Factors Influencing the Ethical Decisions of Small Business Owners and Managers in Emerging Markets: the Case of India

La Toya M. Russell

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FACTORS INFLUENCING THE ETHICAL DECISIONS OF SMALL
BUSINESS OWNERS AND MANAGERS IN EMERGING MARKETS:
THE CASE OF INDIA

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Date of Defense

________April 12, 2019_______
DEDICATION

To my parents, Frederick and Pauline Russell, who have always gave me encouragement and prayed for me when I wanted to give up!! You were always in my corner rooting for me and I am the woman I am today because of you!! To my sisters, Kaneita and Stacyann, who never let me give up!!! To my cousin, Susan Lauder, who is no longer with us but who is truly missed every day. SusieQ, this is for you!!!!!
ACKNOWLEDGEMENTS

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FACTORS INFLUENCING THE ETHICAL DECISIONS OF SMALL
BUSINESS OWNERS AND MANAGERS IN EMERGING MARKETS: THE
CASE OF INDIA

LA TOYA M. RUSSELL

ABSTRACT

For decades, research has shown the importance of ethics in the business environment. With the increased internationalization of corporations, the need for a focus on international business ethics has also increased. To date, research has predominantly focused on business ethics in large firms and the factors that affect the ethical decision-making processes of the managers and executives in these firms. What appears to be limited in literature is ethics and ethical decision-making as it relates to small businesses. With the economic importance of small businesses, this area of research needs to be explored especially from a cross-cultural basis. This dissertation helps to fill that gap. Building on existing research, this study seeks to explore the factors that contribute to and influence the ethical decisions of small business owners and managers in an emerging market, specifically India. The methodology and tests used in this study will provide a foundation to better understand how these ethical factors affect the ethical decisions of small business owners and managers in emerging markets.
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CHAPTER I
INTRODUCTION

A. Background

Ethics is an important branch of philosophy that focuses on morals and values and the interest in ethics and ethical codes has been around for a long time (Yücel et al., 2009). Business ethics is a critical part of doing business for any organization. Research in business ethics has been conducted for many decades and the information has assisted firms in when faced with ethical situations while conducting business domestically and internationally. While there is a tremendous amount of ethics research conducted, the focus has predominantly been on large firms (Spence, 1999). Research of ethics in small firms (i.e. small business ethics) has received little attention from business ethics researchers. In their 2008 article, Marta et al. state that there is very little know about the ethical decision making processes of entrepreneurs and small business owners. In addition to the limitations in small business ethics research, there is also limitation in the research the ethical decision-making processes of small business owners and managers. This is a potential concern because the entrepreneurial process is a crucial factor in economic development and the entrepreneur is the key to economic growth (Sarfaraz et al., 2014).
Small business and entrepreneurship may now be commonly seen as the primary engine for economic development (Spence & Rutherford, 2003). According to the 2017 United States Small Business Administration report, there were over 29.6 million small businesses in America in 2014. In a World Bank study, it was suggested that there are between almost 400 million micro, small and medium sized enterprises worldwide. Based on these statistics, it is clear that small businesses play a critical role in a country’s national economy as well as play a critical role in the world economy.

Management practices in small and large firms tend to differ in various aspects as well. Small firms tend to be independent, owner-managed and can be stretched by multitasking, limited cash flow, built on personal relationships, mistrustful of bureaucracy and may be controlled by informal mechanisms (Spence, 1999). The fact that these owners have to take on multiple tasks to keep the organization afloat, business ethics may not be on the list of things they want to address or have the ability to address.

In comparison to large firms, small businesses may be more profit oriented and therefore tolerant of unethical practices since their financial welfare may be at stake (Longenecker et al. 1989; Mayo, 1991). In terms of organizational resources, small businesses may not be able to afford the specialists (for example, a public relations personnel, etc.) to address or handle ethical problems and in turn may not be able to contend with political issues and/or government interference which can hamper foreign trade (Mayo, 1991). Small companies typically employ fewer professional specialists, operate with less formality, and may reflect to a greater degree the personality and attitudes of the small business owner and/or the entrepreneur (Longenecker et al., 1989). Since the dynamics of a small firm are different from that of a large firm, the implication
is that the ethical issues of small firms may be different from the ethical issues of small large. These ethical issues may likely be influenced by the characteristics specific to the small firm (Spence, 1999) as well.

Small businesses in different economies face different constraints. This may be due to the different business environment influenced by the level of development and the policies set in varying countries (Nganga, 2012). Based on this, one may infer that the policies set may create ethical issues as well as affect the ethical decision making process of the small business owner and manager. In addition to these policies, these ethical issues the small business owner and manager may encounter may be dependent on the country in which their small business is conducting business.

Small businesses are critical to developed countries but the role of small businesses differ from those in developing countries (Coad & Tamvada, 2012). One major reason why micro and small businesses exist in developing countries is that they offer individuals a source of independent revenue (Coad & Tamvada, 2012). India is an example of a developing economy with a growth of small businesses. According to the Europe – India SME Business Council, the small and medium enterprises (SME) sector of India is considered the backbone of the economy. SMEs contribute 45% of the industrial output, 40% of India’s exports. SMEs also employ 60 million people and is responsible for the creation of 1.3 million jobs annually. Based on this, and the continued growth of India’s SME sector, research is needed to determine how ethics plays a role in these small business owners and managers day to day life. The decision-making processes of these owners and managers in India should be explored.
As stated earlier, ethics research related to small businesses is limited. Research related to ethical behavior and decision making processes of small business owners and small business managers need to investigated further. Additionally, research on small business ethics from an international business perspective would prove to be beneficial to academics as well as practitioners. To date, ethics research has predominantly focused on large firms from a Western perspective with little consideration to how small firms are affected by ethics from an international perspective.

This area of research is critical because there is limited understanding of the ethical decision making processes of entrepreneurs, small business owners and small business managers. The ethical beliefs of entrepreneurs and small business owners may be challenged more than those of managers in large firms. In large firms, the ethical behavior of its managers may be driven by the ethical codes or policies already established or written for the firm. Large firms tend to have their ethical policies documented and presented to their employees. These ethical policies are more likely to be known and understood by the firms employees. There is also a belief that a smaller firm or a “Mom and Pop” business may be more ethical than a large firm. This is not necessarily the case. The ethical behavior of a small business tends to be based on the belief system of the owner and these beliefs may not be documented. If this owner is not an ethical person or is in a situation where his or her financial survival is at risk, behaving ethically may not be the most important concern.

With globalization increasing at such a vast rate, more small business owners will likely want to tap into this international market that may have eluded them before. Small businesses now have the opportunity to access these markets. However with those
opportunities come new ethical challenges. These ethical challenges may affect the growth and the success of the small business. It stands to reason that since large firms face ethical challenges during international business transactions, small business will face ethical challenges as well. Additionally, these challenges may very well lead to loss of business and revenue for that small business.

B. Research Questions/Hypotheses

This study focuses on the following research questions:

1. To what extent does the Stakeholder Theory explain the ethical decision making factors of small business owners and small business managers?

2. To what extent does the Integrative Social Contracts Theory explain the ethical decision making factors of small business owners and small business managers as it relates to society and the corporate social responsibility of their firms?

3. How does the personal moral philosophy, idealism, influence the small business owner’s or small business manager’s perceived importance of ethics?

4. How does the personal moral philosophy, relativism, influence the small business owner’s or small business manager’s perceived importance of ethics?

5. How does the personal moral philosophy, idealism, influence the small business owner’s or small business manager’s perception of ethical problems?
6. How does the personal moral philosophy, relativism, influence the small business owner’s or small business manager’s perception of ethical problems?

7. How does the small business owner’s or small business manager’s perceived importance of ethics influence his or her perception of an ethical problem?

8. How does the small business owner or small business manager’s perceived importance of ethics influence his or her ethical intention?

9. How does the small business owner’s or small business manager’s perception of an ethical problem influence his or her ethical intention?

C. Purpose of Study and Research Gap

There is a gap in research in terms of the ethical decision-making processes of small business owners and small business managers. Marta et al. (2008) state that there is very little known about the ethical decision making processes of entrepreneurs and small business owners. The primary purpose of this study is to examine the ethical factors and determine how these factors affect the ethical decisions and ultimately the ethical intention of small business owners and small business managers in an emerging market [India]. Given the increase in the globalization of business and the lack of research on the ethical decision making processes of small business owners and managers, this study will give academics and firms a better understanding on how to approach situations ethically based on the country they are conducting business in.
The other purpose of this study is to understand how small business owners and small business managers react to certain ethical situations they are presented with. This information will ultimately provide a starting point for understanding the ethical decisions of small business owners and managers in an emerging market and help businesses in developed countries come up with a strategic approach on how to handle certain ethical situations when conducting businesses in these markets.

D. Contribution of the Study

With the growth in the amount of small businesses worldwide, there needs to be a better understanding of how small business owners and small business managers make ethical decisions. There also needs to be an understanding of ethical factors that influence ethical decisions of these owners and managers especially from a cross-cultural context. This study contributes to the growing body of ethics research and literature by exploring how the ethical factors influence business people in an emerging market with a focus on small business owners and managers in India.

This research explores these factors in detail and eventually shows how these factors affect the ethical intention of the small business owner and small manager in India. By focusing on small business owners and managers in emerging markets, specifically India, this study fills the gap and taps into a body of research that will potentially assist academicians in the classroom, helps practitioners in their day to day professional situations as well as contributes to existing research empirically. To date, the researcher has not found this done in ethics research using an emerging market. This too adds to the body of research.
Stakeholder Theory and Integrative Social Contracts Theory are also used as the theoretical frameworks that underpin the practical guidance to attempt to explain the ethical decision making process of small business owners and managers in India. These theories are considered normative theories and tend to focus on what we should do when faced with ethical situations. Stakeholder Theory addresses the morals and values in managing an organization (Javalgi & Russell, 2018). It states that a firm’s management obligations is not limited to maximizing the firm’s profit, but it also includes considering the interests of all the firm’s stakeholders. These stakeholders are stockholders, employees, customers, and suppliers.

The Integrative Social Contracts Theory was designed to strengthen the ethical decision making process by requiring managers to consider their impact to relevant communities while at the same time, insisting that these managers ask themselves whether their decisions implicates universal moral principles (Dunfee, 2006). Integrative Social Contracts Theory has been used in ethics research when discussing cross-cultural ethical conflicts (Hamilton, Knouse & Hill, 2009) as well as when discussing bribery and corruption (Schwartz, 2009) on a global level.

E. Development of Research

The layout of the paper proceeds as follows. The subsequent chapter is a comprehensive literature review of the definition and concepts of ethics, business ethics research, small business ethics, international business ethic, as well as a discussion of the constructs being used in this study. The third chapter consists of the theoretical foundation of this study and an in depth discussion of the theoretical frameworks of Stakeholder Theory and Integrative Social Contracts Theory. The fourth chapter consists
of the conceptual model and hypothesis development. It includes the description of the proposed constructs, support of the constructs and the hypotheses that will be tested. The fifth chapter will discuss the research design and methodology. Chapter six will discuss the findings and chapter seven will discuss contribution to the body of ethics research and managerial implications.
CHAPTER II
LITERATURE REVIEW

A. Ethics: Definition and Concepts

Ethics has been historically important branch of philosophy that focuses on morals and values (Yücel et al., 2009). It has been defined as the “inquiry into the nature and grounds of morality where the term standards, and rules of conduct” (Taylor, 1975; Hunt & Vitell, 1986). Sometimes the term of ethics are used interchangeably with morals, however, it is more accurate to restrict the terms morals and morality to the conduct itself. Instead we can then use the terms ethics and ethical to refer to the study of moral conduct or to the code an individual follows (Tsalikis & Fritzsche, 1989). We should be careful not confuse morals or morality with values. To make a distinction between values and morality, values provide us with guidance as we determine right versus wrong, good versus bad. They are our standards (Javalgi & Russell, 2018). Morality, on the other hand, refers to patterns of thought, action, and decision that operates in day to day life (Brinkmann, 2002). Morals are values (e.g. honesty, integrity) which we attribute to a system of beliefs (e.g., religious and political).
Ethics is about our actions and decisions (Javalgi & Russell, 2018). Ethics broadly communicates the concepts such as right or wrong, good and evil, virtue and vice, and of being held accountable in this manner (Brinkmann, 2002; Ferrell et al., 1989). Based on the definitions given in extant research, one may infer that ethics not only deals with an individual’s value system, but it also addresses an individual’s morality and actions as well.

In the business context, we may find ethical differences between small businesses and large firms. These ethical differences may be more pronounced within an international context as well. For the small business owner and manager, their ethical standards, values and belief systems may differ in their homes and host countries. These differences may have an effect on the way these small business owners and managers handle business situations from country to country (Robertson & Crittenden, 2003) as well as lead to ethical problems in areas such as international marketing. These ethical problems have the potential to lead to corruption, bribery and gift giving and could potentially affect the level of success of the business.

B. Business Ethics Research

Ethics should be considered an important aspect of business for anyone wanting to or are already in the process of conducting business transactions with multiple parties. The majority of situations that business people may face do not necessarily involve strictly legal matters; they may have to make judgments concerning what is “right” or what is considered the ethical thing to do (Tsalikis & Fritzsche, 1989). It is entirely possible that, business people may not encounter situations that are legally questionable and may do everything that is legally right. However that does not mean that they are
not faced with situations that may have them questioning their own morals or ethical beliefs in the way they do business. They may even question what they are doing and/or what they are trying to accomplish from a business perspective.

There have been approaches made to attain high ethical standards in business using multiple approaches. One of these approaches is the implementation of ethical codes. Codes of conduct is considered one of the most pervasive responses used by the business community as a whole as a way to improve ethical conduct (Tsalikis & Fritzsche, 1989). Businesses have also resorted to “institutionalizing ethics” as a means of ensuring that ethical practices in business are being performed. Institutionalizing ethics means that the business is incorporating ethics formally and explicitly and making it a normal part of daily business life. This may include implementing formal codes of conduct into corporate policy making at the upper echelon of the organization as well as integrating ethics into daily decision making and work practices for all employees (Tsalikis & Fritzsche, 1989).

Immanuel Kant was a German philosopher and a great contributor to the field of ethics. Kant argued that moral principles could be derived from practical reason alone. He believed that whenever an individual makes a decision, we act on a maxim, which was Kant’s version of intentions. He also thought that morality could be considered a “set of laws”, decision rules, or principles that are the same for everyone and could be applied to everyone. Based on his reasoning, Kant developed the test, the “Categorical Imperative” in order to determine whether acting on a particular maxim is right or wrong. Table I identifies these decision rules.
<table>
<thead>
<tr>
<th>Decision Rules/Ethical Maxims</th>
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<tr>
<td>The Golden Rule</td>
<td>“act in the way you would expect others to act toward you”</td>
</tr>
<tr>
<td>The Utilitarian Principle</td>
<td>“act in a way that results in the greatest good for the greatest number”</td>
</tr>
<tr>
<td>Kant’s Categorical Imperative</td>
<td>“act in such a way that the action taken under the circumstances could be universal law or rule of behavior”</td>
</tr>
<tr>
<td>The Professional Ethic</td>
<td>“take only actions which would be viewed as proper by disinterested panel of professional colleagues”</td>
</tr>
<tr>
<td>The TV Test</td>
<td>“a manager should always ask: “would I feel comfortable explaining to a national TV audience why I took this action””</td>
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Table 1: Source (Laczniak, 1983; Tsalikis & Fritzche, 1989)

These maxims may have been loosely used to govern our everyday life. For example, another way to state the meaning of the Golden Rule is to say “do unto others as you would have them do unto you”. The Utilitarian Principle addresses our actions benefiting the most people versus our actions only benefiting a few individuals. Kant’s Categorical Imperative also addresses our actions benefiting the greater good. The Professional Ethic addresses our actions and how they can be correctly viewed by our colleagues. Finally, The TV Test encourages us to think about how comfortable we would be disclosing our actions to millions of people before actually performing these actions. While we may not be familiar with the names of these maxims/decision rules, they might have governed our behavior in some small way.

While these maxims may be considered valuable, they are considered limited ethical frameworks which have hampered the analysis of ethics by managers. Researchers have criticized the use of maxims. They make the claim that previous literature shows ethical decision rules have been limited to the “citation of simple ethical maxims” Lacznia (1983). In other words, these ethical decisions rules have been made to seem simplistic or
stated in the form of adages as opposed to actual rules an individual should consider following closely. In the area of marketing, these maxims may have also caused marketing educators some discomfort when discussing the issues encountered in ethics while teaching in the classroom (Laczniak, 1983). Due to the simplicity and limitations of these, marketing managers and marketing educators may not be able to utilize them in business or research.

There are lessons to be learned about ethics in a business setting. DeGeorge (2000) shares five lessons that managers as well as researchers should consider adhering to. First, the ethics “movement” is not a fad. It is not only increasing, but it is increasing on an international level. Second, based on experience in business, ethical businesses require ethical people. For example, the head of the organization would need to be an ethical leader in order to have influence on his or her employees to behave ethically. That is to say that they have to set the “organizational ethical tone” so to speak. These leaders have to set an ethical standard that exhibits ethical behavior that will pervade at all levels of the organization. This becomes more critical for small businesses.

Third, DeGeorge (2000) states that ethical structures are important, especially in businesses. Businesses can structure their systems to reward ethical behavior instead of rewarding unethical or amoral behavior. Fourth, some ethical problems cannot be resolved by ethical people or ethical companies. This may be due to things such as inadequate laws or corrupt governments in home or host countries. Finally, in the area of international business, self-regulation or self-monitoring by companies and industries is important but may not be enough. For example, international agreement that bribery is unethical and made illegal before the issue of bribery could be addressed.
In his 2015 article, Enderle discusses the Three-Level Conceptions of business ethics and the four types of international relations that a small business owner or manager should consider before expanding their small business internationally. The three levels are the micro-level which comprehends individuals (persons), the meso-level which comprehends business ethics of organizations, and at the macro-level which comprehends business ethics of systems. At the micro-level individual or personal relations may be able to stretch across national borders (i.e. managers, employees with cross-national ties). At the meso-level, organizations may have relations cross-nationally in terms of it being a multinational organization. Finally at the macro-level, relations within systems have the possibility to transcend national borders with things such as bilateral agreements and treaties (Enderle, 2015).

Enderle (2015) also identifies four types of international relations. They are called the foreign country type, the empire type, the interconnection type, and the globalization type. The foreign country type describes the relationship of a small economy or small company within a foreign country. With this type, managers may have to adapt to the rules and business practices of the host country. In terms of ethics, the foreign country type implies ethical relativism. In other words, the ethical standards that business managers are expected to follow are given by the host country while disregarding ethical standards of the business managers home country. The empire type characterizes international relations as a cross-national expansion of domestic relations without significant modification. In terms of ethics, the empire type implies ethical imperialism where the pertinent ethical standards are given by the home country. In
other words, the values and norms from the home country are imposed while the adaption
and adjustment to the host country’s values and norms are excluded.

The interconnection type may be illustrated by how different and how
interconnected international and domestic relations are. That is to say, based on what is
beyond national borders, there may be an impact on international relations as well as
domestic relations. They are intrinsically interconnected. In terms of ethics, the
interconnection type implies the reciprocity where the ethical standards are given by and
are pertinent to the home and host countries. Finally, the globalization type implies that
national borders are no longer relevant. With this type, multinational firms may change
to global entities and national states may fade away. In relation to ethics, the
globalization type implies a universal ethic where the relevant ethical standards apply to
all actors on the planet regardless of their differences in local traditions and differences in
their cultures (Enderle, 2015). By taking the time to understand these concepts, a small
business may be better positioned for a successful business outcome.

