Second, the criterion variable was measured by

having independent raters code video taped interactions, which provides a fairly objective measure of lying. Third, we triangulated on the construct of unethical behavior by having participants in the *candidate role* rate the ethical behavior of their partners. Fourth, the measure of moral identity and the criterion variables were collected at different points in time, reducing the likelihood that priming effects can explain the findings. Finally, we controlled for possible self-presentational effects by including a measure of social desirability response tendencies in our model test.

The direct effect of moral identity on lying extended previous research (e.g., Aquino and Reed, 2002; Reed and Aquino, 2003) showing relationships between this construct and behaviors that affect the welfare of others. The difference is that in study 2, the behavioral outcome examined was negative. Study 2, therefore, provided further support for Aquino and Reed's (2002) conceptualization of moral identity as a self-regulatory mechanism that guides moral conduct. On the other hand, both Studies 1 and 2 indicated that the effect of moral identity on behavior is situation-dependent. The two-way interaction between moral identity and incentive is consistent with interactionist models of ethical behavior in organizations (e.g., Jones, 1991; Street et al., 2001; Treviño, 1986). Aquino and Reed (2002) argue that if moral identity occupies high importance within a person's overall self-conception it will tend to be *relatively* stable over time. However, this does not mean that it is a personality characteristic. Like other social identities that make up a person's social self-schema, it can be momentarily activated (as in Study 1) or suppressed by contextual, situational, or perhaps even dispositional factors (Forehand, Deshpandé, and Reed II, 2002). The two-way interaction between moral identity and reward contingency supports this view.



We found no support for the hypothesized three-way interaction involving moral identity, incentives, and reward size. The most likely explanation for this is that the difference between a \$50 and \$150 payoff had little impact on the behavior of the student participants in our sample. The null result is likely a calibration issue and it may be that if the difference in reward sizes were made more extreme --\$5 vs. \$150 --we may have found support for the predicted effect. Alternatively, it may be that respondents would have been more influenced by *comparative* rather than *absolute* information about reward size. For example, participants may have acted differently if they negotiated in one situation where the possible reward was \$5 and then negotiated in another where the reward was \$150. It may also be that the failure to support the three-way interaction may be due to an insufficiently large sample size, but this is difficult to determine conclusively without collecting more data. In any case, the failure to support the finding for reward size does not, in our view, undermine the theoretical and empirical contributions of Study 2 given the support we found for our other hypotheses.

Study 2 overcame many of the methodological weaknesses of study1, but it too has limitations. One is the use of undergraduate participants and a simulated negotiation. The student sample and an artificial negotiation situation raise concerns about the generalizability of our findings to real negotiators. Admittedly, participants' cognitive and emotional experiences during a simulation exercise may not be identical to what might have been produced in a real-life scenario, but in our defense a review of studies directly comparing the behavior of students and professional negotiators found that there were no major differences in their pattern of responses, other than that professionals were more likely to employ integrative strategies than students, an option that was not available in the present study (Neale and Northcraft, 1990).

A second limitation is that the processes that directly link moral identity activation to psychological and cognitive functioning were not measured directly but rather were inferred based from the pattern of the data. Yet it should be noted that the primary goal of this particular paper was to establish the validity of moral identity as a predictor of lying. Once that relationship has been established, future research should be undertaken to examine the psychological mechanisms that explain it. Given that *no* previous studies in the organizational behavior literature have explicitly examined the effect of moral identity on workplace behavior, we view our research as a crucial first step in exploring its role in guiding employee behavior.

A third limitation is that we examined only one type of unethical behavior, which raises questions about whether the effects we found would generalize to other kinds of behaviors. We conducted Study 3 to address this limitation and provide a third test of the hypothesized relationship between the moral identity and unethical behavior as well as the possible moderating effect of situational factors. The nature of the unethical behavior and the proposed situational moderator in our third study differed from the first two studies. The situational moderator in Study 3 is perceived organizational injustice; the unethical behaviors involved a variety of acts directed against the organization rather than another person. Below, we present the theoretical rationale for our predictions.

### **STUDY 3: PERCEIVED INJUSTICE AS MODERATORS OF THE EFFECT OF MORAL IDENTITY ON UNETHICAL BEHAVIOR**

Study 3 focused on acts that can directly or indirectly benefit those who exhibit them while causing economic harm to the organization. These behaviors include discussing company information with an unauthorized person, taking property from work without permission, and falsifying business expenses. Although scholars (e.g., Bennett and Robinson, 2000) have referred

to these behaviors as *organizational deviance*, they are also likely to be viewed by many employees and the general public as unethical because they fall outside the normatively prescribed behaviors in the organization as well as societal and community standards of what would constitute acceptable business conduct. Extending the theoretical rationale from studies 1 and 2 for the direct effect of moral identity, we hypothesized the following:

**Hypothesis 4:** Moral identity is negatively related to unethical behavior directed against the organization.

### **The Moderating Effect of Perceived Injustice**

The rationale for our predictions regarding the moderating effect of perceived injustice is based on a well-established body of evidence from organizational justice research. Numerous studies have shown that perceptions of unfairness can trigger various forms of unethical behavior at work (e.g., Aquino, Lewis, and Bradfield, 1999; Greenberg, 1990). Researchers have typically examined three different forms of organizational justice: (a) distributive justice, which refers to the fairness of outcomes; (b) procedural justice, which refers to the perceived fairness of the processes used to determine outcome allocation; and (c) interactional justice, which refers to the quality of interpersonal treatment (i.e., interpersonal sensitivity and explanations/social accounts) employees receive from their supervisors (e.g., Brockner et al., 2000; Farh, Earley, and Lin, 1997)

The directional effects of the three forms of perceived injustice on unethical behaviour tend to be identical. For instance, Greenberg (1990) found that employees reacted to pay cuts which they perceived to be unfair by engaging in theft, Aquino and his colleagues (Aquino, et al., 1999) showed that perceived injustice at the workplace was positively associated with interpersonal and organizational deviance, and Lim (2002) found that employees who perceived

injustice were more likely to use the company's internet access, during company time, for non-work purposes. These studies show that perceptions of injustice motivate employees to engage in various forms of ethical misconduct.

