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# Influence of Ethical Orientation of HRM on Ethical Decision-Making in Organizations: Research Gaps Identified towards a Conceptual Model

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**Keywords:** ethical orientation, HRM functions, ethical decision-making, research gaps.

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*Strictly as per the compliance and regulations of:*



# Influence of Ethical Orientation of HRM on Ethical Decision-Making in Organizations: Research Gaps Identified towards a Conceptual Model

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**Abstract-** This article argued how Ethical Orientation of HRM (EOHRM) could influence Ethical Decision-making (EDM) in organizations, by bridging the identified research gaps. EOHRM is a new concept in HRM literature. It is 'the extent to which HRM functions have been directed to create, enhance and maintain ethicality within employees, to generate an ethical work force in the organization'. Unethical decision-making and immoral behavior of employees in organizations have become a serious global concern for over three decades. Unethical decision is a decision that is either illegal or morally unacceptable to the society, which could impact on the behavior of employees. The role of HRM functions on organizational performance had received much scholarly attention over the years. Despite its significance in contributing towards the organizational performance, theoretical or empirical research conducted on its impact on EDM are limited. This article explored the impact of ethical orientation of HRM (EOHRM) on EDM, to bridge this knowledge gap. The existent literature on HRM practices, EDM, ethical/unethical behavior of employees etc., published in refereed journals over the past 30 years, edited book chapters and text books by prominent authors on the above subjects were systematically reviewed, using the archival method recommended by Transfield et al. (2003). Six research gaps in EDM were identified, based on EOHRM in organizations. An integrated conceptual model was developed to empirically investigate the impact of EOHRM on EDM. The mediation effect of three variables: 'Ethical Attitude', 'Ethical Competence' and 'Personal Character' of employee on the link, 'EOHRM-EDM' were proposed in the model. The originality and unique feature of this EDM model is that, it focused on the impact of a novel concept in HRM literature, EOHRM, exposing significant research gaps towards future empirical research. Thus, this article has vital managerial implications and utility for future studies on EDM in organizations.

**Keywords:** ethical orientation, HRM functions, ethical decision-making, research gaps.

## 1. INTRODUCTION

**I**n an ethical decision, is a decision that is both, legal and morally acceptable to the larger society (Jones, 1991, p.367)". Thus, 'ethical decision' is the fine line between ethical and unethical behavior of an employee at work. Growing unethical behavior of employees at work and their negative

consequences to the organization, economy and the society at large, had become a global issue over the past several years. Increased media attention worldwide had exposed many frauds and corrupt incidents of employees in business organizations. For more than 30 years, researchers are trying to understand why employees behave unethically at work (Kish-Gephart et al., 2010). Thus, research on business ethics and EDM have received much scholarly attention over the period to find logical solutions to this global concern. Issues relevant to 'unethical decision-making and corrupt behaviors of employees' became stimulating research topics among researchers in HRM-Ethics, Human Resource Development etc., in the recent past (Ardichvili & Jondle, 2009; Debode et al., 2013; Thite, 2013; Antonakas et al., 2014; Arulrajah, 2015). Corrupt business practices and frauds have been identified as a growing concern in many countries, in both, developed and developing economies (Antonakas et al., 2014). According to Lado and Wilson (1994), HRM is a set of unique activities, functions and processes that attract, direct and maintain an organizations human resource. Hence, HRM has a critical role to play in creating an ethical workforce in the organization, in order to ensure EDM and ethical behavior of employees at work.

According to Meyer (2004), many studies in business ethics had identified that, ethical issues are occurring as a result of ethical ignorance, ethical failure or evil intent. There is no doubt that, the business organizations should commit to create an ethical organizational context, to address this concern. Hence, research on EDM had increased sharply over the period, attempting to find solutions to this critical issue (e.g., Ferrell and Gresham, 1985; Trevino, 1986; Ferrell et al., 1989; Dubinsky and Loken, 1989; Jones, 1991; Richardson, 1994; Loe et al., 2000; O'Fallon and Butterfield, 2005; Craft, 2013 and Lehnert et al., 2015).

In a recent meta-review (Lehnert et al., 2015, p. 195) which summarized the findings of about 400 empirical research on EDM, scholars noted that many studies over the past three decades had identified number of conditions and factors that influence the EDM process of employees in organizations. Despite a large

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volume of scholarly research over the period, theoretical or empirical studies on how ethical orientation of HRM (EOHRM) functions would impact the EDM process in organizations, were found to be none. Further, research on the influence of mediators or/and moderators on the link 'EOHRM and EDM' were also not explored. The article attempted to bridge this theoretical and empirical research gap in HRM and EDM literature, firstly, by identifying research gaps in EDM in organizations. Secondly, based on the identified research gaps, to propose an integrated conceptual model for EDM in organizations, to empirically investigate the impact of EOHRM on EDM, with the interaction effects of three variables: Ethical Attitude, Ethical Competence and Personal Character of employees.