2.1 Hunt-Vitell Theory of Ethics

When discussing ethics and ethics research, especially in the discipline of
marketing, one has to discuss the contribution of Shelby Hunt and Scott Vitell in this area
of research. In 1986, Hunt and Vitell developed a conceptual framework, now called the
Hunt-Vitell Theory of Ethics, to visually explain the decision-making process for
situational problems that have ethical contents. This model is considered to be one of the
most complete representations of the ethical decision-making process (Vitell, Ramos, &
Nishihara, 2010). Figure 1 identifies this model. The initial article is said to be
descriptive rather than prescriptive (Hunt & Vitell, 1986) and the model is used to
explain the decision-making process for situations involving an ethical problem. In other words, it focuses on what the individual ought to do (prescriptive) when going through their ethical decision-making process as well as what they actually do (descriptive) during that process. Hunt and Vitell (2006) also make it a point to state that this model is not a causal model of ethical decision-making but instead a process model of ethical decision-making.

The Hunt-Vitell model (now being referred to as the H-V model) addresses the situation where an individual confronts a problem that is perceived to have an ethical content (Hunt & Vitell, 2006). The perception of an ethical problem is what triggers the process. If an individual does not perceive a problem as having an ethical component or content to it, this process will never be triggered. Once the individual perceives that there
is an ethical situation, he or she will look at the perceived alternatives that they are aware of at that time in this process. Since the individual will not recognize all of the possible alternatives, it will be less than the universe of potential alternatives. At this point, the differences in behaviors among individuals in situations that have ethical content may be traced, in part, to the differences in their sets of perceived alternatives (Hunt & Vitell, 1986; Hunt & Vitell, 2006).

Once the perceived alternatives have been recognized, the deontological and teleological evaluations will begin. With the deontological evaluation, the individual will evaluate the rightness and wrongness of the behaviors implied by each alternative. With the teleological evaluation, the individual will evaluate the perceived consequences, desirability and profitability of the consequences for each stakeholder group, and the importance of the stakeholder group (Hunt & Vitell, 1986). It is important to note that in terms of the evaluation process, it is unlikely that there will be an individual that will be purely deontological or purely teleological (Hunt & Vitell, 2006). Please note that the deontological and teleological evaluations will be discussed in detail when we discuss moral philosophies.

Once the evaluations are complete, the individual will form an ethical judgment. Ethical judgments refer to individual determinations of the appropriateness of a course of action that may possibly be interpreted as wrong (Reidenbach & Robin, 1990; Mudrack & Mason, 2013). Ethical judgments also affects an individual’s ethical intention. Ethical judgments will differ at times from intentions because teleological evaluation also affects intentions (Hunt & Vitell, 2006). As Hunt and Vitell (2006) states, “although an individual may perceive a particular alternative as the most ethical, the person may intend
to choose another alternative because of certain preferred consequences (e.g., there might be significant positive consequences to one’s self as a result of choosing the less ethical alternative).” The authors also state that when behavior and intentions are inconsistent, then there are feelings of guilt. These feelings of guilt may occur during this process of after the process.

Action controls or situational constraints may result in behaviors that are inconsistent with intentions and ethical judgments. After behavior, there will be an evaluation of the actual consequences of the selected alternative (Hunt & Vitell, 2006). These consequences will then feedback into the personal characteristics of the individual as these characteristics will influence an individual’s decision-making process. With the remaining boxes, Hunt and Vitell stresses the importance of cultural environments to the ethical-decision making process of business people and business firms (Hunt & Vitell, 2006). In other words, culture plays a role in the decision-making process of an individual. Finally, with Industry Environment, Professional Environment and Organizational Environment, the model specifies that all industries, all professional associations, and organizations have complex norms – some formalized codes and some that are informal and communicated in the processes (Hunt & Vitell, 2006).

2.2 Corporate Social Responsibility

Social responsibility refers to a person’s obligation to consider the effects of his or her decisions and action on a whole and on the social system (Mehta & Sharma, 2016). Companies have been facing increasing pressure to address the issues presented by their stakeholders as well as legal requirements (Waddock, 2004; Stoian & Gilman, 2017) and how these issues affect society. Therefore, Corporate Social Responsibility
(CSR) has become increasingly important to companies, small and large. The issue of CSR has become an important topic and has often been discussed in an international setting (i.e. the European Union) (Hodinková & Sadovský, 2016). A socially responsible multinational corporation may act in a way that will advance the corporation as well as serve society (Tarunlata, 2016). Many businesses have realized the importance of CSR in their organizations.

In the last few decades, CSR has been integrated into the corporate strategy and approach of large companies (Hodinková & Sadovský, 2016). Larger companies have the understanding that while they are increasing their market size globally, they also have to be good corporate citizens as well. They can accomplish this by fulfilling their social responsibility (Mehta & Sharma, 2016) in the communities they are doing business in.

In the past few years, there has been increased public attention and actions taken by governments in varying countries in order to promote CSR. The focus has shifted from the CSR activities of larger companies to the CSR activities of small and medium sized companies (Murillo & Lozano, 2006). While there are notions associated with CSR in large corporations relating to the process, with small businesses, other factors need to be taken into consideration (Perrini et al., 2007). For example, a large company may have the resources to implement CSR activities for the betterment of the local community they are doing business in. With smaller companies, that opportunity may not be readily available. Smaller companies have different needs due to lack of resources or the need to survive financially. CSR activities may not be a consideration because the priorities are on finances not the business being socially responsible.
Companies tend to view CSR as a way to address the objectives of some of its stakeholders that are outside of the shareholder and legal requirements. They also view it as a way to have a positive and ethical impact on the society and specifically the local community they are conducting business in. It is a way for companies to set up relationships with their partners. These relationships may eventually lead to the improvement of the company’s reputation and credibility (Hodinková & Sadovský, 2016).

CSR has been defined in different ways by various researchers. It is a concept whereby companies integrate social and environmental concerns in the company’s business operations and in their interaction with their stakeholders on a voluntary basis (Mehta & Sharma, 2016). Carroll (1979) defines CSR as the social responsibility of business that encompasses the economic, legal, ethical, and discretionary that society has of organizations at a given point in time. Kotler and Lee (2005) state that CSR can be characterized as an entrepreneur’s commitment that is adopted in order to improve the well-being of society through its discretionary business practices and through the benefits of enterprise resources. Stoian & Gilman (2017) state that the European Commission defines CSR as the responsibility of enterprises for their impacts on society. The authors also state that enterprises should have processes in place to integrate social, environmental, ethical human rights, and consumer concerns into their business operations and core strategy in close cooperation with stakeholders while complying with legislation. According to Jenkins (2009), CSR can be viewed in terms of how entrepreneurs manage their business processes in order to achieve the overall positive impact on the society. It is regarded as a concept by which companies integrate social
and environmental concerns in their business activities with the stakeholder on a voluntary basis. In terms of small businesses, it is also regarded as a way for the entrepreneur to take on the responsibility in relation to the impact of his or her business on society (Hodinková & Sadovský, 2016). It represents a way for a company’s management to “step up” the relationship between the company and their partners, which in turn would lead to an improvement of the company’s reputation and credibility (Hodinková & Sadovský, 2016). Since the focus of this dissertation is on small business owners and managers, we will focus on the definitions by Kotler and Lee (2005) and Jenkins (2009) which are geared towards entrepreneurs.

There are benefits and challenges to introducing CSR to an organization, regardless of the size of the organization. Table II identifies a few of the benefits to CSR and CSR introduction to organizations. For example, the impact of globalization can be observed in the work culture of small and large organizations and due to this type of competitive environment, it will be important for an organization to make sure their reputation is distinctive and that they can use CSR activities to ensure this (Mehta & Sharma, 2016).
<table>
<thead>
<tr>
<th>Author</th>
<th>Benefits</th>
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<tbody>
<tr>
<td>Evropská komise 2001</td>
<td>The integration of social and environmental concerns into business activities. In particular, investment in human capital, the environment and the relations with stakeholders.</td>
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<tr>
<td>Jenkins 2006</td>
<td>Improved image and reputation, improved trust and understanding, larger and more prominent profile, better market position, more business, increased employee motivation, increased attractiveness to potential recruits, cost savings and increased efficiency, risk management and benefits for company culture.</td>
</tr>
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<td>Preuss and Perschke 2010</td>
<td>Flexibility, potential short-term benefits.</td>
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<tr>
<td>Campopiano et al. 2012</td>
<td>Reduction of energy consumption, pollution of water resources and the reduction of quantity of packaging materials. Their CSR activities are focused especially on their employees and on the activities related to the local community.</td>
</tr>
<tr>
<td>Vázquez-Carrasco and López-Pérez 2013</td>
<td>Attracting qualified employees and improving employer-employee relations, encouraging innovative action and increasing the chances of finding growth opportunities, improving supplier-client relations and providing access to certain markets, enhancing brand image and positioning, facilitating differentiation and increasing visibility and aiding in long term cost reduction.</td>
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<tr>
<td>Coppa and Srimanesh, 2013</td>
<td>The development of its own employees in the form of e. g. training.</td>
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<tr>
<td>Stoian &amp; Gilman, 2017</td>
<td>CSR can enhance competitive advantage by helping create and manage resource capabilities; by focusing on CSR activities, related to the workforce, small businesses can improve the quality of their workforce which in turn would enhance the effectiveness with which their competitive strategy is performed</td>
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<tr>
<td>Hodinková &amp; Sadovský, 2016</td>
<td>With regard to small companies, CSR will benefit the economic area of the company, the social area of the company as well as the environmental area of the company</td>
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<tr>
<td>Hammann, Habisch, &amp; Pechlaner, 2009; Stoian &amp; Gilman, 2017</td>
<td>By focusing on CSR activities related to the community they are conducting business in, small businesses have the opportunity to enhance their reputation in the local community, which is their target market</td>
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Table II: Adapted from (Hodinková & Sadovský, 2016)
CSR can enhance competitive advantage by helping to create and manage resource capabilities (Stoian & Gilman, 2017). With regard to small companies, CSR will benefit the economic area of the company, the social area of the company as well as the environmental area of the company (Hodinková & Sadovský, 2016). In the economic area, CSR may lead to increased attractiveness to investors; increase the resource cost savings, increase efficiency, as well as potentially strengthening the market position of the company. In the social area, CSR has the potential to enhance trust, achieve a greater degree of transparency, improve the reputation of entrepreneurs in the community the conduct business in, as well as enhance employee motivation. Finally, in the environmental area, CSR has the potential to reduce environmental pollution and reduce resource consumption (Hodinková & Sadovský, 2016).

CSR activities can contribute to the company’s competitive advantage and enhance firm growth (Stoian & Gilman, 2017). The more these businesses do for society and the local community, the greater the possibility that consumers will develop a more positive image of these businesses. Also, by socially supporting local communities, small companies have the opportunity to enhance their social capital, increase the loyalty of their consumers and workforce, which in turn will increase sales. Additionally, by focusing on CSR activities related to the community they are conducting business in, small businesses have the opportunity to enhance their reputation in the local community, which is their target market (Hammann et al., 2009; Stoian & Gilman, 2017). Small businesses have the opportunity to boost their intellectual capital and entrepreneurship, strengthen the relationships with their suppliers and customers, as well as foster information among firms (Adler & Kwon, 2002; Stoain, & Gilman, 2017).
Researchers have also stated that by focusing on CSR activities, related to the workforce, small businesses can improve the quality of their workforce which in turn would enhance the effectiveness with which their competitive strategy is performed (Stoian & Gilman, 2017).

There are not only benefits to CSR introduction but there are also challenges in the approach to CSR as well as challenges in implementing a CSR function into small companies. Mehta and Sharma (2016) state that a majority of large companies that continually use CSR practices may be operating in various countries with different cultures, laws, regulations and codes of conduct. Also, the measurement criteria of a socially responsible organization might be difficult to gauge. It may be difficult to determine how CSR is actually benefitting the surrounding communities. Due to lack of time and resources, small businesses may not participate in CSR activities and even if they do, they may not report it. In addition to this, there is limited research and analysis on how CSRs are benefitting small businesses in emerging markets. More attention needs to be paid to understand how SMEs and their contributions in relation to CSR (Jamali et al., 2017). Therefore, based on these varied differences, a long series of socially responsible practices in many countries turn out to be a big challenge and undertaking for a small business.

India is one of the first countries in the world that required some firms to spend a portion of the businesses profits on socially responsible activities or explain why they are not (Dharmapala & Khanna, 2018). This rule was part of the Section 135, of the Companies Act 2013 that was established. Businesses can invest their profits in areas such as education, poverty, gender equality, and hunger. The Act imposes CSR
obligations on companies that have a certain level of financial turnover (Shin et al., 2015).

According to Dharmapala & Khanna (2018), if a firm crosses the thresholds instituted by the act, then the firm is required to do the following:

- it must constitute a “Corporate Social Responsibility” (CSR) committee with 3 directors, of which one must be independent,
- it must disclose the composition of the CSR committee,
- the CSR committee must formulate a CSR policy recommending the kinds and amounts of CSR spending the firm is to pursue and the committee must monitor that policy,
- the Board is to approve and publicize the firm’s CSR policy (after taking into account the CSR committee’s recommendations) and to ensure that the policy is followed,
- the Board is to ensure that the firm spends at least 2% of the firm’s average net profits (over the last 3 years) on activities listed in the firm’s CSR Policy or provide reasons for why this spending level was not achieved (i.e., a “comply-or-explain” rule).

C. Small business research

As stated earlier, small businesses account for many of the businesses operating worldwide. According to the United States Small Business Association, in 2015, there were 30.2 million small businesses in the US which accounted for the 58.9 million employees or 47.5% of the private US workforce. In a World Bank study, it was suggested that there are between almost 400 million micro, small and medium sized
enterprises worldwide. Based on these statistics, it is clear that small businesses play a critical role in a country’s national economy as well as play a critical role in the world economy.

Depending on the country, the definition of a small business may differ. In the United States, small businesses are defined as firms having 500 or less employees. In Australia, a small businesses must have two out of three components: 1). An annual revenue of less than $25 million, 2). Fewer than 50 employees at the end of a financial year, or 3). Consolidated gross assess of less than $12.5 million at the end of a financial year. In the United Kingdom, small business is defined as businesses with fewer than 250 employees. According to the Europe – India SME Business Council, there are approximately 30 million small and medium sized businesses in India. India defines small businesses as either manufacturing enterprises that have investments between $62,500 and $1.5 million or service enterprises with investments between $25,000 and $500, 000. Of the twenty-five million businesses in Europe, only 5% employ more than 20 employees (Gray & Mabey, 2005).

As of 2002, small businesses contribute to about 50% of the private sector employment in developed countries and about 96-99% in Organisation for Economic Cooperation and Development (OECD) countries (Spence & Rutherford, 2003). These countries include Australia, Austria, Canada, France, and Japan. According to the 2003 OECD report, only 11% of the firms in Denmark have more than 20 employees, only 22% of the firms in Germany have more than 20 employees, and the total population of all European Union firms with 20 or more employees is around 1.5 million (Gray &
Mabey, 2005). Based on these statistics, it is clear that small businesses play a critical role in the world economy.

There are differences between large firms and small businesses. Small businesses in a given industry can be as successful as their larger competitors. Small businesses typically employ professional specialists, they operate with less formality and they reflect a greater degree of personality of the owner of the business, whereas in a large firm, you may see the opposite (Longenecker et al., 1989). Small businesses tend to be owner managed and ownership and management may not be separated. In a large firm, ownership and management are separated. In a small business, social relationships and networks tend to be intertwined and cannot be easily separated whereas in a large firm, these social relationships and networks may exist minimally or not exist at all (Spence & Rutherford, 2003).

This success of a small business is determined by the competitive strategies these small businesses employ. There are different strategies that are required for small businesses that compete against larger firms in an industry (Ming-Jer & Hambrick, 1995). For example, in the decision making process to bring a product to market, an entrepreneur may use biases or heuristics due to the limited samples or testers of the product that they may have access to (Busenitz & Barney, 1994). The entrepreneur may get feedback on a product from future customers and/or friends. On the other hand, managers in large organizations may take a different approach to their decision making process. This may be due to their access to more resources and better information. The cause-effect relationship may be better established due to the fact that they deal with a large number of the same situations, and they may have more comprehensive decision
making patterns due to their training and experience within their organization (Busenitz & Barney, 1994).

Large firms have been seen as having advantages such as economies of scale, brand name recognition, and market power whereas their smaller counterparts have not acquired these things. In terms of the actions they take, small businesses have a greater need than their larger rivals to act aggressively in a given market and to challenge quo by initiating competitive actions; they show a greater propensity for action that their larger counterparts (Ming-Jer & Hambrick, 1995). Small businesses have the opportunity to focus on market niches and more flexibility due to their structural simplicity where as their larger counterparts may have a high degree of structural complexity and bureaucracy (Ming-Jer & Hambrick, 1995). Based on this, small businesses will execute actions faster than larger firms (Ming-Jer & Hambrick, 1995).

In terms of their competitive moves, small businesses tend to take “guerilla” tactics and do things in secrecy. They are able to engage in indirect and subtle attacks in the marketplace that are not as visible to their competitors and may not be recognized as a competitive challenge. In turn, larger firms will often attempt to make their competitive moves more visible in order to signal commitment in the hopes of intimidating their competitors (Ming-Jer & Hambrick, 1995). Basically the competitive actions of small businesses will have less visibility than the competitive actions of large firms.

In terms of competitive responsiveness and response announcement speed, small businesses tend to differ from large firms. With competitive responsiveness, large firms and small businesses tend to respond differently when they are under attack. Large firms tend to have more slack resources and their size and stature allows them to be responsive
followers instead of initiators (Ming-Jer & Hambrick, 1995). On the other hand, when small businesses are under attack, they cannot easily retaliate or unable to retaliate at all regardless if they have the desire to do so or not. In turn, small businesses tend to show a lower degree of responsiveness to competitive actions as opposed to their larger counterparts (Ming-Jer & Hambrick, 1995). When attacked, large firms and small businesses need to respond to these attacks. Large firms tend to react more quickly than small businesses for reasons such as maintaining their reputation in the public’s eyes or to show toughness. On the other hand, small businesses tend to be more hesitant to respond when it comes to attacks and “hold their fire” longer than large firms (Ming-Jer & Hambrick, 1995). In turn, small businesses tend to have slower announcements responses to attacks than their larger counterparts.

Small businesses are also less likely to commit to written policies, are less likely to link their management development to longer term strategy, and are more likely to be driven by practical outcomes such as customer satisfaction and staff retention (Gray & Mabey, 2005). On the other hand, large firms tend to have written policies in place, have their management strategy linked to their long term strategy and not necessarily driven by customer satisfaction or staff retention.

D. Small Business Ethics Research

With the large number of small business worldwide, ethics in small businesses is a critical area of research that should be explored. In comparison to large businesses, with small businesses there might be a lack of ethical “systems in place” which may adversely affect the ethical decisions of a small business owner or manager (Marta et al., 2008). Some researchers have found that many entrepreneurs start a business in order to
survive and this may lead them to be less ethical in their business practices (Cant & Niekerk, 2013).

While research on small businesses has grown considerably, research in small business ethics has not grown at the same rate. As stated earlier, small businesses and entrepreneurship is now commonly seen as the primary engine of economic development (Spence & Rutherfoord, 2003). With entrepreneurs and small business owners, their livelihoods tend to be more dependent on their social context, on trust, their reputation, and on customer satisfaction (Marta et al., 2008). With the realization that small businesses account for a large percentage of the economic development in some countries, researchers are finding that ethics research will not only be critical academically but it can be useful in helping small business owners and managers with the ethical dilemmas they encounter.

Entrepreneurs are sometimes celebrated for their “rule-bending” efforts because entrepreneurs are more willing and more likely to enter into areas of opportunity by passing through behavioral gates that most people would hesitate to go through (Longenecker et al., 2006). Fisscher et al. (2005) state that entrepreneurs encounter ethical dilemmas when they introduce new technologies and innovative production methods. The authors go on to say that entrepreneurship can be a dynamic process and may need stable organizational norms that offer moral guidance. Finally, the authors state that the ethical judgment of an entrepreneur may be questioned as well as perceived as tenacious and that the entrepreneur is willing to do anything to succeed.

Cant et al. (2013) state that many small business entrepreneurs are forced into business in order to survive. This may lead these entrepreneurs to be less ethically
inclined and focused on financial survival. These entrepreneurs may face ethical dilemmas including bribery, exploitation, violation of human rights and theft amongst employees, just to name a few. Though they face these ethical dilemmas, these entrepreneurs are still expected to act ethically regardless of the economic climate they are in.