The theoretical explanations for these findings are premised upon the assumptions that workplace injustices are experienced as aversive, arousing frustration, psychological distress, and, in some circumstances, moral outrage in individuals (Greenberg and Cropanzano, 2001). Employees who experience injustices are likely to feel that their employing organizations do not value their contributions or care about their circumstances (Konovsky and Cropanzano, 1991). It is not surprising therefore that perceptions of justice violations often translate into dislike for the job and/ the organization, trigger a desire for restitution, and prompt people to take actions to remedy the situation. Often, these actions yield harmful effects, directly or indirectly upon the organizations, as evidenced by empirical research to date.

The main effects of organizational justice on unethical behavior have been frequently examined and consistently demonstrated so we do not make any formal hypotheses along this line. Rather, in keeping with our theoretical focus, we are more interested in examining if perceptions of organizational injustice can neutralize the effects of a self-important moral identity on unethical behavior directed against the organization. As argued previously, one reason this might occur is that the perception of organizational injustice presents a powerful situational motivator for engaging in unethical behavior. Based on these arguments, the following hypothesis is tested in Study 3:

**Hypothesis 5:** Moral identity is negatively related to unethical behaviour directed against the organization, but this relationship is weaker when employees perceive low as compared to high levels of distributive, procedural, and interactional justice.

## METHOD

### Sample and Procedures

Respondents were employees from three organizations in the logistics industry in Singapore. Prior to administration of the main survey, a pre-test was conducted with 30 managers who attended logistics management classes at a large state university in Singapore. This pre-test was aimed at eliciting feedback regarding the clarity of the instructions and items in the survey instruments, as well as the overall presentation of the questionnaire. With the assistance of the contact person (logistics manager) in each company, the final questionnaire package containing the cover letter and survey instrument was distributed to employees in the organizations. Respondents were told to place the completed surveys in a sealed envelope and return them in collection boxes placed at different parts of the organizations.

Data were collected at two points in time, time 1 survey contained measures for work attitudes, organizational justice, the self-importance of moral identity and other variables unrelated to this study. The time 2 survey was administered *4 months later* and contained respondents' self-reports of unethical workplace behavior. The surveys were coded such that Time 1 surveys could be matched with Time 2 surveys. A total of 280 useable completed responses (response rate of 62%) were used in the final analyses. This response rate is comparable with those of studies that have examined antisocial behavior at the workplace (e.g., Barling, Rogers, and Kelloway, 2001). Men comprised forty-eight percent of respondents and the average age was 35 years (s.d.=8)

### Measures

**Organizational justice.** The three justice variables were measured using scales developed by Moorman (1991). *Distributive justice* was measured with five items ( $\alpha = .87$ ) pertaining to individuals' perceptions of the extent to which they had been fairly rewarded by their organizations based on items such as: "The responsibilities you have"; "The stresses and strains of your job"; and "The work that you have done well". *Procedural justice* was assessed with seven items ( $\alpha = .90$ ) which pertained to respondents' perceptions regarding the fairness of organizational procedures. Examples of items include: "How fairly are the organizational procedures designed to (a) Provide opportunities to appeal against or challenge a company's decision; (b) Hear the concerns of everyone affected by a company's decision; and (c) Generate standards so that decisions can be made with consistency". Items for both distributive and procedural justice were scored on a five-point scale ranging from (1) Very Unfair to (5) Very Fair. The scale for *interactional justice* included six items pertaining to whether organizational procedures were enacted properly and fairly by supervisors ( $\alpha = 0.91$ ). Items, which were scored on a five-point scale ranging from (1) Strongly Disagree to (5) Strongly Agree, included: "My supervisor (a) Provides me with timely feedback about decisions and their implications; (b) Is able to suppress personal bias; and (c) Treats me with kindness and consideration".

We performed confirmatory factor analyses for the justice variables to ensure that they were three separate constructs. Overall fit of the justice variables was assessed using multiple fit indices, namely: (1) goodness of fit (GFI)—.90, (2) normed fit index (NFI)—.91; and (3) comparative fit (CFI)—.95 indices and root mean square residual (RMR)—.04. Values of greater than or equal to .90 for the first three fit indices, and .05 and below for RMR suggest acceptable fit. Results of CFA, suggested that the three justice variables were indeed separate

constructs, as predicted by previous research on organizational justice (e.g., Moorman, 1991; Niehoff and Moorman, 1993).

**Unethical behavior.** We measured this construct with seven items taken from the literature on unethical behavior (Al-Kazemi and Zajac, 1999; Tang and Chiu, 2003). Items in our study pertained to a range of behaviors that violate significant organizational norms, are detrimental to the well-being of the organization and fall outside the domain of the normatively prescribed behaviors within the organization we examined. Insofar as these behaviors benefit the individuals directly or otherwise bring harm to the organization; from a societal standpoint, they could be conceived as unethical. Items were scored on a scale of (1) Never to (7) Daily. Sample items include “taken property from work without permission” and “falsified receipts/time sheets to get more money for business expenses/overtime”. Items were combined to form a scale ( $\alpha=.79$ ).

