Exploring Ethical Orientation of Future Business Leaders in Malaysia

Lau Teck Chai*, Choe Kum Lung** and Zulkufly Ramly***

Interest in ethical attitudes of business students who are likely to be future business leaders is on the increase. This is probably due to the major corporate scandals that started coming to light in the late 1990s and the first decade of the 21st century. In order to better understand ethical orientation among future business leaders in Malaysia, an exploratory study was conducted to assess consumer ethical ideologies and beliefs about potentially questionable consumer behaviours. This current study looks at whether consumer's ethical ideology (Machiavellian, Relativism and Idealism) would have an impact on the students' perceptions of a variety of consumer actions and practices. The result shows that male students were generally less ethical compared to female students and public university students to be more ethical compared to private university students. Further analysis also reveals that these future business leaders were generally more idealistic in their outlook and were less tolerant to unethical or questionable consumer behaviour.

Field: Business Ethics

Keywords: Ethical Orientation, Machiavellian, Idealism, Relativism, Consumer Ethics, Malaysia

1. Introduction

In recent years, ethics especially with regards to the ethical beliefs of business leaders and managers, have received tremendous attention. The ethical behaviours and orientation of business leaders are of major concerns to the public. With many corporate scandals in the west (WorldCom, Enron, and Arthur Andersen) as well as in Malaysia (Transmile), ethical issues have taken more prominence and importance over the last ten years. Why is there such a concern over ethical behaviours of corporate leaders?

*Lau Teck Chai is an Assistant Professor in Management and International Business, University Tunku Abdul Rahman, Malaysia (lautc@mail.utar.edu.my)
**Choe Kum Lung is a Senior Lecturer in Business Ethics and Corporate Governance, University Tunku Abdul Rahman, Malaysia (choekl@mail.utar.edu.my)
***Zulkufly Ramly is a Lecturer in Business Ethics and Corporate Governance, University of Malaya, Malaysia (zulramly@um.edu.my)
This may be due to the fact that unethical behaviour is damaging on many levels. At societal level, unethical behaviour creates a negative image of businesses. For example, the unethical behaviour of those at Enron not only cost many organizations and people a great deal of money directly but also affected those who had invested in the stock market. At the organizational level, due to the unethical behaviour of its managers, Arthur Andersen lost many of its clients and had to sell parts of its businesses around the world. Finally at the individual level, the unethical behaviour of former Enron CEO Kenneth Lay and many top executives had resulted in their imprisonment. These individuals may never hold high level corporate positions again.

Many future business leaders received their professional training and education at either public or private universities. The current business students at institutions of higher learning would one day become future corporate leaders and entrepreneurs. However, it would be interesting to find out what is the ethical orientation of these future business leaders. Are they more accepting to unethical behaviours or are they less tolerant to unethical behaviours? There is a need therefore, to study the ethical stance of the current business students on their acceptance of ethical and unethical situations. Knowing the ethical orientation of future business leaders would provide researchers the means to address ethical issues early, while they are still in universities. Through early warning signals and preventive measures, it is hoped that the occurrence of corporate scandals in the future could be minimized. The current study will provide theoretical background of the relevant literatures. Thereafter the methodology and the results from the quantitative study will be presented. The paper will conclude with discussion of the implications of the findings and identifies several limitations for future research.

2. Literature Review

Interest in ethical attitudes of business students who are likely to be future business leaders is on the increase (Borkowski and Ugras, 1992; Etzioni, 2002; Jennings, 2004). This is probably due to the major corporate scandals that started coming to light in the late 1990s and the first decade of the 21st century. It is evident that unethical behavior on the part of corporations can lead to financial failure and also profound impact on its stakeholders and stability of society as a whole (Giacalone and Jurkiewicz, 2003). Crane (2004) found that business students want to be taught skills and tools to help manage difficult and problematic ethical situations. In order to better understand ethical orientation among future business leaders in Malaysia, an exploratory study was conducted to assess consumer ethical ideologies and beliefs about potentially questionable consumer behaviours. This current study would look at whether consumer’s ethical ideology (Machiavellian, Relativism and Idealism) would have an impact on the students’ perceptions of a variety of consumer actions and practices.