There are differences in the way small businesses and large firms address ethics within the organization. Longenecker et al. (1989) state that in small businesses, there are less managerial control systems. For example, small businesses tend to have less documentation of transactions even though they have fewer procedural hurdles. Small businesses experience exposure to ethical issues just like large firms but may not have a documented procedure to handle these issues. Large firms have had more time to develop their institutional infrastructure necessary to guide their decision-making processes (Longenecker et al., 2006). Large firms tend to have formal systems that emerge as ethical policies or established codes of ethics guide and normalize decision-making; this is not necessarily the case in small businesses (Longenecker et al., 2006).

While small business ethics research is limited, there have some findings in this area of research. In their 2008 research on the ethical intentions of small business managers, Marta et al. find that managers of small businesses who perceive an ethical problem in a marketing situation are more likely to have an ethical intention. The authors also find that female managers in small businesses are more likely to have an ethical intention in a marketing situation than male managers of small businesses. In their 2013 study of the attitudes of South African small business owners, Cant and Niekerk find that respondents to their surveys perceive it to be more important to make a profit and survive
in the complex small business environment than it is to operate ethically. The authors also find that a majority of the respondents to the survey agree that ethics entails acting honestly towards others and ethics is about following basic human rights.

E. International Business Ethics Research

With the massive growth of globalization, cross-cultural ethics has become increasingly important. In turn, international business ethics research has become that much more important because business ethics on a global level has now become a significant problem for many multinational companies. For instance, there is a question if whether ethics is being taught well enough at the international level or is the focus of ethics primarily related to domestic business transactions. For example, some researchers state that ethics is currently a section in the International Studies area, showing the importance of the topic to only those participating in the global market (Asgary & Mitschow, 2002). One can infer that this makes a case for the need to focus on ethics on an international and cross-cultural basis.

As borders continue to “disappear” and businesses of all sizes continue to explore the possibilities of having business operations in multiple countries, the ethical guideline, laws, belief systems, norms, and values from their home country may be challenged. These challenges could potentially become a hindrance in the company’s ability to become successful in their international business endeavors. For example, the United States legislation called the Foreign Corrupt Practices Act that was passed in 1977. This act prohibits U.S. firms and individuals in the firm from paying bribes to foreign officials in order to further business deals. If a U.S. firm or an individual of that firm is caught making or accepting bribes, they will be punished for violating this act. In the U.S., a
manager participating in the act of bribery may not be an issue because of U.S. laws and the code of ethics established by the firm while in the United States. However, what happens if the firm is conducting business in another country and what the US government deems a bribe, the host country does not consider this a bribe but instead, the cost of doing business? What if the host country does not view ethics the same way the U.S. does? What if companies from the host country are conducting business within the U.S. and belief that bribery is the cost of doing business? Are they hindered from a successful and profitable business experience by conducting business in the United States? If these issues are not addressed and ethics is not looked at on an international level, there may be the potential of loss of business for many corporations – domestically and internationally.

DeGeorge (1994) states that international business ethics may refer to the comparison of business practices and their ethical evaluation in different countries. The author also states that it might investigate whether there are ethical norms that are commonly recognized in all countries that should govern international business and economic transactions. It might explore (DeGeorge, 1994):

- If there are ethical norms that are commonly recognized in all countries that should govern international business
- Economic transactions
- If there are variations in ethical norms
- Whether multinational firms are bound by the ethical norms of their home country, by the ethical norms of their host countries or by both
International business ethics may involve broad issues such, economic inequalities of nations, the justice of the present international economic order, the ethical status and justifiability of organizations, the ethical dimensions of international debt, the claimed economic dependence of some countries on others, as well as global issues as the role of industry in the depletion of the ozone level (DeGeorge, 1994).

Some researchers have taken issues with the term “international business.” Ho (2003) states that the notion of international business implies national borders that separate one country from another. The author goes on to say that the term highlights that different nations are distinct units that various cultural norms, traditions, laws, safety standards, and business practices as well as reinforcing the perception that separate national units have differing economic, technological and social realities. While this may be true, it definitely highlights the need for ethics while conducting business across borders.

International business ethics research has been taught and performed in functional areas such as marketing. Whipple and Swords (1992) find that the demographic profiles (age, work experience, business major, years of college education) of students from the U.S. and students from the U.K. did not affect their judgment in ethics though there were country differences. Murphy (1999) state that virtue and character ethics provide a solid foundation for international marketers, educators and researchers. The authors also say that the five core virtues (trust, integrity, fairness, respect, and empathy) are relevant to marketing in a multicultural and multinational context. Rallapalli (1999) states that global codes of ethics relating to marketing practices will serve a very useful purpose and that the codes will provide a greater consistency in ethical decisions made.
DeGeorge (2000) asks the question, “Whose ethics should you use in international business?” because customs vary from country to country. The author makes the claim that the ethics of the home country should be used because “Your ethical values aren’t like a coat that you put on in certain seasons and certain places and chuck off elsewhere” (p. 50). That is to say, an individual’s ethical values should, at some level, govern their behavior and more importantly their business practices. These values should guide their decision making process and not be dismissed depending on the situation.

DeGeorge (2000) also presents ethical guidelines that companies can adopt when conducting business in multiple countries. Multinational companies should:

- Do no direct intentional harm. Since they are guests in a host country, they should engage business across borders with the intention to do good and not “invade and conquer.”
- Produce more good than harm for the host country. These companies should be a benefit to the countries they are operating in. If not, they risk being accused of exploitation.
- Respect the rights of their employees and all others that may be affected by their actions and policies. Employee work conditions should be satisfactory and should not violate the dignity of human rights.
- To the extent with ethical norms, should respect the local culture and work with and not against it. Culture isn’t static and local cultures may vary. The company, to some extent, has to consider its impact of their actions to the local environment.
- Pay their fair share of taxes and work with local governments in developing equitable laws and other background institutions. The company should not try to
avoid paying taxes but instead assume its fair burdens in the way of taxes. This may prevent the accusation of questionable payments related to doing business. Though these guidelines should be considered suggestive, they could be used in conjunction with each other to possibly alleviate potential conflict in international business.

marketers around the world, and in so doing, enhance the reputation of marketing as a profession.

In terms of international business ethics research, Okleshen and Hoyt (1996) find that US students tend to be significantly less tolerant of ethical constructs of fraud, coercion and self-interest when compared to students from New Zealand. The authors also state that there are significant differences in the decision methods utilized by students from the US and students in New Zealand when evaluating an ethical dilemma. Armstrong (1992) states that the overall perception among Australian managers is that there are low levels of ethical problems present in their international business environment. The author’s findings also show that managers differ in their attitudes towards the importance of the ethical problems compared to the problems' frequency of occurrence, and Australian business managers perceive a low frequency of ethical problems in their international business environment. McKinney and Moore (2008) find that almost half of the U.S. business professionals surveyed believed that bribery was acceptable one way or another and that a mere written code of ethics cannot resolve the issue of international bribery. Carrigan et al. (2005) findings show that issues in marketing ethics are not new, and the increase in globalization means there will be an
increase in ethical issues. The authors also state that emerging markets will be vulnerable to unethical marketing practices and marketing ethics need to be reviewed.

To date, cross-cultural research in international business ethics has historically focused on developed countries and from a western perspective (Javalgi & Russell, 2018). There is limited research in ethics from emerging markets such as India, the data is limited on the ethical decision-making process of business people in this area. With focus on small business owners and managers from India, the goal is to add to the body of ethics research.

F. Culture and Ethics

Culture and ethics go hand in hand. Culture should be included in any discussion of international business and international business ethics. Hunt and Vitell (1986) state that culture affects numerous elements of the decision-making processes in situations involving ethical issues. Culture has been defined in varying ways in research. Hofstede (2011) defines culture as the collective programming of the mind that distinguishes the members of one group or category of people from others. It has been defined as the collective programming of the mind with distinct cultural differences among people from different nationalities (Paul et al. 2006; Javalgi & Russell, 2018). The term “culture” has most commonly been for tribes or ethnic group, for nations as well as for organizations (Hofstede, 2011).

The discussion of culture also requires the discussion of Hofstede’s six cultural dimensions since it is critical in cross-cultural research. Those six dimensions are power distance, uncertainty avoidance, individualism vs. collectivism, masculinity vs. femininity,
long-term orientation vs. short-term orientation, and indulgence vs. restraint. Table III provides examples of the differences between the dimensions.
<table>
<thead>
<tr>
<th>Table III</th>
<th>Hofstede’s Cultural Dimensions</th>
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| **Power Distance** | Small Power Distance  
- Parents treat children as equals  
- Income distribution in society even  
- Subordinates expect to be consulted  | Large Power Distance  
- Parents teach children obedience  
- Income distribution in society very uneven  
- Subordinates told what to do  |
| **Uncertainty Avoidance** | Weak Uncertainty Avoidance  
- The uncertainty inherent in life is accepted/each day taken as it comes  
- Comfortable with ambiguity and chaos  
- Changing jobs no problem  | Strong Uncertainty Avoidance  
- The uncertainty in life is felt like a threat that must be fought  
- Need for clarity and structure  
- Staying in jobs even if disliked  |
| **Individualism vs. Collectivism** | Individualism  
- Everyone is supposed to take care of him- or herself and his or her immediate family only  
- “I” conscious  
- Others classified as individuals  | Collectivism  
- People are born into extended families/clans which protect them in exchange for loyalty  
- “We” conscious  
- Others classified in/out-group  |
| **Masculinity vs. Femininity** | Masculinity  
- Maximum emotional and social role differentiation between the genders  
- Work prevails over family  
- Few women elected political positions  | Femininity  
- Minimum emotional and social role differentiation between the genders  
- Balance between family and work  
- Many women elected in political positions  |
| **Long- vs. Short-Term Orientation** | Short-Term Orientation  
- Most important events in life will occurred in the past or take place now  
- Universal guidelines about what is good and evil  
- Supposed to be proud of one’s country  | Long-Term Orientation  
- Most important events in life will occur in the future  
- What is good and evil depends upon circumstances  
- Trying to learn from other countries  |
| **Indulgence vs. Restraint** | Indulgence  
- Freedom of speech very important  
- Perception of personal life control  
- In countries with educated populations; high birthrates  | Restraint  
- Freedom of speech is not a primary concern  
- Perception of helplessness: what happens to me is not my own doing  
- In countries with educated populations; low birthrates  |

Table III: Adapted from Hofstede (2011)
Power distance is defined as the extent to which less powerful individuals in an organization and institution accept and expect that power is distributed unequally (Hofstede, 2011). In other words, it is used to determine how these individuals accept these inequalities as normal. Uncertainty avoidance indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations (Hofstede, 2011). Situations that are unstructured tend to be unknown and surprising. Uncertainty avoiding cultures may try to minimize such situations from occurring by using strict behavioral codes, laws and rules as well as a belief in the absolute truth which states that there can only be “one truth” (Hofstede, 2011). On the other hand, uncertainty avoiding accepting cultures are more tolerant of opinions different from what they are used to. These cultures tend to have fewer rules, and individuals in these cultures may be more philosophical and reflective (Hofstede, 2011). Individuals with high uncertainty avoidance tend to be more concerned with security of life, feel a greater need for agreement, and written rules and may be intolerant of deviations from that (Vitell & Paolillo, 2004). According to Hofstede’s country comparison website, India is high power distance and has an appreciation for hierarchy and a top-down structure in hierarchy. In terms of uncertainty avoidance, there is a medium to low acceptance of uncertainty in India.

Collectivism is described as the degree to which people in a society are integrated into groups. The interest of the group takes precedent over the interest of the individual. On the other hand, in an individualistic society, the ties between the group and the individual are loose. The expectation is that everyone looks out for his or herself and the individuals interests prevails over the interests of the group (Hofstede, 2011). In regard
to the masculinity versus femininity dimension, feminine individuals are described as modest, humble, nurturing, and responsible while masculine individuals are characterized as assertive, aggressive, ambitious, competitive, and materialistic (Long-Chuan et al., 1999). The women in feminine countries tend to have the same modest, caring values as the men; however in the masculine countries, they tend to be assertive and competitive though maybe not as much as men (Hofstede, 2011). In terms of long-term and short-term orientation, long-term orientation places more importance on the values associated with future orientation (Christie et al., 2003). These values are perseverance, ordering relationships by status or having a sense of shame. The values associated with short-term evaluation are reciprocating social obligations, respect for tradition or protecting one’s image or “face” (Hofstede, 2011). According to Hofstede’s country comparison website, India would be considered a masculine country. In regard to collectivism vs. individual and short-term vs. long-term orientation, the country has rather intermediate scores in those areas. This means India has both collectivist and individualist traits and with orientation, a dominant cannot be easily established.

Indulgence versus restraint is the newest dimension that was added in 2010. Indulgence describes a society that allows relatively free gratification of basic and natural human desires related to enjoying life and having fun. On the other hand, restraint describes a society that controls gratification of needs of its people and regulates it by means of strict social norms (Hofstede, 2011). Countries like South America and North America may be considered high indulgence while countries in Eastern Europe and Asia may be considered high restraint. According to Hofstede’s country comparison website, India is highly restraint.
Culture is believed to be a key determinant of ethical attitudes of business managers (Christie et al., 2003). It is also deemed to be one of the broadest influences on many dimensions of human behavior (Soares et al., 2007). Burnaz et al. (2009) states that culture plays an important influential role on an individual’s ethical perception, decision making and attitude. It is an important influencing factor when it comes to ethical decision making and there is a variation of ethical decisions across cultures (Singhapakdi and Vitell, 1999).

G. Factors Influencing Ethical Decisions

In ethics, there are various factors that impacts the ethical decision making processes and ultimately affects the ethical intentions of an individual. Extant research show that personal moral philosophies (relativism and idealism), perceived importance of ethics and social responsibility, perceived ethical problems, and ethical intention are used when analyzing the ethical decision-making processes of an individual. These constructs will be used in this research. The following section discusses these constructs in detail. The foundation of moral philosophies construction will be briefly discussed and then idealism and relativism, the constructs representing personal moral philosophies will be discussed.
2.3 Moral Philosophies Foundation

2.3.1 Deontological and Teleological Evaluations

Moral philosophies is the foundation upon which ethics rest (Singhapakdi et al., 2001). Developing a foundation of ethical decision making would prove to be impossible without evaluating the normative ethical standards derived from moral philosophies (Ferrell & Gresham, 1985). Ferrell and Gresham (1985) state that the philosophy divides assumptions about ethics into deontological and teleological approaches.

Deontology and teleology are considered two major types of moral philosophies (Hunt & Vitell, 1986). Deontology judges the value of actions from the perspective of intrinsic rightness or wrongness regardless of the consequences (Nill & Schibrowsky, 2007). Deontologists tend to resolve ethical dilemmas by seeking out absolute right or wrongs without regard to the impact on others or society as a whole (Erffmeyer et al., 1999).

The deontological philosophy has two absolute principles. They are the right principle and the justice principle which were developed from the deontological philosophies to defend personal ethics. The right principle identifies minimum levels of satisfaction and standards that may be independent of the outcomes. It incorporates two criteria for judging an action: 1). Every act should be based on reasons that everyone could act on and, 2). Action must be based on reasons the actor would be willing to have all others use, even as a basis of how they treat the actor (Ferrell & Gresham, 1985).

The justice principle is designed to protect the interests of all individuals involved. The principle is broken down into the following three categories:

- Distributive
• Retributive

• Compensatory

Distributive justice is concerned with the division and allocation of privileges, duties and goods in agreement with merits of the individual and what is in the best interest of society. This justice states that equals should be treated equally and “unequals” should be treated unequally. Corporate hierarchies and executive prerogatives would be considered examples of distributive justice in practice (Ferrell & Gresham, 1985). The retributive justice state deals with blaming and punishing individuals for their wrongdoing. It focuses on the punishment of the individual rather than the rehabilitation of the individual. Antitrust legislation allowing criminal prosecution of corporate officials is based on the notion of retributive justice (Ferrell & Gresham, 1985). Finally, compensatory justice is more concerned with compensation for the individual who was wronged. It refers to the extent to which people are fairly compensated for their injuries by those who injured them. Just compensation is proportional to the loss inflicted on a person. Class action suits personifies compensatory justice (Ferrell & Gresham, 1985).

Deontological philosophies stress the methods or intentions of a particular behavior (Ferrell & Gresham, 1985) and stresses the right other than the end result (Rallapalli, Vitell, & Barnes, 1998) of that behavior. In other words, the intention of the action and not the action itself would be the focus of this philosophy. Some researchers have stated that deontology may be legally bound by duty, regardless of the consequences and less on wisdom (Khalid et al., 2017). The moral worth of one’s actions has nothing to do with the consequences of those actions, but instead it is the intention of the actors (Christie et al., 2008).
To analyze deontology a little further, it is segmented into the rule deontology versus the act deontology. Rule deontology refers to the conformity of norms regardless of the circumstances (Rallapalli et al., 1998). Regardless of motives, success or even benefits, an individual should always follow the rules that are in place. The act itself will make the behavior ethical or unethical, not the end result of the act (Rallapalli et al., 1998). On the other end of the spectrum would be act deontology. It states that an individual’s choice of ethical behavior is governed by his or her norms, but only for specific acts or situations (Rallapalli et al., 1998). With act deontology, it can be suggested that there is an exception to the “all situations” rule.

Teleology is the opposite of deontology and deals with the consequences of an action. Teleological ethics posits that it is a relative amount of goodness and badness of the consequences of a behavior that may determine its rightness or wrongness (Hunt & Vasquez-Parraga, 1993). Teleological philosophies deal with the moral worth of a behavior that is determined totally by the consequences of the behavior (Ferrell & Gresham, 1985). This philosophy puts a focus on the end result before deciding if a situation is right or wrong or ethical or unethical.

A teleological individual would not only analyze the perceived alternatives of an action but also analyze the consequences of the action as well (Rallapalli, Vitell, & Barnes, 1998). He or she would evaluate the probability and the desirability of the consequences before performing the act (Rallapalli et al., 1998). A teleologist will consider if the benefits of the behavior is ethical or unethical before performing or carrying through with the behavior.
Utilitarianism is an aspect of the teleological philosophy. Utilitarianism posits that the act is ethical if the sum total of the utilities produced by the act is greater than the sum total of the utilities produced by any other act (Ferrell & Gresham, 1985). In other words, it is not ethical to select an act that leads to an inefficient use of resources. It is the majority good for the majority of people (Rallapalli et al., 1998) and the value of the action is judged (Nill & Schibrowsky, 2007).

Deontological and teleological evaluations are heavily used in business ethics research when discussing the ethical decision making processes of an individual. In the deontological evaluations, the individual will evaluate the intrinsic rightness and wrongness of the behavior implied by each alternative. During the process, the individual compares each alternative behavior with a set of predetermined deontological norms. These norms tend to represent the personal values or rules of moral behavior. These norms may range from (1) general beliefs about things such as stealing, honesty, cheating, and treating people fairly to (2) issue-specific beliefs about things such as deceptive advertising, sales, confidentiality of data, product safety, and interviewer dishonesty (Hunt & Vitell, 2006). Teleological evaluations, on the other hand, focuses on the following four constructs (Hunt & Vitell, 2006):

(1) The perceived consequences of each alternative for various groups
(2) The probability that each consequence will occur to each group
(3) The desirability or undesirability of each consequence
(4) The importance of each group

Extant literature in business ethics has shown how deontological and teleological evaluations effect an individual’s decision making process. For example, Akaah (1997)
find that marketing professionals primarily rely on deontological factors and secondarily on teleological factors. The author also states that marketing professionals will form their ethical judgment based on deontological and teleological evaluation processes and deontological evaluation influence research ethics in a different way than teleological evaluation will. In their 1996 research on the similarities and differences on the decision making approaches of students from the United States and New Zealand, Okleshen, & Hoyt (1996) find that the student group from the United States are split almost evenly into teleological and deontological decision approaches, whereas a larger share (52 percent) of the New Zealand students professed a teleological decision approach. Teleological evaluations were found to have the strongest influence on the managers' ethical judgments and intentions (Mayo & Marks, 1990).