**Moral identity.** As in Study 2, we used five items from Aquino and Reed (2002) to measure the self-importance of moral identity. Respondents answered on a five-point (1=Strongly Disagree 5=Strongly Agree) Likert scale. Items were averaged to form a scale ( $\alpha=.78$ ).

**Control variables.** We controlled for respondents’ *age* and *sex* because previous studies suggested that these demographic characteristics are related to unethical behavior (Serwinek, 1992; Ruegger and King, 1992; Weeds et al., 1999). Since we used self-reports of unethical behavior, we also assessed *social desirability* response bias (SDR) using a ten-item shortened version of the Marlowe-Crowne Socially Desirable Response Scale (Strahan and Gerbasi, 1972). Items were averaged to form a scale ( $\alpha =.70$ ).

## RESULTS

Descriptive statistics, reliabilities, and correlations among the study variables are shown in Table 5. The intercorrelations among key variables are in the expected directions.

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Hierarchical regression analyses were used to test our hypotheses. We centered all variables to minimize multicollinearity between the interaction terms and their components (Aiken and West, 1991). The results are presented in Table 6.

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Replicating a finding from Study 2 and supporting Hypothesis 4, moral identity was negatively related to unethical behavior ( $\underline{B} = -.09, p < .05$ ). Importantly, we also found support for the hypothesized interaction (Hypothesis 5) between perceived injustice and moral identity. The interactions as a set explained significant incremental variance in unethical behavior ( $\Delta R^2 = .06, p < .05$ ). Inspection of the individual regression weights shows that the moral identity X procedural justice ( $\underline{B} = -.06, p < .05$ ) and the moral identity X interactional justice terms were significant ( $\underline{B} = -.12, p < .05$ ), but not the moral identity X distributive justice term. We graphed the patterns for significant interactions following procedures recommended by Aiken and West (1991). The plots are shown in Figures 4 and 5.



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Insert Figures 4 and 5 here  
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The figures supported Hypothesis 5 because they showed that employees whose self-importance of moral identity is high engage in less unethical behavior when they perceive high levels of procedural and interactional justice; however, this difference decreased when they perceive low levels of these forms of justice. This pattern suggested that a situational cue --- low procedural or interactional justice --- neutralized the influence of moral identity on unethical workplace behavior, a finding that replicated patterns found in studies 1 and 2.

## DISCUSSION

Study 3 extended the first two studies reported in this paper by examining a range of unethical behaviors that harm the organization rather than another person. Results of Study 3 provide evidence supporting our theoretical prediction that perceptions of workplace justice violations negate the effect of moral identity, as indicated by its self-importance, on unethical behavior. That the basic pattern of results from Studies 1 and 2 were replicated in Study 3, which examined multiple forms of unethical behavior using *a non-US sample*. These findings provide rather compelling evidence of the applicability and robustness of our theoretical arguments.

Previous research suggests that organizational injustice presents strong situational cues that motivate people to engage in unethical workplace behavior. For this reason, we expected that in the presence of procedural and interactional injustice there would be little difference in the level of unethical behavior between employees as a function of the self-importance of moral identity. Taken together, results of Study 3 support prior theoretical arguments from the justice literature suggesting that perceived injustice may motivate individuals to advance their self-

interest at the expense of their organizations. What we have shown is that this can occur even if such behavior may conflict with their moral self-conceptions. Interestingly, the interaction between moral identity and distributive justice did not significantly predict unethical behavior. A plausible explanation for our results is that employees whose moral identity has high self-importance may be more sensitive to violations of procedural standards (procedural injustice) and interpersonal treatment (interactional injustice) than by discrepancies in the allocation of outcomes (distributive injustice). At this stage of theoretical development, it is not clear exactly why this might be, but answering this question would seem to be a fruitful area for future research.

Study 3 overcomes several limitations of Study 2 because our data were gathered from working adults in an organizational setting and more than one type of unethical behavior was measured. The naturalistic setting gives us more reason to believe that our results would generalize to real-world organizations. Unlike Study 1, the data from Study 3 were collected at two points in time, thus minimizing concerns about common method bias and demand artifacts. Although the measure of unethical behavior was self-report, we controlled for social desirability response bias when testing our hypotheses. Moreover, there is evidence that many people are willing to report engaging in unethical behavior (Bennett and Robinson, 2000). Finally, the sample for Study 3 came from a different culture than that of Studies 1 and 2. Despite this difference, we found a convergence of results across Studies 2 and 3 regarding the direct relationship between moral identity and unethical behavior, and the interaction between moral identity and the situational moderators.

## GENERAL DISCUSSION

The studies reported in this paper provide a strong methodological test of our theoretical predictions. First, they use different designs that included a projective scenario, a negotiation experiment, and a self-administered organizational survey. Second, the samples were diverse and cross-cultural, consisting of working adults from various organizations (Study 1), business undergraduates (Study 2), and working adults for an organization in Singapore (Study 3). Taking into consideration some scholars' (e.g., Buss, 1989) concern that students samples and experimental strategies generally favor situational effects, our use of various research designs, coupled with the varied nature of the samples in the three studies help to overcome this concern and lend confidence to our results. Third, we used multiple operationalizations of moral identity, unethical behavior, and the moderating factors. Specifically, we examined unethical behavior directed against another person (lying) and directed against the organization (unethical workplace behavior). That the pattern of findings was consistent across the broad range of outcome variables lends confidence to our argument in the presence of strong situations (organizational rewards and justice violations), the executive function of moral identity in regulating unethical behavior is disrupted. Fourth, we measured unethical behavior (Study 2) objectively using two external sources -- coders and negotiating partners. Fifth, we separated measures of independent variables over time (Studies 2 and 3) to minimize common method bias and demand artifacts. Lastly, we controlled for self-presentational concerns in all three studies by measuring impression management tendencies.