## II. BACKGROUND OF THE RESEARCH PROBLEM

In spite of increased scholarly attention and sophisticated ethical mechanisms implemented in organizations to promote EDM and prevent unethical/corrupt behavior of employees, high impact scandals in the business world is a common occurrence. For example, two such recent incidents as reported by the 'FORTUNE' (Fortune.com) are: (i) *Volkswagen Company Emissions Scandal*—The Company fitted software on millions of cars to make them more environmentally efficient than they were, and mislead the Environmental Protection Agency's emissions testers. (ii) *The Toshiba Company Accounting fraud* – the Company overstated their profits by about US\$ 2 billion in the past seven years. Due to the Organizational Culture in the Company, the management decisions could not be challenged, and the employees were forced to follow inappropriate accounting methods.

Recently, the USA Justice Department had exposed the settlement amounts of top ten largest global business corruption cases occurred in the USA. A sum of about US\$ 3.80 billion has been paid as settlement charges by ten prominent multinational companies operated in the USA (thefiscaltimes.com). All these top ten corruption cases were accused of being engaged in bribery, to win business contract in the USA. In addition to the above massive financial frauds, abuse of global physical resources, violation of human rights, child labor, aggressive behavior towards competitors and unfair, immoral marketing practices have received much global attention in the recent past. Ethical dilemmas are characterized by complexity and ambiguity, and carry with them high-stakes of implications for individuals and organizations alike (MacDougall et al., 2014).

The Sri Lankan business context is of no exception to the above global context, when it comes to the unethical and corrupt behavior of employees and business organizations. Many corrupt and unethical

behavior of employees in business organizations have been highlighted in the local media over the past many years. Collapse of the Pramuka Bank, swindling of money of depositors by the Golden Key Company and the Sakviti Group are examples from the past. The recent such corrupt behavior of employees reported in the local media was the HSBC Bank's 'white-collar' scam, where five senior managers have been sacked after an investigation into allegations of manipulating incentives-linked performance figures (sundaytimes.lk/ June 19, 2016). Therefore, as Trevino (1986, p. 601) noted, "uncertainty is a fact of complex, dynamic organizational life and ethical issues are ever present in uncertain conditions, where multiple stakeholders' interests and values are in conflict and laws are unclear".

### a) Problem Statement

Literature revealed that, unethical decision-making and corrupt behavior of employees in organizations challenge the ethical nature and stability of business organizations, drawing immediate attention of scholars/researchers for more theoretical and empirical studies on HRM and organizational ethics. HRM could play a vital role in promoting ethics in an organization (Arulrajah, 2015), and the ability to influence ethical behavior of employees is vastly depending on the status of the HRM functions of an organization (Foote, 2001). However, scholars argued, the role of HRM in ethics is still unclear (Maxwell & Beattie, 2004), hence studies on ethics in HRM and HRD are still limited (Thite, 2013). The HRM functions (recruitment and selection; training and development; performance appraisal; pay and reward management and employee relations) can play an instrumental role in creating an ethical culture and climate in the organization (Parboteeah et al., 2014). However, the existent literature in HRM does not include theoretical or empirical studies that investigate, how ethically oriented HRM functions could impact on EDM and behavior of employees, in order to generate an ethical workforce in an organization, to address the above global concern. Hence, the following research problem was formulated for this study:

"What is the impact of Ethical Orientation of HRM on Ethical Decision-making, through identified mediators and moderator, in creating, enhancing and maintaining ethicality within employees in organizations?"

## III. METHODOLOGY

The overall objective of this article is to identify current research gaps of EDM in organizations, for future systematic empirical investigation. Existent literature in HRM functions, Ethics, Business Ethics, decision-making and EDM were reviewed using the archival method recommended by Tranfield et al., (2003). The desk review started with a general search of

text books, research articles, conference proceedings and edited book chapters, published during 1985 to 2015. Online databases: JSTOR, Springer Link, ScienceDirect.com, Wiley online library, sagepublications.com, Emerald Insight, Taylor and Francis company journals, were used to search articles in EDM published in refereed journals, using key words or combination of the key words of the topic. Reading through the abstracts of about 100 research articles, few edited book chapters and text books on the above subjects, authors selected about 60 key research articles, including five meta-reviews on EDM and few edited book chapters, directly relevant to the research topic to study in detail. The selected five meta-reviews in EDM included results of about 450 empirical research articles on EDM. The selected literature was systematically reviewed to achieve the following objectives:

- To identify research gaps in EDM in organizations.
- To propose a conceptual model in EDM, to investigate how EOHRM would impact on EDM in organizations, through the influence of mediators and moderators identified in the research gaps.

#### IV. LITERATURE REVIEW

To understand the influence of EOHRM on EDM and identify research gaps in EDM, it is important to first understand the nature and principles of the concepts: ethics, HRM, EOHRM and EDM.

*Ethics:* Scholars have defined ethics in many ways. Oxford Advanced Learner's Dictionary defined 'ethics' as a branch of knowledge that deals with moral principles. They stated that, moral principles govern individual or collective behavior. According to the Collins English Dictionary, ethics is the study of moral values of human conduct and principles that rule them. An early scholar, Byars (1992), cited in Opatha (2010) argued that, ethics is connected to decision-making behavior of individual or groups. Armstrong (2012) had a similar view: 'ethics deals with decision-making, or what is the right and wrong judgement'. Luthens (2013) too believed, ethics deals with moral issues and choices, which is connected to right and wrong behavior in decision making.