2.3.2 Personal Moral Philosophies (Idealism and Relativism)

Personal moral philosophies have long been recognized by theoretical works as key factors in ethical decision making (Ferrell and Gresham, 1985). Idealism and relativism are the two dimensions that make up personal moral philosophies. Idealism is defined as the degree to which individuals make the assumption that desirable consequences can always, with the right action, be obtained (Forsyth, 1980). Moral idealism represents a philosophy of optimism and altruism as well as embracing the well-being of others (Singh et al., 2007). It refers to an individual’s rightness and wrongness of an action regardless of the consequences to that individual or others (Dong-Jin & Sirgy, 1999). It describes the degree to which an individual’s attitude toward the consequences of an action and how the consequences will affect others (Tsai & Shih,
Moral idealists tend to think that harming others is universally and always bad (Dong-Jin & Sirgy, 1999) and tend to believe that it is wrong and unnecessary to harm others, and that their moral actions should lead to positive consequences (Tsai & Shih, 2005). Those who are not moral idealists may think that harming others, especially for the greater good, is necessary.

Relativism is defined as the extent to which an individual rejects universal moral rules when making ethical judgments (Forsyth, 1980). Moral relativism takes the position that moral standards are relative to the society and culture in which those morals occur (Dong-Jin & Sirgy, 1999). Unlike the thinking of moral idealists, moral relativists do not depend on universal rules when it comes to making moral judgments and tend to rely on situational circumstances when making moral judgments or decisions (Dong-Jin & Sirgy, 1999). They believe there are many ways from which you can look at a moral and ethical situations (Tsai & Shih, 2005). In other words, depending on the situation, they will weigh the circumstances before coming to a moral conclusion or decision. They do not believe in moral absolutes.

Extant literature has shown that moral idealism and moral relativism can be two extremes of the same thing. Therefore, when studying these two dimensions, researchers tend to look at them in conjunction with one another. For example, in a research of Korean marketers, the authors find that Korean marketers are morally idealistic and less relativistic and more ethnocentric - could be due to the fact that it is a collectivist society in which the culture tend to have rigid social norms (Dong-Jin & Sirgy, 1999). With regard to personal moral philosophies, significant differences were detected between the American and the Australian marketers where the findings show that Australian
marketers are more idealistic and more relativistic than Americans marketers (Singhapakdi et al., 2001). Singhapakdi et al. (1994) findings show that Thai marketers are both more idealistic and less relativistic and Thai marketers are more likely to accept the absolutism of idealism than American marketers. Also, relative to their American counterparts, and contrary to the expectations presented in the research, the Thai marketers are more likely to rely on the nature of the ethical issue or the circumstances and rely less on universal moral principles when making moral judgment (Singhapakdi et al., 1994). Also relative to their US counterparts, Malaysian consumers tend to be less idealistic and more relativistic in their moral philosophies than US consumers; Relative to US consumers, Malaysian consumers would be labeled as “subjectivists” or those that “reject moral rules (high relativism) (Singhapakdi et al., 1999). Marta et al. (2003) find that Egyptian business students are more idealistic and less relativistic than American business students. Based on the findings shared above, it is clear that researchers are in agreement that the dimensions are two extremes of the same thing.

2.4 Perceived Importance of Ethics

Perception of ethics is concerned with whether and how strongly an individual is able to perceive ethical content in a situation. Decision makers must first perceive ethics and social responsibility to be important before their decision-making processes are likely to include components of ethical and social responsibility (Hunt and Vitell, 1986; Vitell & Paolillo, 2004). The perceived importance of ethics is an individual’s assessment of how important ethics and social responsibility are for the success of the organization where he or she is employed (Singhapakdi et al., 1995). Logically speaking, individuals within a business organization must first perceive ethics and social responsibility to be
important before their behaviors can become more ethical and reflect greater social responsibility (Vitell & Paolillo, 2004). Though there has been a breadth of research done on ethical decision making, relatively little is known about the decision maker’s attitudes concerning ethics and social responsibility, specifically regarding how they perceive the importance of ethics and social responsibility as element of business decisions (Vitell & Paolillo, 2004).

In terms of marketing, the assertion has been made that a marketing manager must first perceive ethics and social responsibility to be important before the manager’s behaviors will become more ethical and reflect greater social responsibility as well grounded in moral philosophies (Singhapakdi, 1999). Also, an individual’s perceived importance of ethics and social responsibility for organizational effectiveness is likely to be the key background factor and may be a critical determinant of whether or not an ethical problem is perceived in a given situation (Vitell & Paolillo, 2004). If a manager is not capable of perceiving an ethical situation, it could have an adverse effect on the manager and the organization as a whole if an ethical situation arises. This lack of perception could potentially cause the organization unnecessary backlash in the society in which they are doing business.

The perceived importance of ethics and social responsibility to organizational success may be considered important determinant to business behavior (Shafer et al., 2007). An individual’s perceived importance of ethics and social responsibility has a relationship with that individual’s personal moral philosophies (idealism and relativism). For example, Singhpakdi et al. (1995) state that a marketer’s perceived importance of ethics and social responsibility can be partially explained by their moral philosophies (i.e.
relativism and idealism). Regardless of an individual’s country, the perceived importance of ethics and social responsibility to the success of the firm is indeed influenced by the decision-maker’s own ethical perspective and the corporate culture (i.e. ethical values) of his or her organization.

2.5 Perceived Ethical Problems

Perceived ethical problems (also referred to as ethical perception, ethical issue, or ethical dilemma) is concerned with an individual’s recognition of a moral issue, and the realization that he or she is a moral agent (Jones, 1991). It is the degree to which an individual perceives that there is an ethical problem involved in an action (Karande et al., 2000). This will vary from action to action and situation to situation. Perceived ethical problem is the catalyst driving the entire ethical decision making process (Hunt & Vitell, 1993; Karande et al., 2000). How an individual perceives an ethical problem in a given situation is an important determining factor for his or her decision making process in that situation (Singhapakdi, 1999).

Perceived ethical problem is concerned with whether and how strongly individuals are aware of ethical content in a given situation they encounter (Hunt & Vitell, 1986). It is the trigger mechanism, in which perceived importance of ethics is a part of the process whereby the individual making the decision evaluates a range of potential outcomes (Marta et al., 2004). Research has stated that perceived ethical problems is most closely identifiable with the teleological evaluation (where an individual focuses on the consequences of an action) and the individual combines with the deontological evaluation (where an individual focuses on the specific action), before arriving at an ethical judgment (Marta et al., 2004).
Environmental factors such as cultural, industrial and organizational, and personal experiences can have an effect on the perceptions of the existence of an ethical problem, alternatives and consequences (Jones, 1991). In terms of culture, it is one of the key factors that can influence a marketer’s perceptions of ethical problems and the resulting decision making process (Hunt & Vitell, 1986; Marta et al., 2000). A different culture may have an effect on how an individual perceives an ethical situation. In their 2000 study, Marta et al. state that business students from the US and New Zealand generally perceived the ethical problems to be more serious than their Indian counterparts. One may draw the conclusion that since the US and New Zealand are developed countries, they may tend to focus more on their ethical behaviors than their Indian counterpart since India is an emerging market. Karande et al. (2000) find that in an ethical situation, the ethical perception of a Malaysian manager will differ from the ethical perception of an American manager.

2.6 Ethical Intention

Intention is simply defined as the thing you plan to do or achieve. Ethical intention is making a decision to act on the basis of moral judgment (Jones, 1991). It refers to an individual’s intention to act in an ethical or unethical manner (Karande et al., 2000). In business, ethical intention is also referred to the focus of actions an individual would take to resolve ethical issues, along with the corresponding actions they think their colleague would take (Elango et al., 2010). When studying ethical decision-making, it is important to study ethical intention because one might have a high ethical perception and make a sound moral judgment, but still not intend to act accordingly (Karande et al., 2000). Just because an individual has a high perception of ethics and sound moral
judgment, one should not make the assumption that this will always have an effect of the intent of the individual.

The construct ethical intention has been portrayed differently depending on the culture and company being researched. In the Hunt and Vitell (1986) model, ethical intention is considered a major outcome variable that is impacted by ethical judgment as well as the teleological evaluation of the action (Karande et al., 2000). On the other hand, in the Hunt and Vitell model, ethical intention is not the final outcome – it drives ethical behavior. In the Jones (1991) model, moral intent is considered the ultimate outcome which is influenced by moral judgment, which in turn is influenced by the manager’s recognition of a moral issue (perceived ethical problem); the entire process (ethical perception – ethical judgment – ethical intention) is influenced by the moral intensity of the action.

Ethical intention has been heavily studied in ethics research. Karande et al. (2000) find that in an ethical situation, the ethical intention of American managers will differ from the ethical intention of Malaysian managers. Marta et al. (2004) looked at the effects that ethical problems, perceived importance of ethics and age had on ethical intention. While the authors findings did not show any relationship with age and ethical intention, they did find that ethical problems and perceived importance of ethics is a strong predictor of ethical intentions.

The main purpose of this chapter was to give a comprehensive literature review of small business research and business ethics research as it relates to small businesses as well as internationally. Also discussed is the relationship between culture and ethics which is critical to any cross-cultural research. Finally, a detailed discussion on the
constructs that will be used to analyze the small business owners and small business managers ethical decision-making processes were discussed. These factors will be the constructs used to ultimately measure the ethical intentions of these small business owners and managers. Hypotheses will be developed using these constructs in Chapter IV and subsequent chapters will discuss the results of the tests.
CHAPTER III
THEORETICAL FOUNDATION

In this chapter, the illustration of the theoretical framework will be discussed. There have been many theoretical approaches that have materialized in ethics research over the last few decades. While our focus will be on the stakeholder theory and the integrative social contracts theory (ISCT), a brief discussion on normative theories will precede our discussion of these theories. These approaches are descriptive and normative or prescriptive theories and both have been used to explain the decision making processes of firms and individual managers in ethics research. With normative or prescriptive theories, the focus is on what we should do when faced with an ethical situation. With the descriptive approaches, the focal point is on what individuals actually do when faced with an ethical situation (Fukukawa, 2003) and it attempts to describe or model ethical decision making and behaviors or different populations (Dunfee et al., 1999).

Descriptive ethics is concerned with studying and describing the morality of people, culture or society (Tsalikis & Fritzsche, 1989).

As stated above, with normative or prescriptive approaches, the focal point is on what individuals should do when they are faced with an ethical situation. In this case, the word “normative” is used to refer to a moral or ethical evaluation of actions, potential
actions, or social structure (Bishop, 2000). The normative approaches to ethics identify the moral principles and methods or moral reasoning that justify judgments of what is right and what is wrong (Dunfee et al., 1999). Normative theory of business ethics is normative in terms of it purporting to say what is ethical, not what the individual members of a group thinks is ethical (Bishop, 2000). In turn, normative ethics seeks to uncover, develop, and justify the basic principle or the basic values of a moral system (Tsalikis & Fritzsche, 1989).

The normative theory of business ethics is an attempt to focus exclusively upon those aspects of human life that involve business relationships. It is specifically created to provide human beings with ethical guidance while they are functioning in their capacity as business people (Hasnas, 1998). According to Bishop (2000), every normative theory should address seven issues. According to the author, the theory needs to specify a moral principle that:

1. Identifies recommended values
2. Identifies the grounds for accepting those recommended values
3. Specify a decision principle that business people who accept the theory can use
4. Determine who the normative theory applies to
5. Identifies whose interests need to be considered
6. Outline in what contexts it applies
7. Identifies which legal and regulatory structure the theory assumes

The normative theories we will discuss in this study are the stakeholder theory and the integrative social contracts theory. These theories are aimed at representing
those general ethical principles that normative ethics is concerned. They do so by establishing in a way that best exhibits their relevance and applicability to those involved in the world of business (Palmer, 1999). In this section, we will discuss these theories, their criticisms, and their contribution to the field of ethics.

A. Stakeholder Theory

The Stakeholder Theory leads in normative theories. The Stakeholder Theory may be considered a bothersome label because it is used in both the empirical theory of management as well as a normative theory in business ethics. With the empirical theory of management, the Stakeholder Theory states that effective management requires a balanced consideration of and attention to the interests of all stakeholders (i.e. anyone who has a stake or claim on the firm) (Hasnas, 1998). In this sense, stakeholders may be interpreted as anyone that can be affected by the decisions of the business. It is any business theory that claims business enterprises ought to consider the interests of all those affected by the firm’s actions (Bishop, 2000). This could be employees, customers, suppliers, managers, and even the local community. In the empirical sense, however the theory is designed to improve the financial performance of the firm with no implications of social responsibility to the society it conducts business in. With the Stakeholder Theory of management, the managers are required to successfully meet the fiduciary obligation to the stockholders of the firm (Hasnas, 1998).

With the normative Stakeholder Theory, the theory maintains that the financial success of a business may best be achieved by giving the interests of the business’s stakeholders, customers, employees, suppliers, management, and local community the
appropriate consideration and adopting policies which produce the best balance among them (Hasnas, 1998). It asserts that regardless of whether the stakeholder management leads to improved financial performance, business managers should manage the business for the benefit of all stakeholders (Hasnas, 1998). If there is a conflict of interest with the needs of the stockholder versus the needs of the stakeholders, it is the business managers obligation to attain an optimal balance among them (Hasnas, 1998). This could mean that the business manager may have to sacrifice some of the interests of the stockholders in order to satisfy the interests of the stakeholders. The business managers have to find a way to maximize the business’s financial success as well as ensure the business’s survival by balancing conflicts that arise between multiple stakeholders (Hasnas, 1998).

One of the key aspects of the managerial Stakeholder Theory is that they meet the financial obligations of the business for its stockholders. In the normative approach, the Stakeholder Theory asserts that, regardless of whether the stakeholder management leads to improved financial performance or benefits, managers should manage the business for the benefit of all stakeholders (Hasnas, 1998). It asserts that business enterprises have a moral duty to consider the interests of all stakeholders regardless of whether or not this is an instrumental benefit to the corporation or its owners (Bishop, 2000). The theory also holds that management’s obligation is to ensure the firm’s survival by balancing the conflicting claims of multiple stakeholders and not just maximizing the firm’s financial success (Hasnas, 1998).

These obligations can be met by addressing the two principles within the Stakeholder Theory, the corporate legitimacy principle and the stakeholder fiduciary principle. With the principle of corporate legitimacy, the firm should be managed for the
benefit of its stakeholders which are its customers, suppliers, owners, employees, and the local communities (Hasnas, 1998). The rights of these groups must be safeguarded and should take part in the decisions that affect their welfare. Regarding the stakeholder fiduciary principle, management is required to act in the interest of the firm’s stakeholders as their agents. It must also act in the interests of the firm to ensure the survival of the firm by safeguarding the long-term stakes of each group (Hasnas, 1998).

As with all theories, the Stakeholder Theory has had its share of criticism. For example, the theory has been said to lack a clear normative foundation (Hasnas, 1998). Researchers have also stated that it needs to deal with three issues. First, the theory needs to clearly define what is meant by “interest” and how the interests are compared by various stakeholders. This area could be considered stakeholder preferences. Second, it needs to specify a usable and clear decision principle. Finally, the theory needs to give grounds for considering the interests of all stakeholders (Bishop, 2000). It has also been said that theory is not well grounded (Hasnas, 1998).

The Stakeholder Theory is also attacked by critics stating that the theory fails to recognize the special moral status of shareholders that issues in and justifies the financial duties owed to them legally by managers (Marcoux, 2003). This, in and of itself, presents a problem because there are researchers that have stated the Stakeholder Theory eliminates any fiduciary duties from the manager-stakeholder relationship and that the moral duties of the firm that the managers have cannot be fiduciary (Marcoux, 2003).
B. Integrative Social Contracts Theory

Integrative Social Contracts Theory (ISCT) was created by Donaldson and Dunfee and incorporates the empirical findings as a part of the contractarian process of making normative judgments (Donaldson & Dunfee, 1994). It is an important example of a contextual approach within the broad domain of contractualist business ethics (Dunfee, 2006). The theory was created in response to their observations that the practitioner had ethical theories that went "nowhere" (Gosling & Huang, 2009; Javalgi & Russell, 2018). The goal of the theory is to provide a framework where business decisions can be made with respect to their impact on society, ethical norms and moral standards. ISCT is useful in addressing ethical issues because it takes into consideration context-specific components that other general ethical theories fail to include. In their development of ISCT, Donaldson and Dunfee (1994) put emphasis on context specificity which directs our expectation that situational factors will influence the ethical judgment of an act as ethical or unethical and may in turn influence our ethical intention towards that act.

According to ISCT, the ethical standards that an individual should apply depends on the type of norm identified as applying to a given situation. For many cases, ethical norms derived locally by businesses, industries, or other communities relevant to business provide appropriate guidance. In terms of universal moral principles (or hypernorms), they will take precedent over local norms. ISCT suggests that context plays an important role in determining the standards by which ethical decision makers judge their own behaviors and the behaviors of others. If an individual evaluates how ethical an act is by comparing it against local standards of good conduct, then ethical
judgment will depend on the context in which the behavior takes place (Spicer et al., 2004).

In this case, the term “integrative” is used to show that ISCT is based upon a hypothetical social contract whose terms allow for the generation of binding ethical obligations through the recognition of actual norms created in real social and economic communities (Dunfee, 2006). In other words, the hypothetical social contracts theory is integrated with an existing social contract. The term “contracts” is plural and used to show that ISCT envisions a countless amount of local-community based social contracts establishing binding ethical norms (Dunfee, 2006). The primary purpose of ISCT is to provide means of practical guidance to ethical decision makers such as business managers. The theory is designed to strengthen ethical decision-making by requiring managers to consider the impact of their decision to relevant communities while at the same time, insisting that they ask themselves whether their decision implicates universal moral principles (Dunfee, 2006).

ISCT is made up of two concepts, bounded moral rationality and social contracts. Both concepts are the key to understanding the basis of ISCT. Bounded moral rationality is regarded as an extension of well-grounded idea of bounded economic rationality to the moral sphere (Dunfee et al., 1999). All humans are constrained by bounded moral rationality. This means that though rational persons may be knowledgeable about ethical theory, they cannot always surmise good answers to moral problems without being with community specific norms (Donaldson & Dunfee, 2002). When using the term “moral rationality,” we make the assumption that moral concepts are proper objects of rational analysis and that they possess at least minimal objectivity (Donaldson & Dunfee, 1994).
There is also an assertion that moral rationality is bounded. In other words, otherwise rational moral agents, when applying moral theory to actual situations confront confining limits (Donaldson & Dunfee, 1994). Additionally, it is important to note that rationality in economic ethics is bounded in three ways (Donaldson & Dunfee, 1994):

1. By a finite human capacity to assess facts
2. By a limited capacity of ethical theory to capture moral truth
3. By the plastic or artefactual nature of economic systems and practices

It makes the assumption that the rationality of individuals is limited by the information they have, the cognitive limitations of their minds, and the finite amount of time they have to make a particular moral decision.

ISCT integrates two distinctive kinds of contracts, the normative contract and the hypothetical contract. A normative contracts exist when the parties to a relationship have an implicit understanding of their roles and responsibilities (Coote et al., 2003). A hypothetical contract (sometimes referred to as fictional contract) is a contract between society and business where society allows the business to structure themselves as a corporation and in turn, the corporation promotes society’s interest. These contracts are among economic participants and are implicit contracts that can occur among members of specific communities, including firms, department within firms, industries, international economic organizations, and so on (Donaldson & Dunfee, 1994). ISCT recognizes ethical obligations based on two levels of consent (Donaldson & Dunfee, 1994):

1. The macrosocial contract appealing to all rational contractor
2. The real microsocial contracts by members of a numerous amount of localized communities.
A macrosocial contract is concerned with normative rules that influence economic and business affairs. Microsocial contracts are agreements reached within smaller businesses or economic communities such as individual entities. They represent shared understandings about the normal norms relevant to specific economic interactions (Donaldson & Dunfee, 1994). Macrosocial contracts also have a list of four principles (Donaldson & Dunfee, 1994). These principles state that:

(1). Local economic communities may specify ethical norms for their members through microsocial contracts

(2). Norms-specifying microsocial contracts must be grounded in informed consent buttressed by a right of exit

(3). In order to be obligatory, a microsocial contract norm must be compatible with hypernorms

(4). In the case of conflicts among norms satisfying Principles 1-3, priority must be established through the application of rules consistent with the spirit and letter of the macrosocial contract

In ISCT, moral free space is the large domain in which communities of all kinds may generate community specific moral rules that are consistent with that community members preferences or experiences (Dunfee, 2006). Community in this sense means a self-defined, self-circumscribed group of people who interact in the context of shared tasks, values or goals. These people are capable of establishing norms of ethical behaviors for themselves (Donaldson & Dunfee, 1994). When these norms are legitimate, they tend to be binding upon the community members and are subject to ISCT’s “priority rules of thumb” (discussed below) if the competing norms from other
communities are relevant (Dunfee, 2006). This ensures that all community norms are consistent with perceptible hypernorms.