We found support for the hypothesized direct relationship between moral identity and unethical behavior in two of our studies, but in all three studies we showed that its effect is bounded and contingent. Given what we know about the limits of individual difference

explanations for behavior, it is not surprising that certain situational factors neutralized the influence of moral identity on the unethical behaviors we measured. However, what is clear from the patterns found across all our studies is that low moral identifiers were less sensitive to changes in situational factors than high moral identifiers; that is, they exhibited about the same levels of unethical behavior across situations. A question that remains unanswered by our data is *why* people whose moral identities were activated behaved differently under certain conditions. For the purpose of motivating future research, we would like to offer some theoretical speculations.

Recall our earlier observation that the self is comprised of multiple identities. It is reasonable to assume that sometimes these different identities have conflicting behavioral prescriptions. For example, during war, a soldier's "warrior identity" is likely to dominate his/her working self-concept which allows him or her to morally justify killing another person. However, when the same soldier attends a religious service at home, his/her "religious identity" may dominate the working self-concept making them, at least momentarily, recoil against the thought of causing harm to others. This example highlights the shifting and dynamic nature of the multiple selves that make up people's self-concepts. Based on assumption of a shifting self, it may be that under certain conditions, like those studied here, a person's moral identity may be supplanted by the activation of *other identities* whose behavioral prescriptions may be incompatible with those associated with the moral self.

At the present state of theory and research, we cannot state what *specific* identities are likely to assume greater importance than moral identity under different circumstances. However, we can sketch out some broad categories of alternate identities that might be activated based on a recent model of identity activation proposed by Skitka (2003). In her Accessible Identity Model

(AIM) Skitka (2003) argued that three layers of identity—the material, social, and personal —are central in how people organize their self-view. People define and sustain their material identity by endeavoring to acquire and maintain things like property, goods, or wealth (Belk, 1988). Social identity is shaped by the groups people belong to, their social role in those groups, and the reflected appraisal or standing that they have in relation to other group members (e.g., Turner and Oakes, 1986). Personal identity refers to the experienced self, or that aspect of self that provides a sense of personal continuity. Skitka (2003) argues that people seek to define their personal identity through achievement, mastery, and moral authenticity. Peoples’ ability to live up to internal standards of “ought” and “should” therefore have an important impact on personal identity (e.g., Higgins, 1987).

Based on Skitka’s (2003) conceptual framework, it is possible that in our study the introduction of performance incentives and justice violations made peoples’ material identity more salient than their personal identities, one of which might be their moral identity. As a result, people were motivated to advance their material interests by negotiating a highly favorable outcome in the presence of incentives or by taking from the organization when they perceived injustice. In other words, their behavior was motivated primarily by the most explicitly “self-interested” or “selfish” aspects of their working self-concept (Skitka, 2003). Clearly, our data do not allow us to test the proposed identity shifts that might occur under different conditions and so we leave it to future research to investigate whether this process may at least partly account for why moral identity was a weaker predictor of unethical behavior under certain conditions. What we do suggest is that this explanation does have a basis in recent theorizing on the activation of multiple identities and so it deserves further investigation.

In addition to the theoretical and empirical contributions we just described, our findings have practical implications.

### **Managerial Implications**

In an era where the ethical standards of businesses have been the subject of considerable scrutiny and concern due to the pervasiveness of organizational scandals and corporate malfeasance, the practical implications of our findings are especially strong. First, our findings suggest that while moral identity does act as a self-regulatory mechanism in inhibiting lying and other unethical behavior, the effect of this self-regulation may be rendered less potent by compelling situational conditions (organizational reward structure and organizational injustice). Unlike personality characteristics, which may be highly resistant to situational manipulation, the salience of different identities that comprise the self-concept might be more malleable (Brewer and Gardner, 1996; Forehand, Deshpandé, and Reed II, 2002). Herein lies the opportunity to discourage lying and other types of unethical behavior in the workplace.

By invoking an awareness of identities that map on to peoples' mental image of themselves as being moral, dependable, or righteous, managers may be able to activate automatic social motivations that inhibit unethical behavior. Such awareness can be generated at both an organizational and personal level by the mechanism of *identity regulation*; that is, managerial actions that reinforce moral identity through a supportive organizational context. This can be tricky, however, as some research suggests that strong feelings of morality, although accepted or even celebrated in other life contexts, are sometimes thought to be misplaced in the business world (Jackall, 1988). Consequently, developing a culture that upholds the broader *community's* moral standards rather than simply those of business as ideals may provide the most supportive

backdrop for invoking moral identity. Espousing corporate values with a strong moral element can orient identity in a specific direction or at the very least stimulate identity activation.

Perhaps no identity invoking mechanism can be as powerful as organizational leaders "walking the talk." The personal example of an organizational leader can send a powerful message to employees, particularly if the leader's behavior is consistent with the moral values espoused by the organization. It may be that by reinforcing such behavioral examples with teaching and coaching, managers can help those whose moral identity has low self-importance to internalize desired values, while at the same time making moral identity even more salient for employees whose moral identity is already highly self-important. However, an implication of our findings is that incentives may nullify the effects of organizational role models.

One way to overcome the effects of incentives is to emphasize process over outcome. In negotiations, if organizational leaders pay more attention to how a negotiator's protocol conforms to and enhances the moral values the organization professes to hold, then employees may come to believe that the outcomes of the negotiation are less important than the principles that produce them. Moral values can therefore be "framed" as the underlying assumptions and guidelines of organizational life. Some research suggests that moral values are broadly and persuasively communicated in organizations and do inform actions and decisions (Valesquez, Moberg, and Cavanaugh, 1983). Moreover, the literature in relationship management suggests that the most important task of the negotiating function is to guide the participants through the stages of the relationship-development process, from establishing a business relationship to developing long-term commitments (Levitt 1983). Presumably, these kinds of enduring relationships are more likely to emerge in dyadic contexts that involve trust rather than deception.