Even though scholars had many different views about ethics, authors identified a common thread among the definitions: 'Ethics are concerned with moral principles and values that governs human behavior or conduct, including decision-making behavior of individual or group, on what is right and wrong or what is good and bad'. Further, "moral principles govern an individual/collective behavior or conduct and morality is the principles that governs the distinction between right and wrong or good and bad behavior of individual/groups (Oxford Advanced Learner's Dictionary: p. 826)". Based on the above scholarly

definitions a working definition for ethics was constructed as follows:

*Working definition of Ethics:*

*'Ethics are the philosophical study of morality, or the study of moral beliefs and rules/obligations about the distinction between right and wrong, or good and bad behavior/conduct of individuals or group'.*

##### a) *The Role of HRM functions in EDM*

Scholars have defined HRM in many ways: Opatha, (2009, p.7) defined HRM as "the efficient and effective utilization of human resources to achieve the goals of an organization." Dessler (2013, p.4) defined HRM as a process of key HR functions, such as acquiring, training, appraising, rewarding employees, seeing to labor relations and welfare needs of employees. Many researchers (Lado & Wilson, 1994; Foote, 2001; Kangas *et al.*, 2014) over the past several years have recognized that, HRM functions play a critical role in an organization in creating an ethical context. According to researchers (Palomino & Martinez, 2011 and Parboteeaha *et al.*, 2014), HRM practices are major influences on ethical/unethical decision-making and behavior of employees in organizations. Despite scholarly interest and extensive research conducted on the role of HRM practices on organizational ethical context, investigations on the link 'HRM practices-ethics of employees at work' are yet to be developed (Thite, 2013).

##### b) *Ethical Orientation of HRM (EOHRM)*

EOHRM is relatively a new concept and it had not been discussed until very recently (De Silva & Opatha, 2015; De Silva, Opatha & Gmage, 2016). There is an ethical dimension embedded in the HRM functions of an organization (Armstrong, 2012; Boxall *et al.*, 2007; Greenwood, 2002; Winstanley & Woodall, 2000; Luthans, 2013). In order to maintain justice, fairness and well-being towards its stakeholders, an organization should perform its HRM functions ethically (Armstrong, 2012). This is to exercise social responsibility, or to be concerned with the well-being of employees, and take ethical decisions towards the needs of employees and the community (p. 100). In other words, to take ethical decisions and behave ethically in organizations.

In addition to being concerned on the above aspect, it is equally important to focus the scholarly attention on other possible aspects of the ethical dimension of HRM. This is vital to address the recurring global issues on corrupt behaviors of employees at work. The critical, yet to explore aspect of the ethical dimension of HRM is its novel aspect, EOHRM, or 'the extent to which HRM functions have been directed to create, enhance and maintain ethicality within employees, to generate an ethical work force in the organization'.



In this study, authored developed a working definition to 'ethics': *'Ethics are the philosophical study of morality, or the study of moral beliefs and rules/obligations about the distinction between right and wrong, or good and bad behavior/conduct of individuals or group'*.

Hence, definition of 'ethics' is linked to 'moral principles and values', which governs the human behavior or conduct (individual/collective), on what is right and wrong or what is good and bad. The word 'morality' means, the principles of right and wrong, or what a person should do in order to conform to society's norms of behavior.

Therefore, the concept EOHRM, is related to enhancing ethicality, or moral principles and values of employees in organizations. Thus, when directing HRM functions (acquire, develop, retain), HRM should incorporate ethical criteria in the measurers, in order to enhance ethicality within employees, and generate an ethical workforce. 'Ethicality' is derived from the word 'ethical', which means the moral beliefs and rules or obligations about the difference between right and wrong, or good and bad behavior or conduct of individuals or groups. This process involves functional incorporation of ethics into the HRM framework. This is in contrast to performing HRM functions ethically towards the well-being of its stakeholders, or the 'social' aspect or the CSR-HRM of the ethical dimension of HRM.

In order to generate, enhance and maintain an ethical workforce, the future employees' knowledge,

#### Dimensions Elements

Acquire	Job Analysis, Recruitment, Selection, Hiring, Induction.
Develop	Performance Evaluation, Training & Development.
Retain	Pay Management, Welfare Management, Incentives Management, Management of Promotions, Discipline Management, Grievance Management.

#### c) Ethical Decision-making in organizations

"Decision making generally refers to choosing a course of action from several possible alternatives, in order to achieve a goal or solve a certain problem" (Opatha, 2010, p.123). The Oxford Advanced Learner's Dictionary defines a decision as 'a choice or judgment that you make after thinking and talking about what is the best thing to do'.