There are situations where the norm in one community will conflict with the hypernorm in another community. For example, if a small or medium sized firm from the U.S. is conducting business in another country, there are rules from the US that prevents the manager from taking gifts over a certain monetary amount because it could be perceived as a bribe. If the host country has differing norms when it comes to gift giving or considers gift giving as “a part of doing business”, there is now a situation of conflicting norms. Since the macrosocial contract emphasizes the freedom of individual communities to develop ethical norms, attention should be given to norms that adversely have an impact on the freedom of other economic communities to create and support their own norms (Donaldson & Dunfee, 1994). Additionally, economic communities may anticipate the possibility of conflict with the norms of other communities and in response may develop preference rules for the members of their communities to follow in a cross-cultural business transactions (Donaldson & Dunfee, 1994). In this case, ISCT has a set of priority principles called “rules of thumb”. These rules should not be considered theoretical premise principles, but instead a broadly accurate guide based on experience rather than theory. These principles are as follows: (Donaldson & Dunfee, 2002):

(1). Local community norms have priority unless adopting them harms members of another community

(2). Local community norms designed to resolve norm conflicts have priority unless adopting them harms members of another community

(3). The more global the source of the norm, the greater the norm’s priority
(4). Norms essential to the maintenance of the economic environment in which the transaction occurs have priority over norms potentially damaging to that environment

(5). Patterns of consistency among alternative norms add weight for priority

(6). Priority is given to well defined norms over less well-defined ones

These principles must be established in cases where macrosocial contract terms causes conflicts among norms. These principles are also positioned to help prevent conflicting norms with multiple communities.

To further extend the discussion on the priority rules of thumb, Donaldson & Dunfee (1994) use the example of the Indian firm that is considering adopting the practice of guaranteeing employment for the children of existing workers. Based on our discussion on the principles above, the authors state that Rules 1, 3 and 5 have some limited relevance and Rules 2, 4 and 6 have no direct relevance to this situation because they address to the issues of existing local community preferential rules, the maintenance of the economic development and the degree of precision of definition in the norm. Rule 1 however can be implemented. If it can be shown that the implementation of the practice is within a single community (the Indian business) and does not have significant adverse effects on other humans or communities, it should be governed by the host community’s norms. In other words, if there is a subsidiary of this company from another country, such as the US or Great Britain, Rule 1 would be implemented if it does not affect the norms of the country the subsidiary is located in.

In ethics research, norms are heavily discussed. There are three types of norms that are identified in research, legitimate norms, authentic norms and hypernorms. A
legitimate norm is an authentic norm that is compatible with hypernorm and a norm has
to be established as legitimate before it may become binding for members of the norm-
generating community (Donaldson & Dunfee, 2002). Authentic norms will provide the
essential “meat” for the ethical analysis (Dunfee, 2006). Authentic norms are generated
within a community’s moral free space and which satisfies the requirements of two of the
macrosocial terms. These terms state that “Local economic communities have moral free
space in which they may generate ethical norms” and “Norm-generating microsocial
contracts must be grounded in consent, buttressed by the rights of individual members to
voice and exit” (Donaldson & Dunfee, 2002). Authentic norms are based on the attitudes
and behaviors of the members of their source communities (Donaldson & Dunfee, 2002).

Of the norms that are discussed in research, a majority of the attention is paid to
hypermnorms. Hypernorms are defined as universal moral principles (Dunfee, 2006). They
are so fundamental that they constitute norms by which all other norms are to be judged
(Donaldson & Dunfee, 2002) and serve to evaluate lower-order norms. There are three
types of hypernorms, procedural, structural and substantive hypernorms. Procedural
hypermnorms are defined as “conditions essential to support consent in microsocial
contracts” (Donaldson & Dunfee, 1999). The source of procedural hypernorms is the
macrosocial contract (Dunfee, 2006). Structural hypernorms are considered necessary for
political and social organization. The source of the structural hypernorm is the economic
system-level microsocial contract (Dunfee, 2006). Finally, the substantive hypernorms
are the fundamental concepts of the right and the good. They derive from a convergence
of human experience and intellectual thought (Dunfee, 2006).
Overtime, theorists have continued to question the nature, value and existence of hypernorms. Theorists have questioned whether hypernorms (Dunfee, 2006):

- Can be identified for actual decision-making
- Are sufficiently justified in ISCT macrosocial contract
- Should be redefined in some significant way
- Are even necessary to the framework of ISCT
- Are able to change or evolve over time

In terms of identifying hypernorms, Donaldson and Dunfee, the creators of ISCT, have provided examples of hypernorms but “resolutely refused” to provide a comprehensive listing of hypernorms that can be used in conjunction with ISCT (Dunfee, 2006). The authors offer proxies and suggest decision makers use these proxies such as global industry standards, intergovernmental organizations and widespread global consensus to identify hypernorms. Researchers like Rowan (2001) find that this process is unsatisfactory because he states that without a list of hypernorms, ISCT is operationally impractical. Soule (2004) states that in the normative context of substantive hypernorms, ISCT is vague and therefore not useful to managers.

When justifying hypernorms, there are different types of justification for each hypernorm. Procedural and structural hypernorms are justified by the specification in the macrosocial contract while the substantive hypernorm is justified by recognition by the macrosocial contractors (Dunfee, 2006). Researchers have found criticism in the process of how these hypernorms are justified. Boatright (2000) states that there must be some external ethical theory that serves as the justification for hypernorms. Douglas (2000) states that there is concern about the sources of substantive hypernorms because he
believes that they are not grounded in the macrosocial contract serving as the overall foundation of ISCT.

Researchers have briefly touched on the redefining of hypernorms. The findings show that some researchers believe hypernorms should be focused on aggregate economic welfare (Dunfee, 2006). On the other hand, the necessity of hypernorms in the framework of ISCT have been discussed somewhat extensively. While some researchers find that hypernorms are flawed, hypernorms are thought to be an important part of cultural relativism (Dunfee, 2006). If for some reason they are removed, leaving only authentic norms and moral free space, there needs to be some other means of guarding against relativism (Dunfee, 2006). Additionally, if hypernorms are dropped instead of being repositioned or redefined, there needs to a way of disallowing problematic authentic norms in order for ISCT to be retained as a viable approach to ethical decision-making in business (Dunfee, 2006).
CHAPTER IV
CONCEPTUAL MODEL AND HYPOTHESIS DEVELOPMENT

This research focuses on how individual ethical factors influence the decision-making process of small business owners and small business managers. Chapter II gives a comprehensive literature review of small business research, ethics research as well the factors that influence the ethics decision-making process of individuals. Individuals have different perceptions of ethical situations and use different ethical frameworks to make decisions (Ferrell & Gresham, 1985). The assertion has been made that marketing managers must first perceive ethics and social responsibility to be important before their behaviors will become more ethical and therefore reflect greater social responsibility that is grounded in moral philosophies (Singhapakdi, 1999).

Based on previous research and the stakeholder and the integrative social contracts theoretical frameworks discussed in Chapter III, the author developed a conceptual model (Figure 2) that will be submitted for analysis for this study. This conceptual framework will ultimately be used to test the ethical intentions of small business owners and small business managers. The model will be tested and scenarios will be used to directly measure perceived ethical problems and ethical intention. This
will be discussed in detail in Chapter V. The results will be presented using four scenarios which are used as case examples in this research.

Figure 2: Conceptual Model

4.1 Hypothesis Development

4.1.1 Relationship Between Idealism and Perceived Importance of Ethics

Moral philosophies are critical to ethics research and have been used to determine the moral compass of individuals. Social psychologists consider moral philosophies to be an important part of factors influencing an individual’s ethical judgments. Two key factors of moral philosophy is idealism and relativism (Singhapakdi et al., 1995). Extant literature has shown the relationship between idealism and its relationship between perceived importance of ethics. Idealism is defined as the degree to which individuals assume that desirable consequences can, with the right action, always be obtained (Forsyth, 1980). As discussed earlier, idealists look for the “right” thing to do and try
their best to avoid harming others. The belief that there are ways to perform duties and get the ultimate goal accomplished without harming anyone.

The Stakeholder Theory posits that business enterprises have a moral duty to consider the interests of all its stakeholders, not just the shareholders. These interests should be considered regardless of whether or not this benefits the corporation or its owners (Bishop, 2000). This theoretical approach states that management is obligated to ensure the survival of the firm by balancing the conflicting claims of multiple stakeholders. Using the stakeholder theoretical framework, the argument is made that small business managers will take into consideration the consequences of harming its stakeholders before taking a given ethical action in business.

Perceived importance of ethics is used to determine an individual’s perception about the importance of ethics. Perceived importance of ethics represents what an individual believes about the relationships between business, ethics and long-term profitability (Marta & Singhapakdi, 2005). In researching marketer’s perceived importance of ethics and their perception of social responsibility components of their business decisions, findings show that idealism has a positive influence on a marketers perception of the importance of ethics and social responsibility when trying to achieve organizational effectiveness (Singhapakdi et al., 1995).

A socially responsible firm may act in a way that will advance the firm as well as serve society (Tarunlata, 2016), especially a society (or community) they are conducting business in. Integrative Social Contracts Theory posits that business decisions can be made with respect to their impact on society. This theoretical framework is designed to strengthen ethical decision-making because business managers will be required to
consider the impact of their decisions to the relevant communities. Using this theoretical framework, we argue that small business owners and managers will consider the impact of their ethical decisions on the communities they do business in when making a decision in an ethical situation.

In their efforts to develop a reliable and valid scale for measuring marketers, Singhapakdi et al. (1996) also find partial support that idealism is positively related to how important individuals perceive the roles of ethics and social responsibility in achieving organizational effectiveness. The authors also state that their findings suggest that individuals who have high socially responsible attitudes and who are idealistic will tend to perceive the role of ethics and social responsibility to be important in determining an organization’s long term gains. In determining how business people from Thailand perceive the importance of ethics, Singhapakdi et al. (2008) find that idealism has a positive influence on a manager’s perceived importance of ethics.

Research has shown that idealism is positively related to how important individuals perceive the role of ethics and social responsibility in achieving organizational effectiveness (Vitell & Paolillo, 2004) as well. Marta et al. (2003) find that Egyptian business students are more likely than American business students to perceive the importance of ethics and social responsibility. Vitell et al. (2010) find that the more idealistic the individual, the more importance they will place on social responsibility and ethics. Based on these findings, the following hypothesis has been developed:

H1: Idealism positively influences the perceived importance of ethics of small business owners and small business managers in an emerging market [India].
4.1.2 Relationship Between Relativism and Perceived Importance of Ethics

Researchers have spent years researching the relationship between relativism and the perceived importance of ethics. Relativism is defined as the extent to which an individual rejects the universal moral rules when making ethical judgments (Forsyth, 1980). The relativist tends to explore and embrace the moral philosophy with some skepticism (Forsyth, 1980). They feel that their moral actions should be based on the situation at hand and as well as depending on the individuals involved in that situation.

Research has shown that there is a negative relationship between relativism and the perceived importance of ethics. In studying the perceived importance of ethics of marketers, researchers find that relativism negatively influences a marketer’s perceptions of the importance of ethics and their social responsibility in achieving organizational effectiveness (Singhapakdi et al., 1995). In their efforts to develop a reliable and valid scale for measuring marketers, Singhapakdi et al. (1996) find partial support that relativism is negatively related to how important individuals perceive the roles of ethics and social responsibility in achieving organizational effectiveness. The authors also state that their findings suggest that relativistic individuals will tend to perceive the role of ethics and social responsibility in determining an organization’s long term gains.

Relativism is negatively related to how important individuals perceive the role of ethics and social responsibility in achieving organizational goals. Vitell & Paolillo (2004) find that relativism is negatively related to how important individuals perceive the role of ethics and social responsibility in achieving organizational effectiveness. Vitell et al. (2010) find that the more relativistic the individual, the less importance they will place
on social responsibility and ethics. Based on the research and finding identified above, the following hypothesis has been developed:

H2: Relativism negatively influences the perceived importance of ethics of small business owners and small business managers in an emerging market [India].

4.1.3 Relationship Between Idealism and Relativism with Perceived Ethical Problems

An individual’s ability to perceive an ethical problem in a given situation is a determining factor of his or her decision-making process in that situation. As stated earlier, the Integrative Social Contracts Theory theoretical framework is designed to strengthen ethical decision-making of business managers. Using this theoretical framework, we argue that a small business owner’s and a small business manager’s ability to recognize an ethical problem will strengthen because they are obligated to think about the communities they do business in and not just their small firms.

Existing research has explored the relations between personal moral philosophies (i.e. idealism and relativism) and ethical perception or ethical problems. Forsyth (1980) suggests that idealism and relativism has an influence on ethical perceptions, and that differences in moral judgments may be described most parsimoniously by addressing these two dimensions. Research has also shown that there is a positive relationship between idealism and perceived ethical problems. Marta et al. (2003) compared the ethical perceptions and moral philosophies of American and Egyptian students. The authors find that Egyptian students tend to be more idealistic than American students and Egyptian students would perceive an ethical of problem when presented. These findings
clearly support the hypothesized relationship between idealism and marketing norms (Singhapakdi et al., 2008).

In terms of the relationship between relativism and perceived ethical problems, Singhapakdi et al. (2008) find that relativism is negatively related to a Thai manager’s perception of an ethical problem. In their 1993 study of members of the American Marketing Association, Vitell et al. (1993) found partial support in the negative relationship between relativism and different dimensions of marketing norms. In their study of marketing researchers, Sparks and Hunt (1998) found support for the hypothesized negative relationship between relativism and ethical sensitivity. Based on these findings, the following hypotheses were developed:

H3: Idealism positively influences the perceived ethical problems of small business owners and small business managers in an emerging market [India].

H4: Relativism negatively influences the perceived ethical problems of small business owners and small business managers in an emerging market [India].

4.1.4 Relationship Between Perceived Importance of Ethics and Perceived Ethical Problems

The perceived importance of ethics (by an individual) and social responsibility for organizational effectiveness is a key background factor of whether or not an ethical problem is perceived in a given situation (Vitell & Paolillo, 2004; Marta et al., 2000). Previous literature has shown that there is a relationship between the perceived importance of ethics and perceived ethical problems. In their discussion of perceived ethical problems, Armstrong et al. (1990) find that Americans and Australians have
similar perceptions of ethical problems they encounter in international marketing and
differ little in regard to ethical issues related to ethical problems. Singhapakdi et al.
(2008) find that managers from Thailand who perceive ethics to be important are more
likely to perceive an ethical problem in a situation. Based on this finding, the following
hypothesis has been developed:

H5: Small business owners and small business managers in an emerging market
[India] who perceive ethics to be important are more likely to perceive an ethical
problem.

4.1.5 Relationship Between Perceived Importance of Ethics and Ethical Intention

Ethical intention focuses on the actions an individual would take in order to
resolve an ethical issue. It refers to an individual’s intention to act in an ethical or
unethical manner. Using the Integrative Social Contracts Theory theoretical framework,
we argue that small business owners and managers ethical intent will be impacted
because they are obligated to think about the communities they do business in and not
just their businesses. In addition to the theoretical framework, the relationship between
perceived importance of ethics and ethical intention has been studied in research.

Marta et al. (2004) find that perceived importance of ethics is strongly predictive
of ethical intention. Marta et al. (2000) find that Thai managers who perceive ethics to be
important were more likely to have an ethical intention than Thai managers who do not
perceive ethics to be important. In their 2008 research, Singhapakdi et al. find that
managers from Thailand who perceive ethics to be important are more likely to have an
ethical intention in a given situation. In his research regarding university students and the
ethical decisions in marketing, Singhapakdi (2004) finds that marketing students who perceive the importance of ethics are more likely to have an ethical intention than their counterparts.

Marketing professionals who perceive ethics and social responsibility to be important are more likely to have an ethical intention than marketing professionals who do not perceive ethics and social responsibility to be important (Singhapakdi, 1999). The author also asserts that the marketing managers must first perceive ethics and social responsibility to be important before their behaviors will become more ethical and reflect greater social responsibility. Thai managers who perceive ethics to be important are more likely to have an ethical intention in a situation. Bone and Corey (1998) state that an increasing amount of reflection on moral issues in business should lead an individual to make more ethical decision. In their research on Middle-Eastern marketers, Marta, et al., (2004) find that Middle-Eastern marketers who perceive ethics to be important are more likely to have ethical intentions than those Middle-Eastern marketers who do not perceive ethics to be important. Based on these findings, the following hypothesis has been developed:

H6: Small business owners and small business managers in an emerging market [India] who perceive ethics to be important are more likely to have an ethical intention.

4.1.6 Relationship Between Perceived Ethical Problems and Ethical Intention

Literature has shown that there is a relationship between perceived ethical problems and ethical intention. Jones (1991) states that moral intensity of an issue is a
starting point in the ethical decision making process. The author argued that ethical
decision making contingent on a specific issue and the characteristics of the moral issue
affect both ethical perceptions and ethical intentions of a moral agent (Karande et al.,
2000). Hunt and Vitell (1986) stated that ethical perception is the driver in the decision
making process by influencing ethical judgment, and subsequently impacts ethical
intentions. The authors also stated that the perception of an ethical issue or problem is an
important prerequisite for the ethical decision making process. One could argue that an
individual who perceives an ethical problem would tend to behave more ethical than an
individual who does not.

Singhapakdi and Vitell (1990) find that marketing managers who recognize
ethical problems are more likely to take some action to resolve them. Singhapakdi
(1999) find that marketing professionals who perceive ethical problems in situations are
more likely to have an ethical intention that marketing professionals who do not perceive
an ethical problem in a situation. Marta et al. (2004) find that ethical problem is strongly
predictive of ethical intention. Singhapakdi et al. (2008) find that Thai managers who
perceive an ethical problem in a situation are to be more likely to have an ethical
intention than Thai managers who do not perceive an ethical problem in a situation.
Singhapakdi (2004) find that marketing students who perceive an ethical problem in a
given situation are more likely to have an ethical intention.

Findings show that managers from Thailand who perceive an ethical problem in a
given situation are more likely to have an ethical intention in that situation (Singhapakdi
et al., 2008). Research has shown that marketing students who more readily perceive an
ethical problem in a given situation are more likely to have an ethical intention than their
counterparts (Singhapakdi, 2004). Marketing professionals who perceive an ethical problem in a given situation are more likely to have an ethical intention than marketing professionals who do not perceive an ethical problem in a given situation (Singhapakdi, 1999). Based on these findings, the following hypothesis was developed:

H7: Small business owners and small business managers in an emerging market [India] who perceive an ethical problem in a situation are more likely to have an ethical intention in that situation.
Chapter V

Research Design and Methodology

The main purpose of Chapter V is to discuss the research design and methodology that is used for this dissertation. The data collection procedures, survey instruments, measures, preliminary testing, and exploratory factor analysis procedures will also be discussed in detail.