Turning to organizational justice, it behooves managers to be mindful that perceptions of unfairness can motivate people to seek restitution in ways that may harm the organization. One clear implication of our findings is that organizations need to recognize the potent effect that organizational injustice condition has on individual responses. Our results suggest that it may benefit the organization to include interpersonal sensitivity and procedural fairness in its management practices because the absence of such practices can create the conditions that disable self-regulatory mechanisms that may otherwise motivate ethical behavior.

### **Conclusion**

This paper breaks new theoretical ground in the study of unethical workplace behavior by introducing the construct of moral identity into the literature. The findings offer many directions for future research. Among these are mapping out the cognitive processes that link moral identity to ethical behavior and relating moral identity to prosocial workplace behaviors like organizational citizenship or whistleblowing. It is also important to consider how other situational factors, such as social modeling or organizational culture, might influence the relationship between moral identity and ethical behavior. We hope that the findings and ideas presented in this paper can motivate researchers to investigate these and other questions associated with the moral self.



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Table 1  
Effects of Moral Identity Saliency and Incentives on Self-Reported  
Negotiation Behavior<sup>a</sup>

Moral Identity Saliency	Incentive to Lie	N	Self-Reported Negotiation Behavior		
			Out Right Truth	<i>Ambiguously</i> <i>Deceive</i>	Out Right Lie
Low	Low	13	3.63 (1.36)	2.69 (1.62)	1.00 (0.00)
Low	High	16	4.00 (1.26)	2.44 (1.26)	1.00 (0.00)
High	Low	14	4.14 (1.41)	1.71 (1.07)	1.00 (0.00)
High	High	16	3.77 (1.64)	2.54 (1.39)	1.38 (1.12)

<sup>a</sup> Tabular data report the means (and standard error) of each of the three dependent variables.

Table 2  
Descriptive Statistics and Correlations for Study 2 Variables

Variable	Mean	S.D.	1	2	3	4	5	6
1. Lie	.24	.43	---					
2. Perceived Ethicality	2.73	1.39	-.13	---				
3. Social Desirability	2.85	.40	-.19	.02	(.71)			
4. Salary	50.42 <sup>2</sup>	4.08	-.42***	.25**	.24**	---		
5. Moral Identity	4.40	.57	-.32**	.20	.24**	.23**	(.82)	
6. Reward Size	.57	.49	.08	.14	-.04	.03	.14	---
7. Incentive	.48	.50	.18	-.07	-.15	-.24**	-.09	-.02

Note: Correlations are based on non-impassé dyads. \* =  $p < .05$ , \*\* =  $p < .01$ , \*\*\*  $p < .001$ .

Cronbach's alphas are shown on the diagonal.

<sup>2</sup> This number is in thousands of \$.

Table 3  
Logistical Regression on Lying

Independent variables	Lying	
	<i>b</i>	Wald
1) Impression Management	-.75	1.18
2) Moral Identity (MI)	-1.33	5.32**
3) Reward Size (RS)	.95	1.57
4) Incentive (I)	1.41	3.69*
5) I X MI	2.59	5.43**
7) RS X MI	1.08	.91
9) RS X I	-.21	.02
11) RS X I X MI	2.17	.94
Model $\chi^2$		23.31***
Cox and Snell $R^2$		.19
Nagelkerke $R^2$		.29

Note: \*  $p \leq .10$ , \*\*  $p < .05$ , \*\*\*  $p < .01$

Table 4

## Hierarchical Regression on Perceived Ethicality of Manager as Rated by Candidate

Variables	Step 1	Step 2	Step 3
	B	B	B
Social Desirability	-.23	-.31	-.35
Salary	.08*	.09*	.09*
Moral Identity (MI)	.35	.22	.28
Reward Size (RS)	.31	.36	.37
Incentive (I)	.02	-.12	-.15
RS X MI		-1.32*	-1.22*
I X MI		-.40	-.31
RS X I		1.38*	1.40*
RS X I X MI			.83
R <sup>2</sup>	.10	.22	.22
ΔR <sup>2</sup>		.11*	.00

Note: Unstandardized regression weights are presented. Salary is in thousands of \$. \*  $p < .05$ , \*\*  $p < .01$ .

Table 5  
Descriptive Statistics and Correlations for Study 3 Variables

Variables	Mean	SD	1	2	3	4	5
1. Distributive justice	3.23	.71	(.87)				
2. Procedural justice	2.91	.66	.40**	(.90)			
3. Interactional justice	3.30	.69	.48**	.48**	(.91)		
4. Moral Identity	4.38	.95	-.03	-.13*	-.09*	(.78)	
5. Unethical behavior	1.41	.41	-.28**	-.35**	-.30**	-.38**	(.79)

Cronbach's alphas for the scales are shown on the diagonal.