An 'ethical decision' is "a decision that is both legal and morally acceptable to the larger community" (Jones, 1991, p. 367). Many early researchers do not mention any substantive definitions for the terms 'ethical' and 'unethical' (Ferrell and Gresham, 1985; Trevino, 1986; Hunt and Vitell, 1986; and Dubinsky and Loken, 1989, as cited in Jones, 1991). This had raised concerns among early researchers, when trying to define ethical behaviour (Cavanagh et al., 1981; Beauchamp and Bowie, 1983; and Jones, 1980, as cited in Jones, 1991). "An understanding of ethical

skills and attitudes should be complimented with ethical values or moral principles. A good Personal Character, and high moral standards are two crucial attributes that an individual should possess, in order to create, enhance and maintain ethicality within the person. HRM functions has a bigger role to play in this major task. Hiring process is the beginning of possessing an ethical work force in an organization. For example, when acquiring new employees to the organization, HRM should act attentively to attract, select and hire ethical candidates to the organization, as the initial step in making an ethical work force in the organization. To achieve this goal, HRM should include ethics screening criteria to the process of 'Acquiring' or to its relevant HRM functions: job analysis, recruitment, selection, and induction. Authors constructed a working definition for EOHRM, based on the definitions of ethics, HRM, and the above understanding on EOHRM:

#### Working Definition of EOHRM:

*"EOHRM is the extent to which HRM functions have been directed to create, enhance and maintain ethicality within employees, in order to make an ethical work force in the organization".*

EOHRM has been operationalized under three dimensions: (i) *Acquire*; (ii) *Develop* and (iii) *Retain*. The dimensions are further divided into elements, as specified below, based on popular scholarly HRM literature (Opatha, 2009; Armstrong, 2012; Jackson & Schuler, 1995).

decision-making in organizations is important to the development of organizational science (Trevino, 1986, p. 601)". "In the present organizational context, where companies are faced with intense competition, increased productivity goals and cost-cutting challenges, many employees feel pressured to cut corners, break rules, and engage in other questionable practices" (Robbins et al., 2013 p.24). Very often employees are faced with 'ethical dilemmas and ethical choices', in which they are supposed to identify right and wrong conduct. That is, if the employees discover illegal activities in their organization, should or should not they decide to tell the authorities concerned (blow the 'whistle' or not)? Do they have to follow unethical orders with which they personally do not agree? Should they give inflated performance evaluations to a subordinator to save the employee's job? and so on. When faced with a complex ethical dilemma and ethical/unethical choices, the decision employee makes

which is 'ethically appropriate' is considered as an 'ethical decision'. In other words, making an ethically appropriate decision is 'choosing a course of action from several possible alternatives, which is in line with the moral beliefs and rules or obligations with regard to right or wrong'. An ethical decisions emerge out of dilemmas that cannot be managed in advance through rules (Clegg, et al., 2007, cited in Armstrong, 2012). "Ethical decision-making (EDM) is the process of evaluating and choosing among alternatives in a manner consistent with ethical principles" (Making Ethical Decisions – Process, May 4, 2016). In the EDM process, it is important to observe and eradicate unethical options and select the best ethical alternative. Based on the above understanding and the scholarly definitions, the authors constructed a working definition for EDM for this study:

*"Ethical decision-making is choosing a decision among several possible alternatives, which is in line with the*

*moral principles and is legally and morally acceptable to the larger community".*

d) *Key research on individual ethical decision-making in organizations*

Many researchers have introduced number of EDM models to explain how individuals would make decision in organizations (Ford and Richardson, 1994). This article focused on few key research articles, including five meta-reviews on EDM, published over the past three decades (Kohlberg, 1969; Hegarty and Sims, 1978; Ferrell and Gresham, 1985; Trevino, 1986; Rest, 1986; Jones, 1991; MacDougall et al., 2014 and meta-reviews on EDM: Ford and Richardson, 1994; Loe et al., 2000; O'Fallon and Butterfield, 2005; Craft, J.L., 2013 and Lehnert et al., 2015). A summary of the selected key research in EDM, including a brief description of the study, findings and authors' observations are presented in Table 1 below.

**Table 1 :** Key research on EDM in organizations over the past 30 years

Author	Year	Description of the study	Findings and authors' observations
Kohlberg (cited in Trevino, 1986: 605)	1969	Developed a process of ethical justification and evaluation.  Characteristics of the moral development levels and stages of an individual define the construct, 'moral judgment'.	Identified six stages of moral development, under three levels for an individual: <i>Level One- Pre-conventional:</i> (i) Obedience and punishment orientation; (ii) instrumental purpose and exchange; <i>Level Two- Conventional:</i> (iii) Interpersonal accord, conformity, mutual expectations (iv) Social accord and system maintenance; <i>Level Three- Principled:</i> (v) Social contact and individual rights and (vi) Universal ethical principles. <b>Observations:</b> - Tests of 'moral judgment' explains how an individual think about an ethical dilemma.
Hegarty and Sims	1978	An experiment relating to EDM, and possibility of kickback payments to purchasing agents.  The EDM has been assessed under different contingencies of reinforcement.	Argued, "unethical decision-making is a combination of personality, cultural and value orientation, and environmental rewards and punishments" (p. 451). Identified combination of factors for unethical or ethical decision-making. <b>Observations:</b> -Model discussed personality, and not the Personal Character of an individual. -Does not explain the influences of Personal Character of decision- maker on EDM or un/ethical behavior.
Ferrell and Gresham	1985	-Proposed a contingency framework (a multi-stage model).	Identified three factors that influence the decision-making of an individual: (i) <i>Individual factors</i> (cognitive): knowledge, values, attitudes, and intention;