A. Data Collection Procedures

The focus of this research is to determine how ethical factors influence the ethical decisions and the ethical intentions of small business owners and managers from an emerging market, with the focus on India. An extensive review of business ethics literature was done to determine the survey instruments to be used in this study. Based on the research, a survey instrument that encompasses scales for personal philosophies (i.e. idealism and relativism) and the perceived importance of ethics constructs were developed. In addition to these scales, four ethical scenarios are used to directly measure perceived ethical problems and ethical intention constructs.
The study was submitted to the Institutional Review Board (IRB) for approval. Once approval was attained, a survey instrument was designed and put into the Qualtrics© software. The survey was then conducted by data collection firm Qualtrics © (https://csumarketing.az1.qualtrics.com) and distributed to respondents that are small business owners and managers in India using a third party vendor that was contracted by Qualtrics©.

B. Survey Instruments

When respondents clicked on the link, they were presented with an online consent form that explained the study and required them to agree that they are 18 years or older before proceeding to the questionnaire. Once they consented to the terms of the study, they were asked to answer a series of demographic questions to capture the demographic makeup of the respondents taking the ethics survey. Demographic questions such as the following was asked to gather this information:

- What is your gender?
- What is your educational level?
- How old are you?

Once the demographic questions are completed, the respondents were presented with the forty-four (44) questions that are used to measure the constructs.

The survey instrument consists of the ethics position questionnaire (EPQ) used to measure idealism and relativism and the perceived important of ethics and social responsibility (PRESOR) scale used to measure perceived important of ethics. Four ethical scenarios are used to measure perceived ethical problem and ethical intention.
directly. Though small business owners and managers in India are surveyed, the survey was presented in English. English is a common business language in India and Indian business people correspond in English (Marta et al., 2000). The individual scales used are described below.

C. Measures

5.1 Idealism and Relativism (Ethics Position Questionnaire Scale)

The Ethics Position Questionnaire (EPQ) scale was developed and operationalized by Forsythe (1980). The complete scale is shown in Table IV. This scale is used to measure the personal moral philosophies, idealism and relativism, of its respondents. The scale consists of twenty items which is divided into two subscales. The first ten items are designated to measure idealism and the last ten items are designated to measure relativism. The idealism subscale was designed to measure an individual’s acceptance of moral absolutes while the relativism subscale was designed to measure and individual’s rejection of universal moral principles (Singhapakdi, et al., 1995).

Consistent with existing research, the items in the EPQ scale are measured using a 7-point Likert scale when presented to respondents. When measuring an individual’s level of idealism, statements such as “People should make certain that their actions never intentionally harm another even to a small degree” or “The existence of potential harm to others is always wrong, irrespective of the benefits to be gained” are asked. With relativism, questions such as “It is acceptable for ethical perspectives to vary from one situation and society to another” or “Questions of what is ethical for everyone can never be resolved since what is moral or immoral is up to the individual” will be asked to
measure an individual’s level of relativism. Respondents are then presented with a 7-point Likert scale and asked if they “1 – Strongly Disagree” to “7 – Strongly Agree” with the statement. Those scoring high on the idealism scale tend to believe that morally right behavior leads to good or positive consequences while those scoring high on the relativism scale tend to reject the idea that absolute moral principles exist (Forsyth, 1980; Vitell & Paolillo, 2004). Highly idealistic individuals feel that harming others is always avoidable and they would rather not choose between the “lesser of two evils” which would lead to negative consequences (Forsyth, 1992; Vitell & Paolillo, 2004). On the other hand, a highly relativistic individual would weigh the situation and the consequences and then determine if the situation is ethical or not.
Table IV

Ethics Position Questionnaire Scale

<table>
<thead>
<tr>
<th>Idealism</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. People should make certain that their actions never intentionally</td>
<td>harm another even to a small degree.</td>
</tr>
<tr>
<td>2. Risks to another should never be tolerated, irrespective of how</td>
<td>small the risks might be.</td>
</tr>
<tr>
<td>3. The existence of potential harm to others is always wrong,</td>
<td>irrespective of the benefits to be gained.</td>
</tr>
<tr>
<td>4. One should never psychologically or physically harm another</td>
<td>person.</td>
</tr>
<tr>
<td>5. One should not perform an action that might in any way threaten</td>
<td>the dignity and welfare of another individual.</td>
</tr>
<tr>
<td>6. If an action could harm an innocent other, then it should not be</td>
<td>done.</td>
</tr>
<tr>
<td>7. Deciding whether or not to perform an act by balancing the</td>
<td>positive consequences of the act against the negative consequences</td>
</tr>
<tr>
<td>8. The dignity and welfare of the people should be the most</td>
<td>of the act is immoral.</td>
</tr>
<tr>
<td>9. It is never necessary to sacrifice the welfare of others.</td>
<td></td>
</tr>
<tr>
<td>10. Moral behaviors are actions that closely match ideals of the most</td>
<td>&quot;perfect&quot; action.</td>
</tr>
<tr>
<td>Relativism</td>
<td></td>
</tr>
<tr>
<td>1. There are no ethical principles that are so important that they</td>
<td>should be a part of any code of ethics.</td>
</tr>
<tr>
<td>2. It is acceptable for ethical perspectives to vary from one situation</td>
<td>and society to another.</td>
</tr>
<tr>
<td>3. Moral standards should be seen as being individualistic; what one</td>
<td>person considers to be moral may be judged to be immoral by</td>
</tr>
<tr>
<td>4. Different types of morality cannot be compared as to &quot;rightness.&quot;</td>
<td>another person.</td>
</tr>
<tr>
<td>5. Questions of what is ethical for everyone can never be resolved</td>
<td>since what is moral or immoral is up to the individual.</td>
</tr>
<tr>
<td>6. Moral standards are simply personal rules that indicate how a</td>
<td>person should behave, and are not be applied in making</td>
</tr>
<tr>
<td>7. Ethical considerations in interpersonal relations are so complex</td>
<td>judgments of others.</td>
</tr>
<tr>
<td>8. Rigidly codifying an ethical position that prevents certain types of</td>
<td>actions could stand in the way of better human relations and</td>
</tr>
<tr>
<td>9. No rule concerning lying can be formulated; whether a lie is</td>
<td>adjustment.</td>
</tr>
<tr>
<td>10. Whether a lie is judged to be moral or immoral depends upon the</td>
<td>circumstances surrounding the action.</td>
</tr>
</tbody>
</table>

Ethics Position Questionnaire Scale (Forsyth, 1980)
5.2 Perceived Importance of Ethics (PRESOR Scale)

Ethics and social responsibility can be analyzed at the individual level (Singhapakdi et al., 1995). The perceived importance of ethics and social responsibility for organizational effectiveness is likely to be a key background factor and a critical determinant in whether or not ethics is perceived in a given situation (Vitell & Paolillo, 2004). The perceived importance of ethics and social responsibility (PRESOR) scale was developed and operationalized by Singhapakdi et al. (1995) to measure an individual’s ability to perceive ethics as important. All items of this scale are shown in Table V. The scale was designed to capture the respondent’s perception regarding the roles of ethics and social responsibility as determinants of different aspects of organizational effectiveness (Marta et al., 2003). The scale was developed using the Organizational Effectiveness Menu designed by Kenneth Kraft and Lawrence Jauch in 1992 as a foundation. A 16-item scale is now heavily used in ethics research to determine how respondents perceive the importance of ethics and social responsibility.

Consistent with existing research, in this study, the items in the PRESOR scale are measured using a 7-point Likert scale. Vitell & Paolillo (2004) used a 7-point Likert scale to study the ethical beliefs and the importance of ethics and social responsibility and decision-making processes of managers from the Spain, Turkey, the UK, and the US. This scale has also been used in various areas of research to determine how the respondents perceive ethics as important in the areas of marketing and small business ethics.
Table V
Perceived Importance of Ethics And Social Responsibility Scale

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Being ethical and socially responsible is the most important thing a firm can do.</td>
</tr>
<tr>
<td>2.</td>
<td>While output quality is essential to corporate success, ethics and social responsibility is not.</td>
</tr>
<tr>
<td>3.</td>
<td>Communication is more important to the overall effectiveness of an organization than whether or not it is concerned with ethics and social responsibility.</td>
</tr>
<tr>
<td>4.</td>
<td>Corporate planning and goal setting sessions should include discussions of ethics and social responsibility.</td>
</tr>
<tr>
<td>5.</td>
<td>The most important concern for a firm is making a profit, even if it means bending or breaking the rules.</td>
</tr>
<tr>
<td>6.</td>
<td>The ethics and social responsibility of a firm is essential to its long term profitability.</td>
</tr>
<tr>
<td>7.</td>
<td>The overall effectiveness of a business can be determined to a great extent by the degree to which it is ethical and socially responsible.</td>
</tr>
<tr>
<td>8.</td>
<td>To remain competitive in a global environment, business firms will have to disregard ethics and social responsibility.</td>
</tr>
<tr>
<td>9.</td>
<td>Social responsibility and profitability can be compatible.</td>
</tr>
<tr>
<td>10.</td>
<td>Business ethics and social responsibility are critical to the survival of a business enterprise.</td>
</tr>
<tr>
<td>11.</td>
<td>A firm's first priority should be employee morale.</td>
</tr>
<tr>
<td>12.</td>
<td>Business has a social responsibility beyond making a profit.</td>
</tr>
<tr>
<td>13.</td>
<td>If survival of a business enterprise is at stake, then you must forget about ethics and social responsibility.</td>
</tr>
<tr>
<td>14.</td>
<td>Efficiency is much more important to a firm than whether or not the firm is seen as ethical or socially responsible.</td>
</tr>
<tr>
<td>15.</td>
<td>Good ethics is often good business.</td>
</tr>
<tr>
<td>16.</td>
<td>If the stockholders are unhappy, nothing else matters.</td>
</tr>
</tbody>
</table>

Perceived Role of Ethics and Social Responsibility Scale (Singhpakdi et al., 1996)

5.3 Perceived Ethical Problem and Ethical Intention (Ethical Scenarios)

In business ethics research, scenarios are used to measure certain constructs within a model in order to determine how ethical an individual is. These scenarios are small illustration or a brief account of an ethical situation and asks the respondent to determine if the account that is described is an ethical situation. The constructs perceived ethical problems and ethical intention will be measured directly using ethical scenarios.
The scenarios used in this study are shown in Table VI. The use of scenarios is supported as a means of producing more valid and more reliable measures of respondent opinion than abstract questions of opinion surveys where the abstract questions are considered “simple” (Alexander & Becker, 1978).

Scenarios are very popular in business ethics research because it allows researchers to present a solid ethical decision-making situation that are close to real-life ethical decision-making situations (Barnett et al., 1994). According to Alexander and Becker (1978), the most interesting aspect of the scenario technique in survey research is that it makes viable an analysis of the effects on people’s judgments by systematically varying characteristics used in the situation being described. The authors also state that the use of scenarios help to standardize the social stimulus across respondents while at the same time makes decision-making situation more real. There are benefits to using scenarios in research. Alexander and Becker (1978) identify the following issues and state that vignettes can help:

- The respondent may not be likely to consciously bias his or her report in the direction of impression-management. For example, the respondent may be unconsciously seeking social approval from the person administering the interview.

- Most people may not necessarily inciteful about the factors that enter their own judgment-making process.

Singhapakdi (1999) used scenarios when trying to determine the influences of perceptions regarding the perceived importance and social responsibility on ethical intention of marketing professionals. Vitell et al. (2010) used scenarios to extend the
understanding of ethical decision-making using marketing professionals from Spain. In their 2008 study of the relative influences of personal characteristics and the organizational environment of Thai business people’s ethical perception, Singhapakdi et al. measured ethical intention directly by asking each of the respondents to indicate if he or she would act in the same fashion as the marketer depicted in each scenario. The higher the score in this measure, the greater the chance that the individual will have an ethical intention.

In this study, ethical intention and the perceived ethical problems constructs are measured directly using four scenarios which present situations that some may see as unethical. The respondent is presented with the four scenarios and for perceived ethical problems construct, the respondent will be asked to respond to the statement “The situation above involves an ethical problem” by selecting a response such as “1-Strongly disagree” to “7 – Strongly Agree” from a 7-point Likert scale. This is used to determine if the respondent recognizes an ethical problem in the scenario presented. Regarding ethical intention, the respondent is asked to respond to the statement “I would act in the same manner as the person did in the above scenario” by selecting a response such as “1-Strongly disagree” to “7 – Strongly Agree” from a 7-point Likert scale. This will be used to determine the ethical intentions of the respondent and if the respondent will act ethically or unethically.
### Table VI

#### Ethical Scenarios

<table>
<thead>
<tr>
<th>Scenario 1</th>
<th>Misleading the Appraiser</th>
</tr>
</thead>
<tbody>
<tr>
<td>An automobile salesperson is told by a customer that a serious engine problem exists with a trade-in. However, because of the salesperson’s desire to make the sale, the salesperson does not inform the used car appraiser at the dealership and the problem is not identified.</td>
<td></td>
</tr>
</tbody>
</table>

**Action:** The salesperson closes the deal that includes the trade-in.

<table>
<thead>
<tr>
<th>Scenario 2</th>
<th>Overeager salesperson</th>
</tr>
</thead>
<tbody>
<tr>
<td>A young woman, recently hired as a salesperson for a local retail store, has been working very hard to favorably impress her boss with her selling ability. At times, this young woman, anxious for an order, has been a little overeager. To get the order, she exaggerates the value of the item or withholds relevant information concerning the product he is trying to sell. No fraud or deceit is intended by her actions, she is simply overeager.</td>
<td></td>
</tr>
</tbody>
</table>

**Action:** Her boss, the owner of the retail store, is aware of this salesperson’s actions, but she has done nothing to stop such practice.

<table>
<thead>
<tr>
<th>Scenario 3</th>
<th>Withholding Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sets of well-known brand of ‘‘good’’ china dinnerware are advertised on sale at a considerable discount by a local retailer. Several patterns of a typical, 45-piece service for eight are listed. The customer may also buy any ‘‘odd’’ pieces which are available in stock. The ad does not indicate, however, that these patterns have been discontinued by the manufacturer.</td>
<td></td>
</tr>
</tbody>
</table>

**Action:** The retailer offers this information only if the customer directly asks if the merchandise is discontinued.

<table>
<thead>
<tr>
<th>Scenario 4</th>
<th>Failure to honor warranty</th>
</tr>
</thead>
<tbody>
<tr>
<td>A person bought a new car from a franchised automobile dealership in the local area. Eight months after the car was purchased, he began having problems with the transmission. He took the car back to the dealer and some minor adjustments were made. During the next few months he continually had a similar problem with the transmission slipping. Each time the dealer made only minor adjustments on the car. Again, during the 13th month after the car had been bought, the man returned to the dealer because the transmission still was not functioning properly. At this time, the transmission was completely overhauled.</td>
<td></td>
</tr>
</tbody>
</table>

**Action:** Since the warranty was for only one year (12 months from the date of purchase), the dealer charged the full price for parts and labor.

---

Ethical Scenarios (adapted from Singhpakdi et al., 2008)
D. Pilot Study

A pilot study was performed and 40 respondents were collected to determine the viability of the questionnaire. The pilot study included 20 small business owners and 20 small business managers. There were also 20 male and 20 female respondents. The reliability assessment was performed for the idealism, relativism and perceived importance of ethics constructs. Reliability is an assessment of the degree of consistency between multiple measurements of a variable (Hair et al., 2010). The reliability and internal consistency for each scale was gathered using SPSS. Based on the Cronbach’s alpha below, each scale was determined to be reliable and internally consistent.

- Ethics Position Questionnaire (EPQ)
  - Idealism: $\alpha = .92$
  - Relativism: $\alpha = .93$

- PRESOR Scale
  - Perceived importance of ethics: $\alpha = .90$

Since the perceived ethical problems and the ethical intention constructs only have one item, reliability assessment will not be done.

The pilot study also yielded some changes that would be needed for the final study. It was decided to ask demographic questions that would add to the analysis of the respondents that took the survey. The questions are as follows:

- What is the size of your company?
- What is your annual income (salary)? In the pilot study, the annual income of the company was asked.
- Does your company conduct business in foreign markets?
• How old is your business?

It was also determined in the pilot study that the scenarios were not gender neutral. Based on how the scenarios are written in existing research, one could possibly make the assumption that the survey would only be taken by male respondents. To resolve this issue, scenario “Overeager Salesperson”, was modified to describe the salesperson as female instead of male.

Once all changes to the survey instruments were identified, the researcher worked with the data collection firm Qualtrics© to gather 200 respondents for the final study. Once the updated survey instrument was entered into the Qualtrics© software, the survey instrument was distributed to respondents in India via a third-party vendor contracted by Qualtrics©.

E. Preliminary Data Analysis

A series of steps were taken to analyze the data before the methodological procedures were performed. In this section, we will discuss the steps taken to get the data ready for methodological analysis based on researcher review of the responses as well as the literature review.

5.4 Demographic Information of Sample

Frequency Statistics were run for the final dataset in SPSS to capture the demographic makeup of the respondents. Table VII describes the detailed demographic information of the respondents. Of the 200 usable responses, there are 100 males (50%) and 100 females (50%) as well as 100 (50%) small business owners and 100 (50%) small
business managers. The age of the respondents ranged from 18 to 60 with most of the respondents, 45% between the ages of 25-34 years of age. In terms of education level, most of the respondents had a master’s degree which is represented by 47%. Most respondents had a yearly income of 600,001 – 900,000 Rs (8098.82 – 12148.21 USD) represented by 24%.

Most of the companies, 171 (85.5%) represented had 500 employees or less, 21 (10.5%) companies had 500 to a 1000 employees, and 9 (4.5%) companies had over a 1000 employees. Many of the companies were in industries such as manufacturing (26.5%), services 31%), retail (10%), marketing (11%), advertising (3%). The remaining respondents (18.5%) selected “Other” as an industry. Finally, of the 200 respondents, 109 (54.5%) of their companies conduct business in foreign markets while 91 (45.5%) did not.

Table VII Respondent Demographic Information

| Demographic Characteristics | Frequency | Sample (%)
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>100</td>
<td>50.0%</td>
</tr>
<tr>
<td>Female</td>
<td>100</td>
<td>50.0%</td>
</tr>
<tr>
<td><strong>Job Title</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small Business Managers</td>
<td>100</td>
<td>50.0%</td>
</tr>
<tr>
<td>Small Business Owners</td>
<td>100</td>
<td>50.0%</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-24</td>
<td>35</td>
<td>17.5%</td>
</tr>
<tr>
<td>25-34</td>
<td>90</td>
<td>45.0%</td>
</tr>
<tr>
<td>35-44</td>
<td>51</td>
<td>25.5%</td>
</tr>
<tr>
<td>45-54</td>
<td>18</td>
<td>9.0%</td>
</tr>
<tr>
<td>55+</td>
<td>5</td>
<td>2.5%</td>
</tr>
<tr>
<td>Missing Value</td>
<td>1</td>
<td>0.5%</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High school or less</td>
<td>2</td>
<td>1.0%</td>
</tr>
</tbody>
</table>
Some college 13  6.5%
Bachelor’s degree 75  37.5%
Some Master’s degree 11  5.5%
Master’s degree 94  47.0%
Doctorate 5  2.5%

**Annual Income**

<table>
<thead>
<tr>
<th>Range</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 300,000 Rs (0 – 4049.40 USD)</td>
<td>32</td>
<td>16.0%</td>
</tr>
<tr>
<td>300,001 – 600,000 Rs (4049.42 – 8098.81 USD)</td>
<td>38</td>
<td>19.0%</td>
</tr>
<tr>
<td>600,001 – 900,000 Rs (8098.82 – 12148.21 USD)</td>
<td>48</td>
<td>24.0%</td>
</tr>
<tr>
<td>900,001 – 1,200,000 Rs (12148.22 – 16197.61 USD)</td>
<td>25</td>
<td>12.5%</td>
</tr>
<tr>
<td>1,200,001 – 1,500,000 Rs (16197.63 – 20247.02 USD)</td>
<td>23</td>
<td>11.5%</td>
</tr>
<tr>
<td>1,500,001 – 1,800,000 Rs (20247.03 – 24296.42 USD)</td>
<td>22</td>
<td>11.0%</td>
</tr>
<tr>
<td>Over 1,800,000 Rs (Over 24296.42 USD)</td>
<td>12</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

**Size of Company**

<table>
<thead>
<tr>
<th>Range</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 100 Employees</td>
<td>108</td>
<td>54.0%</td>
</tr>
<tr>
<td>101 – 200 Employees</td>
<td>23</td>
<td>11.5%</td>
</tr>
<tr>
<td>201 – 300 Employees</td>
<td>13</td>
<td>6.5%</td>
</tr>
<tr>
<td>301 – 400 Employees</td>
<td>12</td>
<td>6.0%</td>
</tr>
<tr>
<td>401 – 500 Employees</td>
<td>15</td>
<td>7.5%</td>
</tr>
<tr>
<td>501 – 1000 Employees</td>
<td>21</td>
<td>10.5%</td>
</tr>
<tr>
<td>Over 1000 Employees</td>
<td>8</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

**Industry**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>53</td>
<td>26.5%</td>
</tr>
<tr>
<td>Services</td>
<td>62</td>
<td>31.0%</td>
</tr>
<tr>
<td>Retail</td>
<td>20</td>
<td>10.0%</td>
</tr>
<tr>
<td>Marketing</td>
<td>22</td>
<td>11.0%</td>
</tr>
<tr>
<td>Advertising</td>
<td>6</td>
<td>3.0%</td>
</tr>
<tr>
<td>Other</td>
<td>37</td>
<td>18.5%</td>
</tr>
</tbody>
</table>

**Conducting Business in Foreign Markets**

<table>
<thead>
<tr>
<th>Conducting</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>109</td>
<td>54.5%</td>
</tr>
<tr>
<td>No</td>
<td>91</td>
<td>45.5%</td>
</tr>
</tbody>
</table>

### 5.5 Correlation Matrix

The scales were entered into a correlation matrix. Table VIII shows the correlation matrix. High correlations existed across measures that we expect to be theoretically linked. For example, idealism and perceived ethical problems are
theoretically linked (0.439) so high correlations were presented. However, further analysis of discriminant validity showed that the measures are sufficiently different from each other.