\*\*  $p < 0.01$

\*  $p < 0.05$

Table 6

Results of Hierarchical Regression on Unethical Behavior Directed Against the Organization

Variables	Step 1	Step 2	Step 3
	B	B	B
Age	-.01*	-.01*	-.01*
Sex	-.08	-.06	-.01
Social Desirability	-.27	-.18	-.24*
Distributive Justice		-.06	-.03
Procedural Justice		-.18**	-.12**
Interactional Justice		-.06	-.07*
Moral Identity		-.14	-.09**
Distributive Justice X Moral Identity			-.01
Procedural Justice X Moral Identity			-.06*
Interactional Justice X Moral Identity			-.12**
R <sup>2</sup>	.11	.32	.38
? R <sup>2</sup>		.21**	.06*

Note: Entries are unstandardized regression weights. \* p < 0.05 \*\* p < 0.01

Figure 1

Self-Reported Deception as a Function of Moral Identity Salience and Incentives

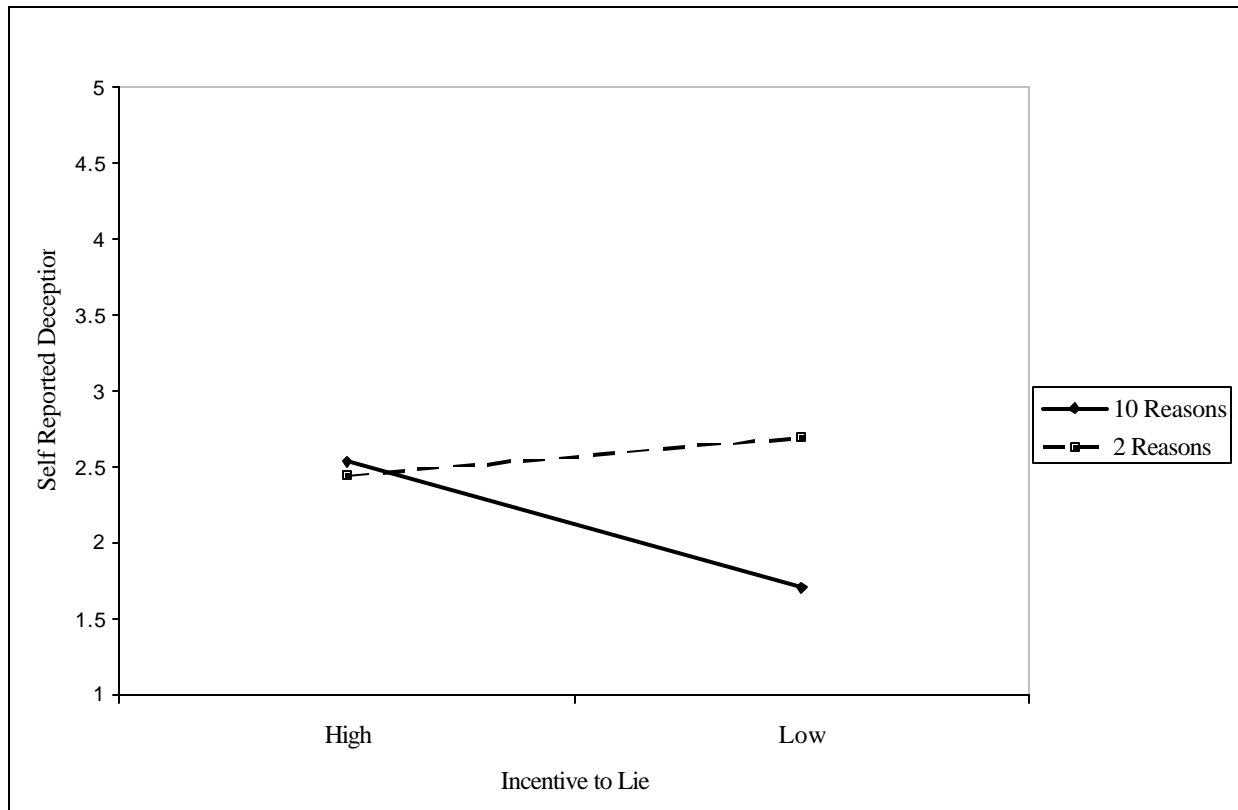




Figure 2

Moral Identity X Incentive Effect on Lying

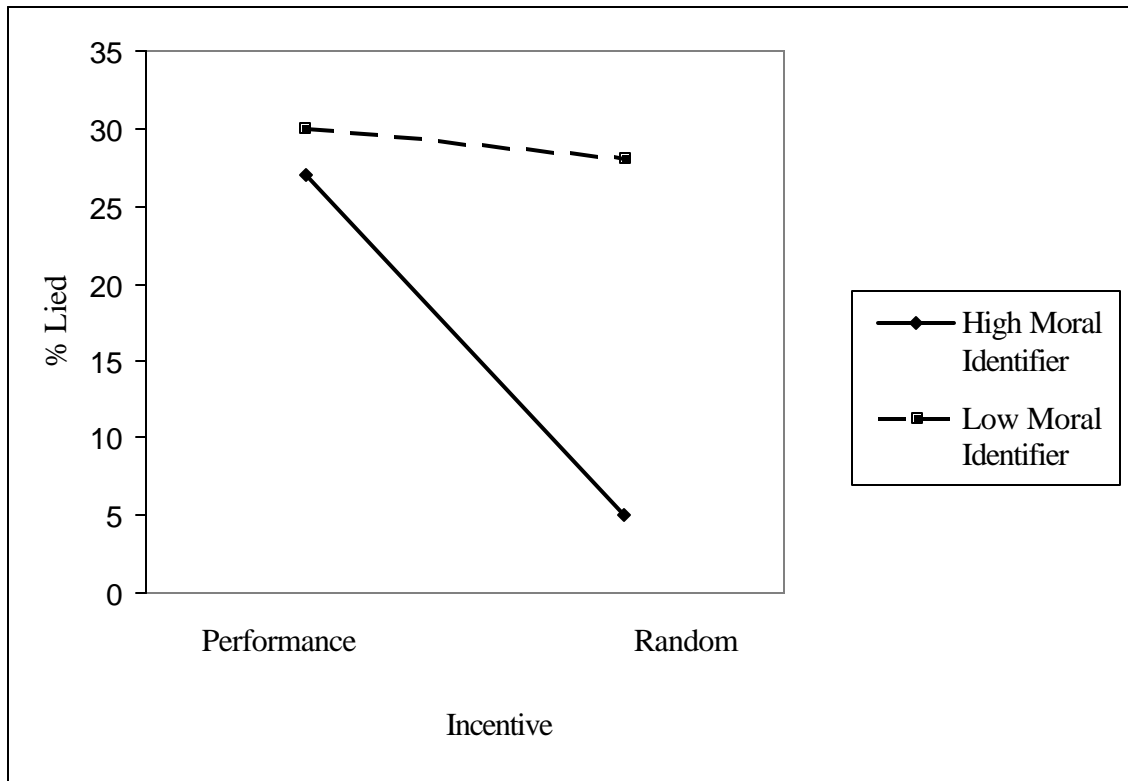


Figure 3

Moral Identity X Incentive Effect on Perceived Ethicality

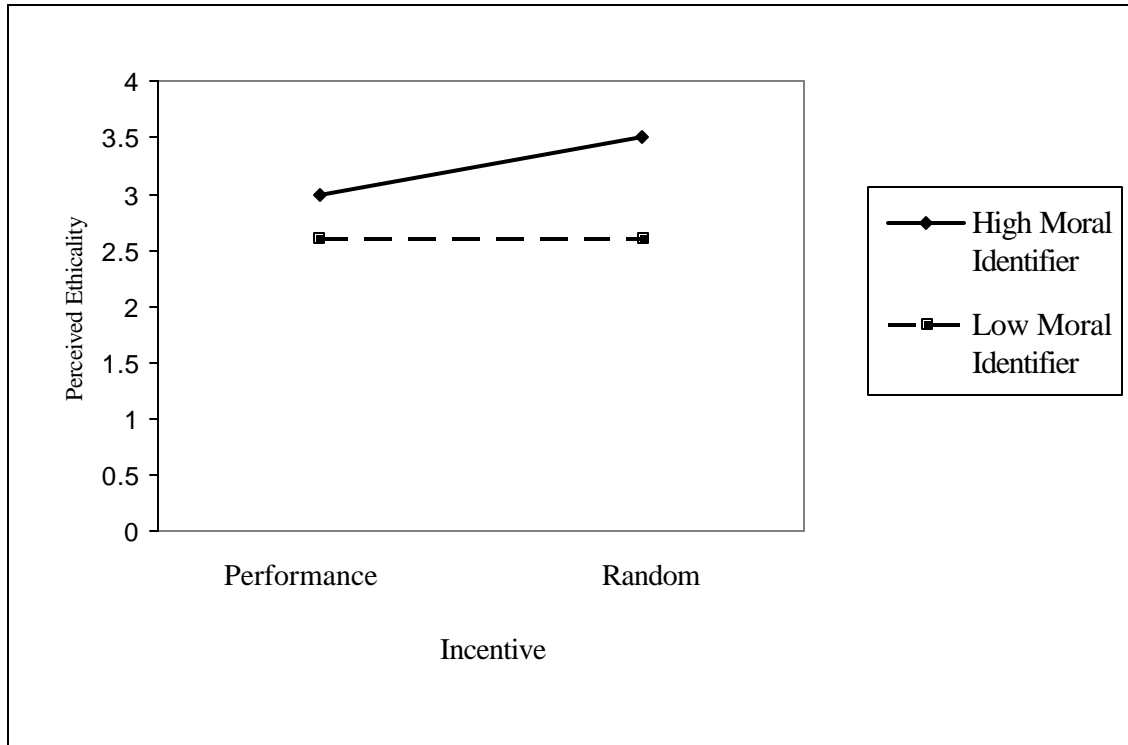


Figure 4

Moral Identity X Procedural Justice Effect on Unethical Behavior

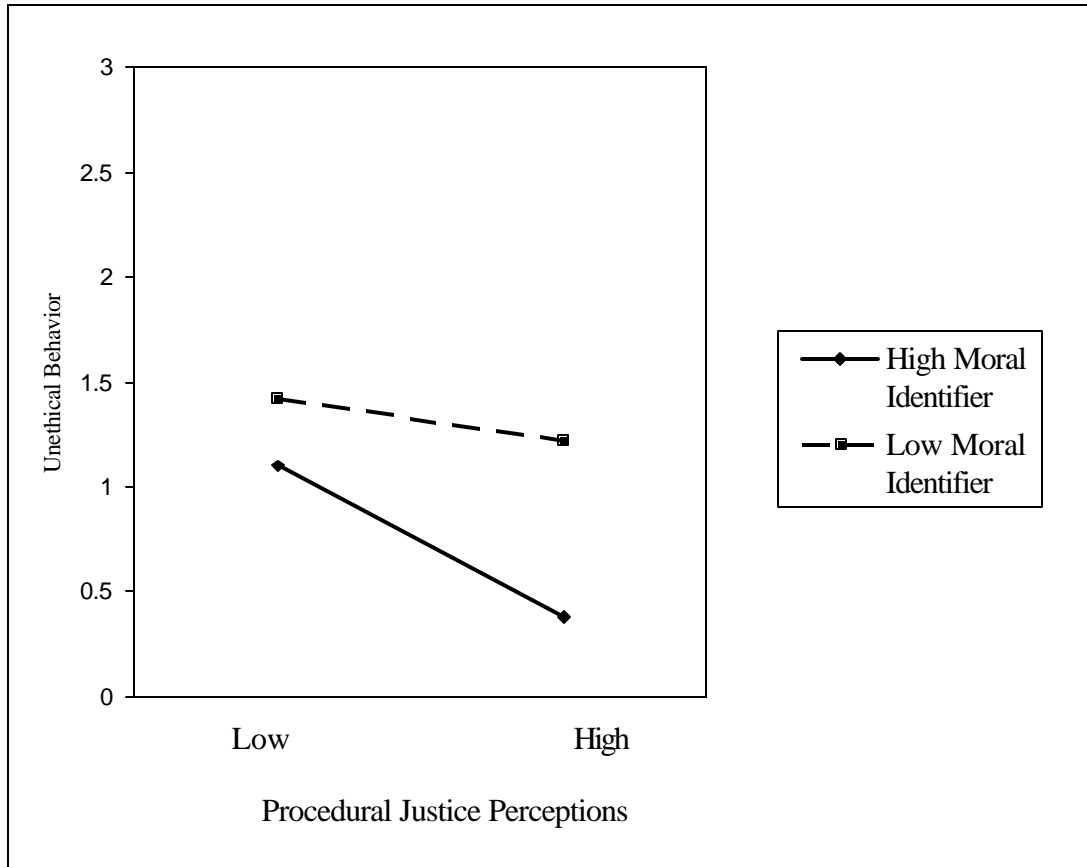