Machiavellianism
There were many studies that examined Machiavellianism, including the degree of Machiavellianism among current and future business executives (Hegarty and Sims, 1978; Chonko, 1982; Hunt and Chonko, 1984). In describing Machiavellianism, Hunt and Chonko (1984) noted that the label Machiavellian has become a negative label, indicating at least an unethical way of manipulating others to accomplish one's objectives. However, Christie and Geis (1970), based on their studies, cautioned against this interpretation. More appropriately, Machiavellian persons possess a kind of cool detachment that makes them less emotionally involved with others or with saving face in potentially embarrassing situations. Therefore, the more Machiavellian the individual, the less ethical they are and vice versa. Thus, this is an appropriate construct to examine in relation to consumers' ethical beliefs.

Idealism and Relativism

Forsyth (1980) conceptualized two evaluative dimensions that have long been used to classify an individual's ethical and moral judgments: idealism and relativism. Idealism refers to the degree to which an individual believes that the right decision can be made in an ethically questionable situation. Idealistic individuals believe that there is a morally correct alternative that will not harm others. Less idealistic individuals may make decisions irrespective of the impact on others. Relativism, on the other hand, refers to the rejection of universal rules in making ethical judgments and focuses on the social consequences of behavior. High relativists evaluate the current situation and use this as the basis for making a judgment. Low relativists believe that standard rules can be applied regardless of the issue at hand.

Consumer Ethics

Muncy and Vitell (1992) define consumer ethics as “the moral principles and standards that guide behavior of individuals or groups as they obtain, use and dispose of goods and services.” Early models of marketing ethics (Ferell & Gresham, 1985; Hunt & Vitell, 1986) focused on ethical practices within the areas of marketing research, marketing management, sales, advertising and social marketing. In the early 1990s, Vitell and Muncy noticed a lack of attention to the buyer side of the buyer-seller dyad and asserted that research on consumer ethics was almost non-existent. They found only three significant studies that empirically examined consumer ethical judgments (Davis, 1979; De Paulo, 1987; Wilkes 1978). Furthermore they found that these studies were limited to small samples, had a narrow scope and lacked emphasis on the attitudinal characteristics of the consumer. As a result they developed a scale to measure consumer ethics (Muncy & Vitell, 1992; Vitell & Muncy, 1992).

The consumer ethics scale developed by Muncy and Vitell (1992) looks at how consumers react differently to different types of ethical situations. They also specified four distinct dimensions relating to the following situations, specifically – (1) actively benefiting from illegal activities, (2) passively benefiting, (3) actively benefiting from deceptive but legal practices and (4) no harm activities. In a recent revision, Vitell and Muncy (2005) modified the original scale and added a new dimension that measures
consumers’ desire to recycle products and “do good.” In this study, the original consumer ethics scale developed by Muncy and Vitell (1992) was adopted to measure consumer ethical beliefs instead of Vitell and Muncy (2005) scale.

**Gender**

Beltramini, Peterson and Kozmetsky (1984) found that female college students were more concerned with ethical issues than their male counterparts while Thoma (1985) found that females were generally more ethical than males. However, Rest (1986) did not find the differences between genders to be significant. In Ford and Richardson’s (1994) review of fourteen studies analyzing behavior by gender, there were seven studies that reported females behaving more ethically than males, while another seven studies found no relationship between gender and ethical behavior. The 47 meta analysis studies by Borkowski and Ugras (1998) yielded 49% significant, 34% not significant and 17% mixed findings regarding the relationship of gender and ethical behavior.

**The Link Between Machiavellianism, Idealism And Relativism To Consumer Ethics**

There were several past studies that look at the effect of Machiavellianism, Idealism and Relativism (independent variables) towards consumer ethics (dependent variable). Using an Asian sample from Japan, Erffmeyer et al. (1999) surveyed a total of 258 Japanese consumers. They found that Machiavellianism philosophy was significantly related to all four consumer ethics dimensions such that those who were more Machiavellian tended to believe that the various consumer practices were less wrong. In contrast, those consumers who were more idealistic will be inclined to think all four consumer ethics dimensions were more wrong. However, a relativistic philosophy was only related to the “passively benefiting” and “no harm/ no foul” dimensions. In these cases, the more relativistic that the consumer appeared to be, the less wrong the perception of the consumer action. Table 1 below summarizes some previous studies and their major findings.