Trevino	1986	<p>- Suggested, behavior of employees can be influenced by the social and cultural environment of the individual.</p> <p>-A theoretical study proposed an Interactionist model of EDM.</p> <p>-The components of the model is based on Kohlberg (1969) Cognitive Moral Development Model</p>	<p>(ii) <i>organizational factors</i>: significant others</p> <p>(i) <i>environment related factors</i>.</p> <p><b>Observations:</b></p> <p>-Identified the impact of cognitive aspects of an individual on EDM: knowledge, values, attitudes, and intention.</p> <p>-model does not explain how the direct or indirect influence of personal character would affect EDM.</p> <p>Presented a Person-Situation Interactionist Model.</p> <p>EDM is influenced by both individual and situational factors.</p> <p><b>Individual factors:</b> ego strength, field dependence, locus of control.</p> <p><b>Situational factors</b> arising from the elements of immediate job context: reinforcement, other pressures.</p> <p>The above individual factors and situational factors moderate the 'cognition and ethical/unethical behavior' relationship of an individual in an ethical dilemma.</p> <p><b>Observations:</b></p> <p>-Explains how 'moral judgment' is moderated by individual and situational factors.</p>
Rest	1986	<p>-Introduced a four component model for individual EDM and behavior as a process.</p> <p>-extends Kohlberg's (1969) conceptualization of morality.</p>	<p>Four stages of an EDM process: Awareness, Judgment, Intension and Behavior.</p> <p>Each stage is conceptually distinct from the other.</p> <p>Any deficiency in one of the four stages will result in unethical decision-making of the individual.</p> <p><b>Observations:</b></p> <p>-Silent on the influence of any moderators or mediators at the four stages of EDM process.</p>
Jones	1991	<p>In contrast to the existing models, this study focused on the characteristics of the ethical issue itself.</p>	<p>Introduced an '<i>Issue-contingent model</i>' for EDM.</p> <p>Proposed a new set of variables called '<i>Moral Intensity</i>', considering the characteristics of the moral issue.</p> <p>EDM is also contingent on moral intensity (MI) of the ethical situation.</p> <p>Issues high in MI are probable to have a greater influence on the EDM process than the ones low in moral intensity.</p> <p><b>Observations:</b></p> <p>-Model depends on Rest (1986), to explains how MI influences on EDM.</p> <p>-It investigated how factors of 'MI' influence the EDM process, but had ignored the influence of ethical issue itself on the four steps.</p> <p>-Model does not explain how morality of an individual influences EDM.</p>

MacDougall et al.,	2014	-Conducted a review and a critique on the Progression of prominent theories in EDM literature.	<p>Examined behavioral ethics and key EDM frameworksPublished from Kohlberg (1969) to Mumford et al., (2008).</p> <p>Identified models/theory on EDM: Cognitive Development Approach to EDM (Kohlberg 1969; Rest 1986); Person-Situation Interactionist Approach to EDM (e.g., Trevino, 1986; Trevino et al., 2006); Issue-Contingent Approach to EDM: (e.g., Jones ,1991); Neurocognitive Approach to EDM (e.g., Reynolds, 2006) and Sense-making Approach to EDM (e.g., Sonenshein, 2007).</p> <p><b>Observations:</b></p> <p>-This meta-review gives a thorough analysis of the existing models and theory in EDM.</p> <p>-Suggests Individual factors: personality, locus of control, personal goal attainment, expertise in EDM, and ethical violations as potential factors influencing EDM with regard to future research</p>
Ford and Richardson	1994	<p><b>A meta-review:</b></p> <p>-Reviewed to find out which variables are influencing ethical believes and EDM.</p>	<p>Identified two sets: Individual and Situational factors</p> <p><b>Individual Factors:</b></p> <p>nationality, religion, sex, age,education, employment and personality (only some traits).</p> <p><b>Situational Factors:</b></p> <p>referent groups, reward and sanctions, code of conduct, type of ethical conflict, organization effect; industry and business competitiveness.</p> <p><b>Observations:</b></p> <p>-Above factors represent the sum total of the life experiences and circumstances of birth, an individual brings into its decision-making process.</p>
Loe et al.	2000	<p><b>A meta-review:</b></p> <p>-Summarized and categorized the multitude of empirical research on EDM into four groups.</p>	<p><b>Categorized the factors as follows:</b></p> <ol style="list-style-type: none"> <li>(1) <i>Awareness</i></li> <li>(2) <i>Individual factors:</i> Cognitive moral development, Moral philosophy, Gender, Age, Education and work experience, Nationality, Religion, Locus of control and Intent</li> <li>(3) <i>Organizational factors:</i> Opportunity, Codes of Ethics, Rewards and sanctions, Culture and climate, Significant others'</li> <li>(4) <i>Moral intensity</i></li> </ol> <p><b>Observations:</b></p> <p>-No analysis was done on the findings of thestudies. Only summarized and categorized.</p>
O'Fallon and Butterfield	2005	<p><b>A meta-review:</b></p> <p>- This is a critique and a summary of EDM research conducted from 1996 to 2003.</p> <p>- Included 174 articles published in high-ranking business</p>	<p><b>Categorized the findings by the Dependent Variables under four sets:</b></p> <p>(i) Awareness; (ii) Judgment; (iii) Intent and (iv) Behavior.</p> <p>185 Studies on Judgment, and 28 on Awareness.</p> <p><b>Independent variables under three sets:</b></p> <p>(i) individual factors ; (ii) organizational factors and</p>