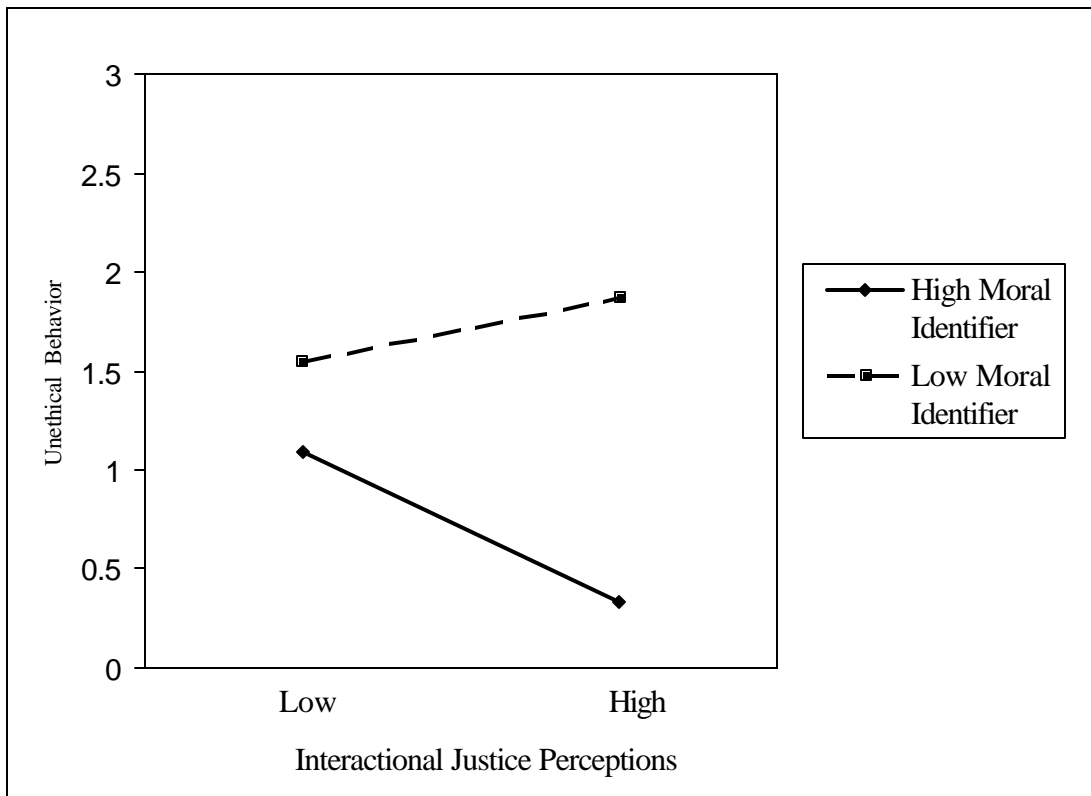


Figure 5

Moral Identity X Interactional Justice Effect on Unethical Behavior



## Endnotes

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<sup>1</sup> By emphasizing the self as a regulator of ethical behavior, the social-cognitive approach does not argue that moral reasoning and cognitive capabilities are unimportant. The ability to conceptualize a consistent set of traits that determine a stable sense of self probably does require a certain level of cognitive sophistication and an understanding of personality (cf. Selman, 1980). However, it seems unlikely that the sample to which we want to generalize our particular set of studies – working adults – lacks this capacity, but very young children or perhaps the mentally disabled might. Consequently, we are not arguing here that cognitive ability is completely unimportant in shaping an identity, but rather that it is relatively less important in the moral identity framework than in frameworks that have traditionally assumed more rationalistic explanations of unethical behavior.

<sup>2</sup> It is important to note at this point that the conception of moral identity used in all of the studies reported here does not presume to reflect or endorse any particular moral view about what moral self-representation a person ought to possess. Rather, we simply assume that the more temporarily salient or the more important a person's moral identity within their overall self-schema is, the more likely that person's attitudes, cognitions, and behaviors are to be consistent with the set of traits around which their unique moral self-definition is organized. However, because people seem to agree on the kinds of traits that are representative of a moral prototype (Lapsley and Lasky, 2001; Walker and Pitts, 1998), there are theoretical reasons to expect the activation of moral identity will show a positive relationship to thoughts and behaviors that demonstrate social responsiveness to the needs of others. For this reason, we expect moral identity to act as a self-regulatory constraint on behavior if such acts can potentially bring harm to others or the organization.