Table VIII Correlation Matrix

<table>
<thead>
<tr>
<th>Correlation Matrix</th>
<th>Mean</th>
<th>S.D.</th>
<th>Idealism</th>
<th>Relativism</th>
<th>Perceived Importance of Ethics</th>
<th>Perceived Ethical Problems</th>
<th>Ethical Intention</th>
</tr>
</thead>
<tbody>
<tr>
<td>Idealism</td>
<td>55.9100</td>
<td>9.37289</td>
<td>1</td>
<td>.487**</td>
<td>.389**</td>
<td>.439**</td>
<td>-.205**</td>
</tr>
<tr>
<td>Relativism</td>
<td>51.2400</td>
<td>9.08820</td>
<td>.487**</td>
<td>1</td>
<td>.666**</td>
<td>.316**</td>
<td>.260**</td>
</tr>
<tr>
<td>Perceived Importance of Ethics</td>
<td>81.4850</td>
<td>12.55339</td>
<td>.389**</td>
<td>.666**</td>
<td>1</td>
<td>.365**</td>
<td>.420**</td>
</tr>
<tr>
<td>Perceived Ethical Problems</td>
<td>20.1450</td>
<td>3.93719</td>
<td>.439**</td>
<td>.316**</td>
<td>.365**</td>
<td>1</td>
<td>0.032</td>
</tr>
<tr>
<td>Ethical Intention</td>
<td>16.4750</td>
<td>5.80499</td>
<td>-.205**</td>
<td>.260**</td>
<td>.420**</td>
<td>0.032</td>
<td>1</td>
</tr>
<tr>
<td>N</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td>200</td>
<td></td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

5.6 Reverse Coding of Data

Based on existing research, it was determined that responses to certain items in the PRESOR scale and ethical intention needed to be reverse scored. Reverse scoring is a process where the data values for a variable are reversed so that its correlations with other variables are reversed (Hair et al., 2010). It is done to prevent a canceling out of variables with positive and negative loadings. The following items in the PRESOR scale were reverse scored:

- If the stockholders are unhappy, nothing else matters
• If survival of a business enterprise is at stake, then you must forget about ethics and social responsibility.

• The most important concern for a firm is making a profit, even if it means bending or breaking the rules.

• To remain competitive in a global environment, business firms will have to disregard ethics and social responsibility.

• Efficiency is much more important to a firm than whether or not the firm is seen as ethical or socially responsible.

Regarding ethical intention, the scenarios used tend to be considered unethical and agreement (represented by a higher score) with actions in the scenarios represent a less ethical intention than disagreement (represented by a lower score) (Singhapakdi et al., 2008). Based on this, the responses to the item question “I would act in the same manner as the person did in the above scenario” were reverse scored.

5.7 Reliability Assessment

The reliability assessment was performed using the new dataset using Cronbach’s alpha. The Cronbach’s alpha for the constructs are as follows. Since the values meet the .70 threshold, it is determined that the individual scales are reliable.

• Ethics Position Questionnaire (EPQ)
  o Idealism: \( \alpha = 0.86 \)
  o Relativism: \( \alpha = 0.825 \)

• PRESOR Scale
Perceived importance of ethics: \( \alpha = .81 \) for original scale and \( .77 \) for scale including reverse scored items.

5.8 Exploratory Factor Analysis

Exploratory factor analysis (EFA) is a statistical method of analysis that enables the researcher to reduce a large number of variables to a smaller number of variables, or factors. Its primary purpose is to define the underlying structure among variables in the analysis (Hair et al., 2010). Factor analysis provides tools for analyzing the structure of the correlations among a large number of variables or as a data reduction method. EFA is recommended by researchers to be used as a starting point to observe the underlying relationships between measured variables. In this study, EFA is used to determine the number of existing factors for each construct. Idealism, relativism and perceived importance of ethics undergo EFA to determine their underlying factors. Perceived ethical problems and ethical intention are measured directly and EFA will not be performed for these constructs.

Previous research suggests that the EPQ scale has interpretable factors. One factor represents the extent to which an individual is relativistic or non-relativistic regarding universal moral principles while the second represents the degree to which an individual is idealistic or pragmatic in his or her attitude toward the consequences of actions (Forsyth, 1980; Barnett et al. 1994). EFA was performed on the personal moral philosophy which encompasses items for idealism and relativism. Principal component analysis was used to extract the factors which was then followed by a varimax rotation. The items on the idealism construct loaded on 2 factors. Total variance explained for
both factors is 55.807%, 45.774% for the first factor and 10.033 for the second factor.

Item 21, “The dignity and welfare of the people should be the most important concern in any society”, cross-loaded on two different factors with factor one showing .423 and factor two showing .647. According to Hair et al. 2010, loadings of .4 are significant for samples sizes of 200; based on this, Item 21 was deleted and EFA was run again. The results show that the factors loaded on one factor and the total variance explained for factors is 46.259. The reliability assessment was performed again and the new Cronbach’s alpha is .846.

The relativism construct was updated to remove Item 32 because it was worded incorrectly. Instead of it being “No rule concerning lying can be formulated; whether a lie is permissible or not permissible totally depends upon the situation”, it was written as “No rule concerning lying can be formulated; whether a lie is permissible or not permissible totally depends upon the situation Whether a lie is judged to be moral or immoral depends upon the circumstances surrounding the action.” Based on this, this item was removed. The reliability assessment was performed for the nine items which resulted in a Cronbach’s alpha of .81.

EFA was then performed on the remaining nine items and was an issue with an item cross-loading. Item #27, “Different types of morality cannot be compared as to “rightness.”, cross-loaded on two different factors with factor one showing a loading of .450 and factor two showing a loading of .453. Based on this, the item was dropped and EFA was performed again.

The second run of EFA shows no cross-loading however the items loading on two factors. Total variance explained for both factors is 54.201%; 40.953% for first factor
and 13.248% for the second factor. The skew plot was reviewed and did not show any distinctiveness between the two factors. Based on this, it was decided to keep the items loading on one factor. The reliability assessment was performed for the remaining eight items which resulted in a Cronbach’s alpha of .79.

EFA was performed for the Perceived Importance of Ethics and Social Responsibility (PRESOR) scale and there were issues with items cross-loading on multiple factors. Item number 35, “Being ethical and socially responsible is the most important thing a firm can do.”, loaded on the first factor with a loading of .508 and on the second factor showing a loading of .478. Item number 38, “Corporate planning and goal setting sessions should include discussions of ethics and social responsibility.”, loaded on the first factor with a loading of .417 and loads on the second factor with a loading of .577. Based on this, both items were deleted and EFA was performed again.

The second run had no cross-loadings with item numbers 40 (The ethics and social responsibility of a firm is essential to its long term profitability), 41 (The overall effectiveness of a business can be determined to a great extent by the degree to which it is ethical and socially responsible), 43 (Social responsibility and profitability can be compatible), 44 (Business ethics and social responsibility are critical to the survival of a business enterprise), 45 (A firm's first priority should be employee morale), 46 (Business has a social responsibility beyond making a profit), and 49 (Good ethics is often good business) loading on the second factor. Item numbers REV36 (While output quality is essential to corporate success, ethics and social responsibility is not), REV39 (The most important concern for a firm is making a profit, even if it means bending or breaking the rules), REV42 (To remain competitive in a global environment, business firms will have
to disregard ethics and social responsibility), REV47 (If survival of a business enterprise is at stake, then you must forget about ethics and social responsibility), REV48 (Efficiency is much more important to a firm than whether or not the firm is seen as ethical or socially responsible), and REV50 (If the stockholders are unhappy, nothing else matters) loaded on the first factor. Finally, item number REV37 (Communication is more important to the overall effectiveness of an organization than whether or not it is concerned with ethics and social responsibility) loaded on the third factor. Items loaded on 2 factors. Total variance explained for all three factors is 59.153% with 29.148% for first factor, 22.736% for the second factor and 7.269 for the third factor. Skew plot shows distinctiveness between the first and the second factors but no distinctiveness between the second and third factors. Based on this, only two factors were kept and item REV37 will be included in the second factor and factor one is named Good Ethics Lead to Good Business and the second factor is name CSR, Not Profitability, is Cardinal. A reliability assessment was performed on both factors and the Cronbach’s Alpha is .812 and .861 respectively. Figure 3 shows the new model.

Figure 3: Updated Conceptual Model
CHAPTER VI
DATA ANALYSIS AND RESULTS

The primary purpose of this study is to examine the ethical factors and determine how these factors affect the ethical decisions and ultimately the ethical intention of small business owners and managers in India. In this chapter, we will present the data analysis procedures and the results using confirmatory factor analysis and structural equation modeling.

A. Confirmatory Factor Analysis

Confirmatory factor analysis (CFA) is a multivariate statistical procedure that is used in research to test how well the measured variables represent the number of constructs. It is concerned with the determining if the number of factors conform to what is expected based on the theory that was proposed. CFA is performed after exploratory factor analysis (EFA) is done. CFA is used to “confirm” that the items load on the factors identified in the EFA process. Hair et al. (2010) state that CFA is a way of testing how well measured variables represent a smaller number of constructs.
In this study, CFA was performed on the idealism, relativism and two perceived importance of ethics (CSR not profits is cardinal; Good ethics lead to good business) constructs. CFA will not be performed for perceived ethical problems and ethical intention because both constructs are measured directly and only one item is used to measure each construct.

B. Fit Indices

There are a series of fit indices that are used in research to establish the goodness and fit of the researchers theoretical model. The following identifies the fit indices that will be used in this study:

- **X² index** – The chi-square (X²) measure is used to compare the observed and estimated covariance matrices (Hair et al., 2010).

- **GFI** – The Goodness-of-fit (GOF) is a measure indicating how well a specified mode reproduces the covariance matrix among the indicator variables. The possible range of GFI values is 0 to 1, with higher values indicating a better fit (Hair et al., 2010).

- **TLI** – The Tucker Lewis Index (TLI) is a comparison of the normed chi-square values for the null and specified model. Models with a good fit have values approaching 1 (Hair et al., 2010).

- **CFI** – The comparative fit index (CFI) analyzes the model fit by examining the discrepancy between the data and the hypothesized (Hair et al., 2010).
RMSEA – The root mean square error of approximation (RMSEA) represents how well a model fits a population, not just the same used for estimation in a given study. Values less than .08 show a good fit (Hair et al., 2010).

C. Measurement Model

The measurement model before and after revision will be discussed in this section. Please note that as a part of this study, CFA was performed on the idealism, relativism and perceived importance of ethics (CSR Not Profitability is Cardinal and Good Ethics Lead to Good Business) constructs to confirm the factor loadings that resulted in the EFA process. The results for the individual constructs are found in the Appendix.

6.1 Original Measurement Model

Figure 4 shows the original measurement model showing all the constructs. The measurement model does not show a good fit with the measures: $\chi^2$/d.f.=1.696; CFI=0.877; GFI = .823; TLI=0.864; IFI=0.879; RMSEA=0.059. Based on these results,
the model has to go through a modification process.

Figure 4 Original Measurement Model

6.2 Final Measurement Model

Figure 5 shows the final measurement model after the modification process. A series of modifications were made to the model and the fit indices have improved.
The measurement model fit is: $\chi^2/d.f.=1.564; \text{CFI}=0.936; \text{GFI} = .882; \text{TLI}=0.926; \text{IFI}=0.937; \text{RMSEA}=0.059$. These results show that the model is a good fit. In order to achieve this fit, the following items were removed from the measurement model:

- **Idealism**
  - Q16 – The existence of potential harm to others is always wrong, irrespective of the benefits to be gained.
  - Q20 – Deciding whether or not to perform an act by balancing the positive consequences of the act against the negative consequences of the act is immoral.
  - Q21 – The dignity and welfare of the people should be the most important concern in any society.
o Q22 – It is never necessary to sacrifice the welfare of others.

o Q23 – Moral behaviors are actions that closely match ideals of the most "perfect" action.

• Relativism

o Q24 – There are no ethical principles that are so important that they should be a part of any code of ethics.

o Q25 – It is acceptable for ethical perspectives to vary from one situation and society to another.

o Q27 – Different types of morality cannot be compared as to "rightness."

o Q31 – Rigidly codifying an ethical position that prevents certain types of actions could stand in the way of better human relations and adjustment.

o Q32 – No rule concerning lying can be formulated; whether a lie is permissible or not permissible totally depends upon the situation. Whether a lie is judged to be moral or immoral depends upon the circumstances surrounding the action.

o Q33 – Whether a lie is judged to be moral or immoral depends upon the circumstances surrounding the action.

• Good Ethics Lead to Good Business

o Q45 – A firm's first priority should be employee morale.

• CSR Not Profitability is Cardinal

o Q37REV – Communication is more important to the overall effectiveness of an organization than whether or not it is concerned with ethics and social responsibility.
6.3 Reliability and Validity Assessment

Construct reliability (CR) measures the reliability and internal consistency of the measured variables in a latent construct. The constructs in the measurement model were measure and the construct reliabilities ranged from .75 to .87 which shows good reliability (Hair et al., 2010). Construct validity is used to assess convergent and discriminant validity. Convergent validity looks at the extent to which indicators of a specific construct shares a high proportion of the variance with each other (Hair et al., 2010). Average variance extracted (AVE) is a summary measure of convergence among a set of items representing a latent construct and it represents the average percentage of variance explained among the items of a construct (Hair et al., 2010). Table IX shows the AVE and the construct reliabilities of this study. AVE scores above .50 are desirable however the convergent validity of the construct is still considered adequate with an AVE of .40 if the construct reliabilities are higher than .60 (Fornell and Larker, 1981; Huang et al., 2013). Based on this, the latent construct in this study show adequate convergent validity. Table IX shows the results.

Table IX Average Variance Extracted and Construct Reliability

<table>
<thead>
<tr>
<th>Construct</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ideal</td>
<td>0.85</td>
<td>0.53</td>
</tr>
<tr>
<td>Rel</td>
<td>0.75</td>
<td>0.43</td>
</tr>
<tr>
<td>CSRNotProfitabilityIsCardinal</td>
<td>0.80</td>
<td>0.40</td>
</tr>
<tr>
<td>GoodEthicsLeadToGoodBusiness</td>
<td>0.87</td>
<td>0.52</td>
</tr>
</tbody>
</table>

Discriminant validity looks at the extent to which a construct is truly distinct from other constructs both in terms of how much it correlates with other constructs and how distinctly measured variables represent only this single construct (Hair et al., 2010). Huang et al. (2013) state that discriminant validity can be assessed using the Gaski and
Nevin (1985) approach. With this approach, discriminant validity is adequate if the discriminant validity of the two criteria: (1) Correlation coefficient between the two dimensions of less than 1; (2) The correlation coefficient of the two dimensions less than the individual Cronbach's α reliability coefficient, it means two dimensions have discriminant validity. Based on this, all correlations were less than the respective variance extracted estimates for all pairs of constructs analyzed and therefore discriminant validity was met.

D. Structural Equation Modeling

Structural equation modeling (SEM) is a powerful multivariate technique that examines the structure of interrelationships expressed in a series of equations. It seeks to explain the relationships among multiple variables. The emphasis is on the nature and magnitude of relationships between the latent constructs and the constructs are not related to each other. Since this research proposes multiple dependent relationships, SEM is appropriate for data analysis.

SEM has been used in ethics research. Nguyen and Biderman (2008) state that specific structural equation models can be established to better test the linkage between ethical judgment and ethical intention. Singhapakdi et al. (2008) used SEM in their analysis to investigate the relative influences of personal characteristics and the organizational environment of Thai business people’s ethical perception. The authors state that SEM has the ability to distinguish between indirect and direct relationships between variables and to analyze the relationships between latent variables without random error differentiates SEM from other simpler, relational modeling processes used
in previous research. Mayo and Marks (1990) used SEM in their investigation of Hunt and Vitell’s 1986 model. The authors found that teleological evaluations were found to have the strongest influence on the manager’s ethical judgment and intention. Singh et al. (2007) used SEM in their research on the relationship of personal moral philosophies (idealism and relativism) and ethical judgment of Chinese and American managers.

6.4 Hypothesis Testing

Consistent with extant research, the hypotheses were tested with the four scenarios – Misleading Appraiser, Overeager Salesperson, Withholding Information, and Failure to Honor Warranty. A structural model was developed for each scenario. The new structural models reflect the modified measurement model shown in Figure 8, the causal relationships being tested and the Perceived Ethical Problems and Ethical Intention constructs, which are measured directly. The results for each scenario will be discussed.

6.4.1 Scenario 1: Misleading Appraiser

The first scenario presents a situation where the appraiser is misleading customers. Figure 6 shows the model for this scenario. The structural model fit is shown in Table X. These results show that the model has a good fit.
Table X: Misleading Appraiser Fit Statistics

<table>
<thead>
<tr>
<th>Fit Statistics</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\chi^2$</td>
<td>328.37</td>
</tr>
<tr>
<td>d.f.</td>
<td>218</td>
</tr>
<tr>
<td>$\chi^2$/d.f.</td>
<td>1.506</td>
</tr>
<tr>
<td>CFI</td>
<td>0.936</td>
</tr>
<tr>
<td>GFI</td>
<td>0.877</td>
</tr>
<tr>
<td>TLI</td>
<td>0.926</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.05</td>
</tr>
</tbody>
</table>
6.4.1.1 Relationship Between Idealism and Perceived Importance of Ethics.

The hypothesis regarding the relationship between idealism and the perceived importance of ethics was tested for this scenario.

H1: Idealism positively influences the perceived importance of ethics of small business owners and managers in an emerging market [India].

The results of this test show that idealism has a significant and positive influence on Perceived Importance of Ethics (Good Ethics Lead to Good Business) construct (β = 0.637 and p = .001). Idealism also has a significant and positive influence on the Perceived Importance of Ethics (CSR Not Profit is Cardinal) construct (β = 0.395 and p = .001). These results show that H1 is supported.

6.4.1.2 Relationship Between Relativism and Perceived Importance of Ethics.

The hypothesis regarding the relationship between relativism and the perceived importance of ethics was tested for this scenario.

H2: Relativism negatively influences the perceived importance of ethics of small business owners and managers in an emerging market [India].