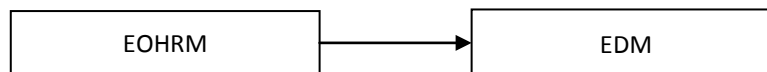


Craft, J.L.	2013	<p>journals.</p> <p><b>A meta-review:</b> Summarized the studies on EDM from 2004 to 2011.</p>	<p>(iii) Moral Intensity. 270 studies on Individual Factors. 52 studies on organizational factors. 32 studies on Moral Intensity.</p> <p><b>Observations:</b> -A popular study among EDM researchers, as it provides many insights for future research.</p> <p>Dependent variables summarized as Rest (1986) model, EDM stages: awareness, judgment, intent and behavior.</p> <p><b>Observations:</b> -Similar to O'Fallon and Butterfield (2005) study. An extension of this meta review.</p>
Lehnert et al.	2015	<p><b>A meta-review:</b> Reviewed four key meta-reviews in EDM (Ford and Richardson, 1994; Loe et al., 2000; O'Fallon Butterfield, 2005 and Craft, 2013).</p> <p>Covered over 400 published articles on empirical research in EDM, over past 35 years.</p> <p>Review built on Craft (2013), adding 57 published to extend up to 141 articles.</p>	<p>Positive trend on integrating EDM research into various business disciplines.</p> <p>Continuing interest to research on EDM under Rest (1986).</p> <p>Judgment, Intent and Behavior were popular research areas up to 2005.</p> <p>Marked drop in studies investigating moral behavior on EDM (Craft, 2013; Lehnert et al., 2015).</p> <p>More future research needed on interaction effects (moderators and mediators) on EDM as only 8% of the total studies have investigated such effects.</p> <p><b>Observations:</b> -A very comprehensive meta review on EDM research. -Previous meta-reviews have only focused summarizing results, under Rest (1986) model four stages of EDM process. -In contrast, this meta- review had identified moderators (30 studies) and mediators (23 studies) that influence the EDM of individuals in organizations. -It had highlighted key statistical and methodological concerns and trends in EDM research, which is a great contribution to EDM literature. -A good contribution for future research on EDM.</p>

e) *Key research gaps in Ethical Decision-making (EDM)*

The above literature (Table 1) included a substantial amount (over 400 researches) of important theoretical and empirical research findings in EDM, conducted over the past 30 years. Through a detailed

analysis of the literature, authors identified six key research gaps in EDM in organizations, based on the influence of EOHRM. The gaps are discussed in detail, and finally directed towards an integrated conceptual model in EDM, towards future empirical research.



**Gap 1:** The influence of Ethical Orientation of HRM on Ethical Decision-making in organizations

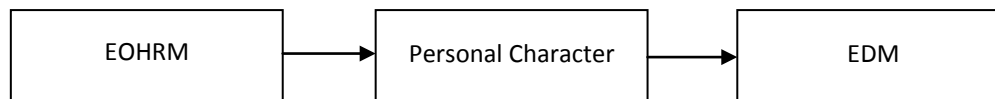
According to the existent research findings (Table 1), there are various factors that could influence EDM in organizations: *Individual factors* (cognitive: knowledge, values, attitudes, and intention;

*organizational factors* (significant others) and *environment related factors*, as in Ferrell and Gresham (1985); *individual and situational factors* as in Trevino (1986); four stages of *EDM process* (awareness,

*intensity, intent and behavior*) as in Rest (1986), *Moral Intensity of a moral situation* as in Jones (1991). Further, the five meta-reviews (Table 2) analyzed over 400 articles on EDM and identified number of factors that influence EDM in organizations. However, none of the existing studies have explored the influence of EOHRM on EDM in organizations. There are no theoretical arguments or empirical findings which suggested a relationship between EOHRM and EDM. It revealed that, the influence of EOHRM on EDM has neither been theoretically argued nor empirically tested in the local context, probably in the global context.