Based on the above literature reviewed, the following three research questions were formulated regarding the ethical orientation of future business leaders:

**Research questions:**
1. Are there differences in gender of future business leaders in regards to each of the consumer ethical behaviours (CE1 - CE4)?
2. Are there differences in the types of university of future business leaders in regards to each of the consumer ethical behaviours (CE1 - CE4)?
3. To what extent are the influences of the consumer ethical ideologies (Machiavellianism, Idealism and Relativism) towards each of the consumer ethical behaviours (CE1 - CE4)?
Table 1: Summary of Selected Consumer Ethics Research

<table>
<thead>
<tr>
<th>Study</th>
<th>Population sampled</th>
<th>Major findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Al-Khatib, Dobie and Vitell (1995)</td>
<td>Egyptian consumers</td>
<td>Idealism and relativism are both related to the consumer ethics scale.</td>
</tr>
<tr>
<td>2. Al-Khatib, Vitell and Rawwas (1997)</td>
<td>U.S. and Egyptian consumers</td>
<td>U.S. consumers were both less idealistic and less relativistic than the Egyptians. U.S. consumers were more ethical on 3 of 4 dimensions of consumer ethics scale.</td>
</tr>
<tr>
<td>3. Erffmeyer, Keillor and Thorne LeClair (1999)</td>
<td>Japanese consumers</td>
<td>Machiavellianism and idealism are both related to the consumer ethics scale. Younger consumers were less ethical.</td>
</tr>
<tr>
<td>4. Rawwas, Strutton and Johnson (1996)</td>
<td>U.S. and Australian consumers</td>
<td>Australian consumers were more intolerant of questionable consumer practices for 3 of the 4 consumer ethics dimensions and they were also more Machiavellian.</td>
</tr>
<tr>
<td>5. Rawwas, Vitell and Al-Khatib (1994)</td>
<td>Egyptian and Lebanese consumers</td>
<td>Lebanese were more Machiavellian, more relativistic and less idealistic because of civil unrest. Lebanese were more accepting of “questionable” consumer practices too.</td>
</tr>
</tbody>
</table>

3. **Methodology**

**Sample And Survey Procedures**

The questionnaires for this study were administered to 600 undergraduate business students from both the private and public universities in Malaysia. The students completed the survey during class time and were assured anonymity. Participation was voluntary and no remuneration was offered. At the respective university, a faculty member was requested to assume responsibility for the distribution of the questionnaires to the students. A total of 544 completed questionnaires (yielding a response rate of 90.7%) were obtained and deemed sufficiently complete to be useable. Prior to subjecting the data to statistical analysis, frequency distributions were tabulated for each item to ascertain possible response biases. In addition, a visual inspection was also performed to identify any possible anomalies. None were detected and the sample was determined to be of sufficient quality to be subjected to statistical analysis.
Variable Measurements

The independent variables used in this study Machiavellianism, Relativism and Idealism were adapted from previous studies to reflect the consumer’s ideological mind set. Machiavellianism was measured using the MACH IV scale developed by Christie and Geis (1970). This moral principle scale contains twenty items with 10 items worded in a Machiavellian direction and 10 items worded in the opposite direction. A second construct was measured using the Ethics Position Questionnaire (EPQ) developed by Forsyth (1980). The EPQ consists of two scales, each containing 10 items. One is designed to measure idealism and the second is designed to measure relativism, or the rejection of universal moral principles. For all the independent variables, respondents were asked to indicate the extent of his or her agreement or disagreement with each of the items using a five point Likert scale from “strongly disagree” (1) to “strongly agree” (5).

In this study, the original consumer ethics scale developed by Muncy and Vitell (1992) was used to measure consumer ethical beliefs. The scale serves as the dependent construct. This scale was designed to measure respondents’ beliefs regarding twenty consumer situations which have ethical implications. The respondents were asked to rate each behavior on a 5-point Likert scale from “strongly believe that it is wrong” (1) to “strongly believe that it is not wrong” (5). There were four dimensions to the consumer ethics construct, each of which was used as a dependent variable in this study. The first dimension, “actively benefiting from an illegal activity (CE1)”, deals with illegal actions initiated by the consumers (e.g., shoplifting) and they are all likely to be perceived as illegal by most consumers. The second dimension, “passively benefiting at the expense of others (CE2)”, involves instances where the consumer does not initiate an action but stand to benefit from the seller’s mistake and does not inform the seller or correct the situation (e.g., getting too much change and not saying anything). The third dimension, “actively benefiting from questionable action (CE3)”, involves self initiated actions that are questionable but are not illegal (e.g., manipulating a sales promotion). The fourth and final dimension, “no harm/ no foul (CE4)”, involves actions in which little or no harm results and is perceived by some consumers to be acceptable. Pilot test was conducted prior to administering the questionnaires to the selected sample. Certain items were modified or dropped after the initial pilot test so as to suit the Malaysian scenarios and also to take into consideration the changing patterns of consumerism among Malaysian consumers.