EOHRM is a new concept in HRM literature, and it is 'to direct HRM functions to create, enhance and

maintain ethicality within employees, in order to make an ethical work force in the organization'. There is no existing research on how ethically oriented HRM functions in major HRM fields (acquire, develop and retain) would influence EDM of employees at work. Since it is a novel concept in HRM, the influence of EOHRM on various other constructs, including EDM, has not been theoretically or empirically investigated in the existent literature, locally or internationally. Hence, the influence of EOHRM on EDM in organizations has been considered as the main research gap in this article. Based on this argument, authors identified further research gaps in EDM in organizations.

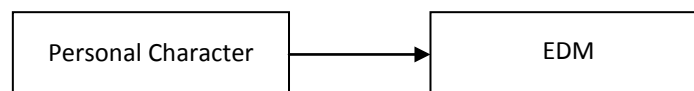


Gap 2: Interactive effect of Personal Character of employee on the relationship of 'EOHRM and EDM'

According to the recent meta-review of EDM (Lehnert et al., 2015, p. 198), "research during the past decade has enriched the EDM literature by exploring relatively unexplored, but important moderators of the EDM process ..., however, there is still a wide variety of moderators which need to be further investigated or validated to better understand the EDM process." Supporting this scholarly view, authors identified that there are no theoretical arguments or empirically tested results on the mediating or moderating effects of the 'Personal Character' of an individual, on the relationship 'EOHRM and EDM'. In other words, there are no previous research conducted on how the EOHRM and EDM relationship would be influenced by the 'Personal Character' of the employee in an organization. Hence, there is a research gap with regard to the interacting effect (as a mediator/moderator) of Personal Character of the employee, on the relationship 'EOHRM and EDM' in an organization.

Further, there may be number of other factors affecting the above link, EOHRM and EDM, as

moderators or mediators, which had not been captured under the existent literature (Table 1). However, authors considered the 'Personal Character' of an employee as a key influence on the above link due to its salient attributes, considered important in this relationship. As Opatha (2010) argued, the totality of persistent moral qualities of a person is reflected by its 'Personal Character'. Personal Character is defined as "a person's moral attributes" (Opatha, 2009, p. 17). This is the "degree to which a person has virtues (e.g., honesty, patience, tolerance, respect) and vices (e.g., greed, jealousy, anger, stinginess)" or, "it is a person's degree of morality and immorality (p.3)". The attributes of virtues and vices further highlight the importance of the influence of Personal Character of the employee in EDM. Hence, it is important to consider research gaps in EDM involving the Personal Character of the employee or decision-maker in organizations.



Gap 3: The direct influence of 'personal character' of an employee on EDM'

There are no theoretical arguments or empirically tested evidence on a direct relationship between Personal Character of an employee and EDM in an organization, specifically in the Sri Lankan context. In the international context too, there are only a few research investigating the effect of different aspects of Personal Character (benevolence, empathy, compliance, retaliation, intelligence, self-control) of an individual on EDM (Lehnert et al., 2015). According to the existent research and meta-reviews on EDM (Table

2), many early studies (Kohlberg, 1969; Trevino, 1986; Jones, 1991; Rest, 1986; O'Fallon & Butterfield, 2005) have focused on the cognitive development of 'moral stages' of the individual, in the process of EDM. Some researchers (Jones, 1991) had investigated the influence of 'moral intensity' and 'moral objective' of a moral situation on EDM in organizations. Almost none of the existent studies have explored the direct or indirect influence of Personal Character of the employee, with the composite effect of virtues and vices (discussed

under Gap 2 above), on EDM. Authors noted that, there are three studies out of the 337 in the meta-review of Lehnert, et al., (2015), have examined the influence of Machiavellianism on EDM. However, Machiavellianism is considered as a personality trait, and not an attribute of the Personal Character of an individual. Hence, the

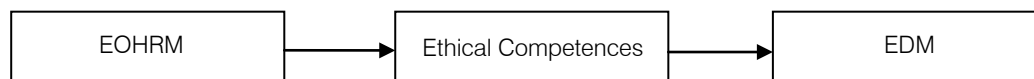
study identified that, there is much potential in exploring the direct impact of various attributes of Personal Character of an individual on EDM. Hence, this unexplored domain is identified as a research gap in EDM in organizations.



**Gap 4:** Interactive effect of Ethical attitude of employees on the relationship 'EOHRM and EDM'

An 'attitude' has a significant impact on human behavior (Opatha, 2015). Dunham (1984), cited in Opatha (2015, p. 74) identified that, an 'attitude' has three different components: Cognitive (beliefs), Affective (feelings) and Behavioral (intention to behave in a particular manner). Robbins & Judge (2013) too had a similar view as they argued that, an 'attitude' is an evaluative statement/judgement about objects, an individual or an event, and it is made of three components: cognitive, affective and behavioral.

According to the literature (Table 1), the indirect influence (as a mediator/moderator) of 'ethical attitude' of the employee on the link, EOHRM and EDM, has neither been theoretically argued nor been empirically tested in the Sri Lankan context, and perhaps in the global context, as EOHRM is a new construct. Hence, this is considered as a key research gap in EDM literature.



**Gap 5:** Interaction effect of 'Ethical competence of employees' on the relationship 'EOHRM and EDM'

Literature review identified that, there are no previous theoretical arguments or empirically tested results on the interaction effect of Ethical Competence of employee' on the link, EOHRM-EDM. In this article the construct 'Ethical Competence of employee' has been operationalized under two dimensions: (i) Skills about ethics and (ii) Knowledge about ethics. The analysis of the above literature revealed that, there are no previous theoretical or empirical studies investigating the interaction effect of Ethical Skills and Ethical Knowledge of employees on the relationship EOHRM and EDM in organizations. Bridging this research gap in EDM is very important, to explore the EDM patterns of managers in business organizations. Hence, propose this as a key research gap in EDM.

**Gap 6 :** The influence of EOHRM on EDM, with total interaction effects of ethical attitude, ethical competence and personal character of employees in organizations.

Literature (Table 1) identified that, no existent study had neither theoretically argued, nor empirically tested, the influence of EOHRM on EDM, with the composite interaction effects of the three variables considered: ethical attitude, ethical competence and personal character of employee. This gap in EDM literature exists specifically in the local context, perhaps in the global context, as EOHRM is a novel concept in HRM literature. Hence, authors consider this as a key research gap in EDM.

#### f) *Proposed Conceptual Model for EDM*

Based on the literature review (Table 1) and the above specific six research gaps identified, authors proposed an integrated, Conceptual Model for EDM in organizations (Figure 1). It is a multi-level model with five variables: EOHRM, Ethical Attitude, Ethical Competence, Personal Character of employees and EDM in organization. In this model, the three variables: Ethical Attitude, Ethical Competence and Personal Character of employees are proposed as mediating variables, that could influence the direct relationship between EOHRM and EDM.

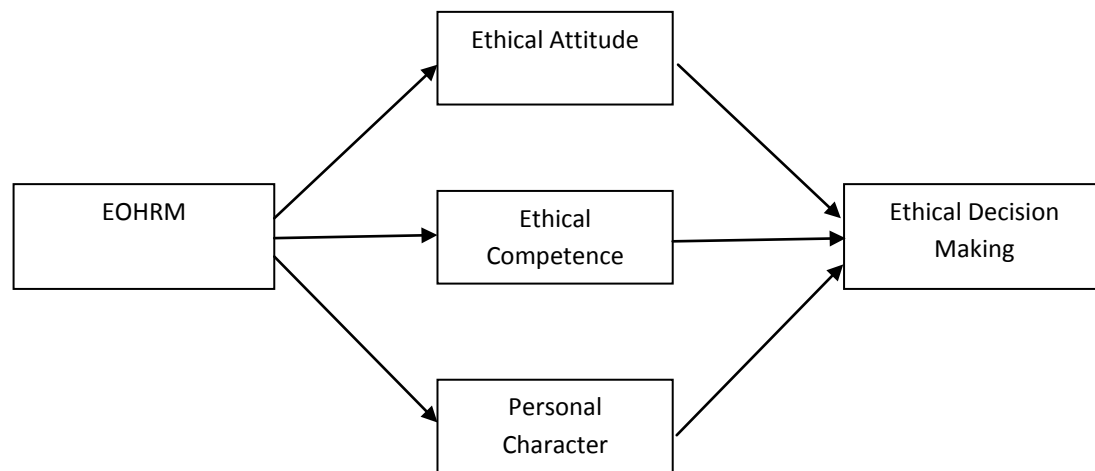


Figure 1: Proposed Integrated Conceptual Model for EDM in organization

## V. RESEARCH LIMITATIONS

This study was limited to identifying the direct influence of EOHRM (acquire, develop, retain) on EDM, with mediating or moderating effects of three variables only: Ethical Attitude, Ethical Competence and Personal Character of employees. There may be other individual, situational and external variables etc., directly or indirectly influencing the link, EOHRM-EDM. Hence, based on other factors, there may be different theoretical and empirical research gaps in EDM in organizations. This fact is considered as a limitation in this study.

## VI. CONCLUSION

The study reviewed key research articles on EDM, including five meta-reviews, published in refereed journals over the past 30 years. Authors identified six theoretical and empirical research gaps in EDM in organizations, in global and Sri Lankan context. Most of the previous EDM models were based on the four stages of EDM process, introduced by Rest (1986): awareness, judgment, intent and behavior. In contrast, the proposed EDM Model is based on six specific research gaps identified through existent literature on EDM, based on a novel concept, EOHRM. Based on the findings, this article proposed a multi-dimensional, integrated conceptual model for EDM in organizations. The existent literature has not investigated the influence of EOHRM on EDM. Hence, there is much potential in theoretical and empirical research in EDM, to explore the interacting effects of various factors on the relationship, EOHRM and EDM. Further, authors proposed three mediating variables: Ethical Attitude, Ethical Competence and Personal Character of employees, on the relationship between EOHRM and EDM in organizations. The identified six research gaps on EDM would formulate research questions, research objectives and relevant hypotheses, in order to guide

empirical research in the future. This article adds new theoretical knowledge to HRM, OB and EDM literature and has value in future research in EDM.

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