4. Results

Scale Reliability

The reliability of the questionnaire was tested according to Cronbach’s Alpha measurements. The reliability coefficient (Alpha) of the independent variables was as follows: Machiavellianism (0.80), Idealism (0.78) and Relativism (0.62). As for the
dependent variable, Consumer Ethics, the reliability coefficient of each of the element was as follows: Actively Benefiting from Illegal Actions (0.63), Passively Benefiting (0.73), Actively Benefiting from Questionable Actions (0.76) and No Harm/No Foul (0.69). Schuessler (1971) stated that a scale is considered reliable if it has an alpha value greater than 0.60. Hair, Anderson, Tatham and Black (1998) added that reliability estimates between 0.60 and 0.70 represent the lower limit of acceptability in quantitative research studies. Due to the exploratory nature of this research, the alpha value greater than 0.60 for reliability estimates was considered to be adequate.

Profile Of Respondents

There were 394 (72.4%) female and 150 (27.6%) male respondents. There were more female students in the survey due to the demographic composition of almost 3 to 1 female students versus male students in the private and public universities in Malaysia. Among the respondents, 14% were Malays, 84% Chinese, 1.7% Indians and 0.4% from other races. From the university distribution, there were 404 (74.3%) students from private university and 140 (25.7%) students from public university.

Analyses Of Data

The first part of the analysis used the independent sample t-test for measurement of differences between gender as well as types of university. Table 2 provides the results of the t-test for gender (male/female) and types of university (private/public) against the four consumer ethics dimension.

Table 2: Results of t-test for gender and types of university against CE1 to CE4

<table>
<thead>
<tr>
<th></th>
<th>CE1</th>
<th>CE2</th>
<th>CE3</th>
<th>CE4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Males</td>
<td>2.28*</td>
<td>2.82*</td>
<td>2.38</td>
<td>3.28</td>
</tr>
<tr>
<td>- Females</td>
<td>2.08</td>
<td>2.60</td>
<td>2.38</td>
<td>3.27</td>
</tr>
<tr>
<td><strong>Types of university</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Private</td>
<td>2.15</td>
<td>2.73*</td>
<td>2.42*</td>
<td>3.33*</td>
</tr>
<tr>
<td>- Public</td>
<td>2.12</td>
<td>2.46</td>
<td>2.26</td>
<td>3.12</td>
</tr>
</tbody>
</table>

* Significant at p < 0.05

From the gender perspective, male students have shown more willingness to actively benefit from illegal actions (CE1) and also more willing to passively benefit from illegal actions (CE2) compared to female students. Comparison along type of university found that students from public university were less willing to passively benefit from illegal actions (CE2). These same public university students also showed less willingness to actively benefit from questionable actions (CE3) and expressed less willingness than students from private university to benefit from situations that resulted in no harm to others (CE4). In the second part of the analysis multiple regression analysis was conducted using the four dimensions of consumer ethics as dependent variables and the three identified consumer ideologies (Machiavellianism, Relativism and Idealism) as
independent variables. Four regression equations were developed to determine the relationship between the respondents’ perceptions of ethical behaviour in a consumer context and their basic moral philosophy. Table 3 shows the results obtained for each equation.

Table 3: Results of multiple regression analyses of CE1 to CE4

<table>
<thead>
<tr>
<th>Dependent variables</th>
<th>Independent variables (beta coefficients)</th>
<th>Adjusted R Square</th>
<th>Sig. F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actively benefiting from illegal actions (CE1)</td>
<td>Relativism 0.047</td>
<td>Idealism -0.255*</td>
<td>Machiavellianism. 0.048</td>
</tr>
<tr>
<td>Passively benefiting (CE2)</td>
<td>Relativism 0.186*</td>
<td>Idealism -0.188*</td>
<td>Machiavellianism. 0.083</td>
</tr>
<tr>
<td>Actively benefiting from questionable action (CE3)</td>
<td>Relativism 0.072</td>
<td>Idealism -0.153*</td>
<td>Machiavellianism. 0.076</td>
</tr>
<tr>
<td>No harm/ no foul (CE4)</td>
<td>Relativism 0.112*</td>
<td>Idealism 0.073</td>
<td>Machiavellianism. 0.124*</td>
</tr>
</tbody>
</table>

* Significant at p < 0.05

The first equation addressed which consumer ideologies would exert the strongest influence in consumer situations where the action would be considered illegal by Malaysian standards. These three ideological variables explained 6.6 percent of the variance in the dependent variable (CE1). Idealism was found to be the most influential variable in this equation. The direction of the sign indicates an inverse relationship between an idealistic ethical ideology and engaging in illegal activity. This suggests that these future business leaders who operate under a primarily idealistic consumer ideology are least likely to engage in an illegal activity as part of their consumer behaviour. In the second equation, the three independent variables explained 7 percent of the variance in the dependent variable (CE2). Again those ascribing to an idealistic consumer ideology which indicates the acceptance of moral absolutes will lead its believers to find passively benefiting from a seller’s mistake unacceptable. Those ascribing to a relativistic ideology would be likely to find acceptable those situations in which consumers might benefit at the expense of others.

In situations in which an individual would actively benefit as a result of an action that is questionable but not illegal (CE3), the role of personal ideology bears the same results as in CE1 above. The three ideological variables explained 3.1 percent of the variance in the dependent variable (CE3). For these situations, the idealism variable assumes the greatest influence in explaining the variance in consumer actions. Thus, only idealistic future business leaders will likely to refuse to engage in questionable consumer behaviours. Finally, in investigating those situations in which no ethical dilemma exists (CE4), the three ideological variables only explained 3.1 percent of the
variance in the dependent variable (CE4). Machiavellianism was found to be the most influential variable in this equation followed by relativism.

5. Discussion

Based on the first part of the analysis, it was found that female future business leaders were generally more ethical in two of the four dimensions of consumer ethical beliefs, namely “actively benefiting from illegal actions initiated by the consumers (CE1)” and “passively benefiting at the expense of others (CE2)”. This seems to be supported from past literatures (Beltramini, Peterson & Kozmetsky, 1984; Thoma, 1985). On the comparison along type of university, future business leaders from public university were generally more ethical in three of the four dimensions namely “passively benefit from illegal actions (CE2)”, “actively benefit from questionable actions (CE3)” and “no harm to others (CE4)”. This result is interesting as it is shown that in general, students from public university are less tolerant to unethical behaviours. In the context of Malaysia, the competitions to enter public universities are often very competitive and usually only the best would be admitted. Those who were admitted to the public universities were usually high achievers who did well in public entrance examination. Private University administrators should take heed in addressing the “less ethical” standard adhered by their students. Emphasizing ethical values at all level of teaching and learning should be taken to impart moral and ethical thinking about private university students.

In the second part of the analysis, there was an interesting observation. In the case of CE1 to CE3, idealism was found to be a significant contributor and the most important variable that influence ethical values. The direction of the sign indicates an inverse relationship between an idealistic ethical ideology and CE1 to CE3. This result suggests that the future business leaders were generally idealistic in their outlook when they were in university and they were also least likely to engage in any of the questionable consumer behaviour. The result is not surprising as it is known that university students are generally known to be idealistic in their thinking and approach to many important issues such as politics, protection of the environment, integrity and transparency. Further to this, it can be concluded that the idealistic values observed by the students would be translated into less tolerance towards unethical consumer behaviour. In would be interesting to study what happen to the idealistic values held so dearly by these future business leaders once they embark on their working career in the real business world.

6. Conclusions

In this study, some limitations exist. First, the results of this research must be used with caution as the sample of the exploratory study consisted of majority ethnic Chinese students, which is not representative of the general Malaysian population. Further research should look into sampling the general Malaysian public taking into consideration various ethnic compositions that reflect the Malaysian population.
Second, only a small percentage of the variance was explained for each of the consumer ethics dimensions. There are clearly other variables that were not included in this study which may account for the rest of this variance. Further research to include other dimensions such as money ethics and attitude towards business could be included. The fifth dimension of the Vitell and Muncy (2005) scale needs to be included in the future research. This would take into consideration the latest measurement scale developed by Vitell and Muncy (2005) i.e. doing good/recycling dimension. Further to this, other demographic variables could also be investigated. For example, one might want to compare different races in regards to their influence on consumer ethics and moral philosophy. It might also be worthwhile to look at the influence of those who have taken ethics course in university versus those who have not, and how this might influence ethical beliefs and moral philosophy of future business leaders. Further comparative study could be conducted in which one would to compare the ethical and moral philosophy of business students versus current business leaders.

References