The results of this test show that relativism has a significant influence on Perceived Importance of Ethics (Good Ethics Lead to Good Business) however it does not have a negative influence as hypothesized. Relativism has a significant and negative influence on the Perceived Importance of Ethics (CSR Not Profit is Cardinal) construct (β = -0.685 and p = .001). These results show that H2 is only partially supported.
6.4.1.3 Relationship Between Idealism and Relativism and Perceived Ethical Problems. The hypothesis regarding the relationship between idealism and relativism and their relationship with perceived ethical problems were tested for this scenario.

H3: Idealism positively influences the perceived ethical problems of small business owners and managers in an emerging market [India].

H4: Relativism negatively influences the perceived ethical problems of small business owners and managers in an emerging market [India].

The results of this test show that idealism has a significant and positive influence on the Perceived ethical problem construct ($\beta = 0.264$ and $p = 0.003$). These results show that H3 is supported. The results show relativism does have a negative influence but not a significant influence on perceived ethical problems ($\beta = -0.099$ and $p = 0.428$), thus H4 is not supported.

6.4.1.4 Relationship Between Perceived Importance of Ethics and Perceived Ethical Problems. The hypothesis regarding the relationship between perceived importance of ethics and perceived ethical problems was tested for this scenario.

H5: Small business owners and managers in an emerging market [India] who perceive ethics to be important are more likely to perceive an ethical problem.

The results of this test show that Perceived Importance of Ethics (Good Ethics Lead to Good Business) has a significant and positive influence on the Perceived Ethical Problems construct ($\beta = 0.298$ and $p = 0.023$). On the other hand, though Perceived Importance of Ethics (CSR Not Profit is Cardinal) does not have a positive influence or a
significant influence on Perceived Ethical Problems (β = -0.094 and p = 0.381). This shows that there is only partial support for H5.

6.4.1.5 Relationship Between Perceived Importance of Ethics and Ethical Intention. The hypothesis regarding the relationship between perceived importance of ethics and ethical intention was tested for this scenario.

H6: Small business owners and managers in an emerging market [India] who perceive ethics to be important are more likely to have an ethical intention. The results of this test show that Perceived Importance of Ethics (Good Ethics Lead to Good Business) has a positive and significant influence on the Ethical Intention construct (β = 0.149 and p = 0.042). Perceived Importance of Ethics (CSR Not Profit is Cardinal) also has a significant and positive influence on Ethical Intention (β = 0.61 and p = 0.001). This shows that H6 is supported.

6.4.1.6 Relationship Between Perceived Ethical Problems and Ethical Intention. The hypothesis regarding the relationship between perceived ethical problems and ethical intention was tested for this scenario.

H7: Small business owners and managers in an emerging market [India] who perceive an ethical problem in a situation are more likely to have an ethical intention in that situation. The results of this test show that Perceived Ethical Problems does not have a significant or a positive influence on Ethical Intention construct (β = -0.023 and p = 0.733) as hypothesized. Therefore H7 is not supported.
6.4.2 Scenario 2: Overeager Salesperson

The second scenario presents a situation of the overeager salesperson. Figure 7 shows the model for this scenario. The structural model fit is shown in Table XI. These results show that the model has a good fit.

![Overeager Salesperson Structural Model](image)

**Table XI: Overeager Salesperson Fit Statistic**

<table>
<thead>
<tr>
<th>Fit Statistics</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\chi^2$</td>
<td>315.75</td>
</tr>
<tr>
<td>d.f.</td>
<td>218</td>
</tr>
<tr>
<td>$\chi^2$/d.f.</td>
<td>1.448</td>
</tr>
<tr>
<td>CFI</td>
<td>0.94</td>
</tr>
<tr>
<td>GFI</td>
<td>0.879</td>
</tr>
<tr>
<td>TLI</td>
<td>0.931</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.047</td>
</tr>
</tbody>
</table>
6.4.2.1 Relationship Between Idealism and Perceived Importance of Ethics.

The hypothesis regarding the relationship between idealism and the perceived importance of ethics was tested for this scenario.

H1: Idealism positively influences the perceived importance of ethics of small business owners and managers in an emerging market [India].

The results of this test show that idealism has a significant and positive influence on Perceived Importance of Ethics (Good Ethics Lead to Good Business) construct ($\beta = 0.631$ and $p = .001$). Idealism also has a significant and positive influence on the Perceived Importance of Ethics (CSR Not Profit is Cardinal) construct ($\beta = 0.39$ and $p = .001$). These results show that H1 is supported.

6.4.2.2 Relationship Between Relativism and Perceived Importance of Ethics.

The hypothesis regarding the relationship between relativism and the perceived importance of ethics was tested for this scenario.

H2: Relativism negatively influences the perceived importance of ethics of small business owners and managers in an emerging market [India].

The results of this test show that relativism has a significant influence on Perceived Importance of Ethics (Good Ethics Lead to Good Business) however it does not have a negative influence ($\beta = 0.236$ and $p=004$) as hypothesized. Relativism has a significant and negative influence on the Perceived Importance of Ethics (CSR Not Profit is Cardinal) construct ($\beta = -0.686$ and $p=001$). These results show that H2 is only partially supported.
6.4.2.3 Relationship Between Idealism and Relativism and Perceived Ethical Problems. The hypothesis regarding the relationship between idealism and relativism and their relationship with perceived ethical problems were tested for this scenario.

H3: Idealism positively influences the perceived ethical problems of small business owners and managers in an emerging market [India].

H4: Relativism negatively influences the perceived ethical problems of small business owners and managers in an emerging market [India].

The results of this test show idealism does not have significant or a positive influence on the Perceived ethical problem construct ($\beta = -0.109$ and $p = 0.407$) as hypothesized.

These results show that H3 is not supported. The results show relativism does not have a negative influence and does not have a significant influence on perceived ethical problems ($\beta = 0.006$ and $p = 0.966$), thus H4 is not supported.

6.4.2.4 Relationship Between Perceived Importance of Ethics and Perceived Ethical Problems. The hypothesis regarding the relationship between perceived importance of ethics and perceived ethical problems was tested for this scenario.

H5: Small business owners and managers in an emerging market [India] who perceive ethics to be important are more likely to perceive an ethical problem.

The results of this test show Perceived Importance of Ethics (Good Ethics Lead to Good Business) has a significant and positive influence on the Perceived Ethical Problems construct ($\beta = 0.431$ and $p = 0.002$). On the other hand, though Perceived Importance of Ethics (CSR Not Profit is Cardinal) does not have a positive influence or a significant
influence on Perceived Ethical Problems (β = -0.075 and p = 0.505). This shows that there is only partial support for H5.

6.4.2.5 Relationship Between Perceived Importance of Ethics and Ethical Intention. The hypothesis regarding the relationship between perceived importance of ethics and ethical intention was tested for this scenario.

H6: Small business owners and managers in an emerging market [India] who perceive ethics to be important are more likely to have an ethical intention.

The results of this test show that Perceived Importance of Ethics (Good Ethics Lead to Good Business) does not have a positive but it has a significant influence on the Ethical Intention construct (β = -0.222 and p = 0.042). Perceived Importance of Ethics (CSR Not Profit is Cardinal) has a positive influence but does not have a significant influence on Ethical Intention (β = 0.117 and p = 0.104). This shows that H6 is not supported.

6.4.2.6 Relationship Between Perceived Ethical Problems and Ethical Intention. The hypothesis regarding the relationship between perceived ethical problems and ethical intention was tested for this scenario.

H7: Small business owners and managers in an emerging market [India] who perceive an ethical problem in a situation are more likely to have an ethical intention in that situation.

The results of this test show that Perceived Ethical Problems does not have a positive influence but it does not have a significant influence on Ethical Intention construct (β = -0.192 and p = 0.008) as hypothesized. Therefore H7 is not supported.
### 6.4.3 Scenario 3: Withholding Information

The third scenario presents a situation where the retailer is withholding information from customers. Figure 8 shows the model for this scenario. The structural model fit is shown in Table XII. These results show that the model has a good fit.

![Structural Model Withholding Information](image-url)

Figure 8 Withholding Information Structural Model
Table XII: Withholding Information Fit Statistic

<table>
<thead>
<tr>
<th>Fit Statistic</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\chi^2$</td>
<td>327.64</td>
</tr>
<tr>
<td>d.f.</td>
<td>218</td>
</tr>
<tr>
<td>$\chi^2$/d.f.</td>
<td>1.503</td>
</tr>
<tr>
<td>CFI</td>
<td>0.934</td>
</tr>
<tr>
<td>GFI</td>
<td>0.876</td>
</tr>
<tr>
<td>TLI</td>
<td>0.923</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.05</td>
</tr>
</tbody>
</table>

6.4.3.1 Relationship Between Idealism and Perceived Importance of Ethics.

The hypothesis regarding the relationship between idealism and the perceived importance of ethics was tested for this scenario.

H1: Idealism positively influences the perceived importance of ethics of small business owners and managers in an emerging market [India].

The results of this test show that idealism has a significant and positive influence on Perceived Importance of Ethics (Good Ethics Lead to Good Business) construct ($\beta = 0.63$ and $p = .001$). Idealism also has a significant and positive influence on the Perceived Importance of Ethics (CSR Not Profit is Cardinal) construct ($\beta = 0.30$ and $p = .001$). These results show that H1 is supported as hypothesized.

6.4.3.2 Relationship Between Relativism and Perceived Importance of Ethics.

The hypothesis regarding the relationship between relativism and the perceived importance of ethics was tested for this scenario.

H2: Relativism negatively influences the perceived importance of ethics of small business owners and managers in an emerging market [India].
The results of this test show that relativism has a significant influence on Perceived Importance of Ethics (Good Ethics Lead to Good Business) however it does not have a negative influence ($\beta = 0.24$ and $p = 0.003$) as hypothesized. Relativism has a significant and negative influence on the Perceived Importance of Ethics (CSR Not Profit is Cardinal) construct ($\beta = -0.69$ and $p=0.001$). These results show that H2 is only partially supported.

6.4.3.3 Relationship Between Idealism and Relativism and Perceived Ethical Problems. The hypotheses regarding the relationship between idealism and relativism and their relationship with perceived ethical problems were tested for this scenario.

H3: Idealism positively influences the perceived ethical problems of small business owners and small business managers in an emerging market [India].

H4: Relativism negatively influences the perceived ethical problems of small business owners and small business managers in an emerging market [India].

The results of this test show that idealism does not have significant or a positive influence on the Perceived Ethical Problems construct ($\beta = -0.022$ and $p = 0.869$) as hypothesized. These results show that H3 is not supported. The results show relative has a negative influence on the Perceived Ethical Problems construct, it does not have a significant influence ($\beta = -0.094$ and $p = 0.487$), thus H4 is not supported.

6.4.3.4 Relationship Between Perceived Importance of Ethics and Perceived Ethical Problems. The hypothesis regarding the relationship between perceived importance of ethics and perceived ethical problems was tested for this scenario.
H5: Small business owners and managers in an emerging market [India] who perceive ethics to be important are more likely to perceive an ethical problem. The results of this test show that Perceived Importance of Ethics (Good Ethics Lead to Good Business) has a significant and positive influence on the Perceived Ethical Problems construct ($\beta = 0.352$ and $p = 0.011$). On the other hand, though Perceived Importance of Ethics (CSR Not Profit is Cardinal) does not have a positive influence or a significant influence ($\beta = -0.186$ and $p = 0.109$) on the Perceived Ethical Problems. This shows that there is only partial support for H5.

6.4.3.5 Relationship Between Perceived Importance of Ethics and Ethical Intention. The hypothesis regarding the relationship between perceived importance of ethics and ethical intention was tested for this scenario.

H6: Small business owners and managers in an emerging market [India] who perceive ethics to be important are more likely to have an ethical intention. The results of this test show that Perceived Importance of Ethics (Good Ethics Lead to Good Business) does a positive influence but it does have a significant influence on the Ethical Intention construct ($\beta = 0.004$ and $p = 0.959$). Perceived Importance of Ethics (CSR Not Profit is Cardinal) has a positive influence and a significant influence on Ethical Intention ($\beta = 0.446$ and $p = 0.001$). This shows that H6 is only partially supported.
6.4.3.6 Relationship Between Perceived Ethical Problems and Ethical Intention. The hypothesis regarding the relationship between perceived ethical problems and ethical intention was tested for this scenario.

H7: Small business owners and small business managers in an emerging market [India] who perceive an ethical problem in a situation are more likely to have an ethical intention in that situation.

According to the results of the, Perceived Ethical Problems has a positive influence but it does not have a significant influence on Ethical Intention construct ($\beta = 0.042$ and $p = 0.547$) as hypothesized. Therefore H7 is not supported.

6.4.4 Scenario 4: Failure to Honor Warranty

The final scenario presents a situation where a car dealer is failing to honor a warranty on a vehicle sold to a customer. Figure 9 shows the model for this scenario. The structural model fit is shown in Table XIII. These results show that the model is a good fit.
Table XIII: Failure to Honor Warranty Fit Statistic

<table>
<thead>
<tr>
<th>Fit Statistic</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\chi^2$</td>
<td>326.67</td>
</tr>
<tr>
<td>d.f.</td>
<td>218</td>
</tr>
<tr>
<td>$\chi^2$/d.f.</td>
<td>1.499</td>
</tr>
<tr>
<td>CFI</td>
<td>0.936</td>
</tr>
<tr>
<td>GFI</td>
<td>0.877</td>
</tr>
<tr>
<td>TLI</td>
<td>0.926</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.05</td>
</tr>
</tbody>
</table>
6.4.4.1 Relationship Between Idealism and Perceived Importance of Ethics.

The hypothesis regarding the relationship between idealism and the perceived importance of ethics was tested for this scenario.

H1: Idealism positively influences the perceived importance of ethics of small business owners and managers in an emerging market [India].

The results of this test show that idealism has a significant and positive influence on Perceived Importance of Ethics (Good Ethics Lead to Good Business) construct ($\beta = 0.636$ and $p = .001$). Idealism also has a significant and positive influence on the Perceived Importance of Ethics (CSR Not Profit is Cardinal) construct ($\beta = 0.404$ and $p = .001$). These results show that H1 is supported as hypothesized.

6.4.4.2 Relationship Between Relativism and Perceived Importance of Ethics.

The hypothesis regarding the relationship between relativism and the perceived importance of ethics was tested for this scenario.

H2: Relativism negatively influences the perceived importance of ethics of small business owners and managers in an emerging market [India].

The results of this test show that relativism has a significant influence on Perceived Importance of Ethics (Good Ethics Lead to Good Business) however it does not have a negative influence ($\beta = 0.239$ and $p = 0.003$) as hypothesized. Relativism has a significant and negative influence on the Perceived Importance of Ethics (CSR Not Profit is Cardinal) construct ($\beta = -0.696$ and $p=001$). These results show that H2 is only partially supported.
6.4.4.3 Relationship Between Idealism and Relativism and Perceived Ethical Problems. The hypotheses regarding the relationship between idealism and relativism and their relationship with perceived ethical problems were tested for this scenario.

H3: Idealism positively influences the perceived ethical problems of small business owners and managers in an emerging market [India].

H4: Relativism negatively influences the perceived ethical problems of small business owners and managers in an emerging market [India].

The results of this test show that idealism has positive influence but not a significant one on the Perceived Ethical Problems construct ($\beta = 0.012$ and $p = 0.371$) as hypothesized. These results show that H3 is not supported. The results show relative does not have a negative influence nor a significant influence on the Perceived Ethical Problems construct ($\beta = 0.1$ and $p = 0.456$), thus H4 is not supported.

6.4.4.4 Relationship Between Perceived Importance of Ethics and Perceived Ethical Problems. The hypothesis regarding the relationship between perceived importance of ethics and perceived ethical problems was tested for this scenario.

H5: Small business owners and managers in an emerging market [India] who perceive ethics to be important are more likely to perceive an ethical problem.

The results of this test show that Perceived Importance of Ethics (Good Ethics Lead to Good Business) has a positive influence but not a significant influence on the Perceived Ethical Problems construct ($\beta = 0.174$ and $p = 0.196$). Perceived Importance of Ethics (CSR Not Profit is Cardinal) has a positive influence but not a significant influence on
the Perceived Ethical Problems construct ($\beta = 0.156$ and $p = 0.181$) on Perceived Ethical Problems. This shows that there is no support for H5.

### 6.4.4.5 Relationship Between Perceived Importance of Ethics and Ethical Intention

The hypothesis regarding the relationship between perceived importance of ethics and ethical intention was tested for this scenario.

**H6:** Small business owners and managers in an emerging market [India] who perceive ethics to be important are more likely to have an ethical intention.

The results of this test show that Perceived Importance of Ethics (Good Ethics Lead to Good Business) has a positive influence and a significant influence on the Ethical Intention construct ($\beta = 0.584$ and $p = 0.014$). Perceived Importance of Ethics (CSR Not Profit is Cardinal) has a positive influence and a significant influence on Ethical Intention ($\beta = 0.584$ and $p = 0.001$). This shows that H6 is supported as hypothesized.

### 6.4.4.6 Relationship Between Perceived Ethical Problems and Ethical Intention

The hypothesis regarding the relationship between perceived ethical problems and ethical intention was tested for this scenario.

**H7:** Small business owners and managers in an emerging market [India] who perceive an ethical problem in a situation are more likely to have an ethical intention in that situation.

According to the results of the, Perceived Ethical Problems does not have a positive influence nor does it have a significant influence on Ethical Intention construct ($\beta = -0.007$ and $p = 0.906$) as hypothesized. Therefore H7 is not supported.
CHAPTER VII

SUMMARY, DISCUSSION AND CONCLUSION

The purpose of this chapter is to represent a summary of this study, a discussion based on the results of the study and discuss conclusions based on research. It will also include limitations and recommendations for future research.

A. Summary

The purpose of this study was to examine the ethical factors that influence the ethical decision-making process of small business owners and small business managers in an emerging market, with a focus on India. Empirically, this study contributes to the body of ethics research by researching and collecting data from an emerging market, with a focus on India. With the growth of small businesses in emerging markets, it is important to understand the ethical decision-making processes of the small business owners and managers in these markets. Due to the limitations in this area of research, this study fills the gap in ethics literature and has the potential to generate new research in this area.

In this study, moral philosophy (idealism, relativism), perceived importance of ethics, perceived ethical problems were analyzed to determine their effects on the respondent's ethical
intention. Extant literature was reviewed, an integrative model and hypotheses were
developed for testing to accomplish this. The Stakeholder Theory and the Integrative
Social Contracts Theory were used to provide a theoretical foundation for the conceptual
framework used to analyze the constructs. Seven hypotheses were developed and
examined and used to text a structural model using four ethical scenarios.

Based on previous small business literature and ethics literature, a survey
instrument was designed using scales in extant literature. Two-hundred (200) respondents
from India were acquired using the Qualtrics data collection company for data
analysis. The respondent data was analyzed using the SPSS and AMOS. Factor analysis,
exploratory and confirmatory, were performed on the idealism, relativism and perceived
importance of ethics constructs to find a good model fit and SEM was used to test the
hypotheses for each ethics scenario presented in this study. The hope is for this study to
be used to help managers and academicians in the area of small business ethics in the
future.

B. Discussion

7.1 Major Findings of the Study

This study provides insight to the ethical factor that influence the ethical
intentions of small business owners and managers in India. Four structural models were
tested using four different ethical scenarios. Table XIV shows the results for all four
scenarios. As hypothesized and consistent with existing research, the relationship
between Idealism and perceived importance of ethics (Good Ethics Lead to Good
Business) and perceived importance of ethics (CSR Not Profit is Cardinal) was supported
for all four scenarios, the Misleading Appraiser, Overeager Salesperson, Withholding Information, and Failure to Honor Warranty. This shows that if the small business owner and manager in India is idealistic and moral idealists who may think that harming others is universally bad, these owners and managers will perceive ethics as important in a given situation.

The relationship between relativism and perceived importance of ethics (Good Ethics Lead to Good Business) and perceived importance of ethics (CSR Not Profit is Cardinal) were not consistent with previous research and all the results were not supported as hypothesized. Relativism and perceived importance of ethics (Good Ethics Lead to Good Business) is not supported in all four scenarios. This shows that in some instances, the small business owner and manager in India may be relativists, they still perceive ethics to be important if it leads to a good business outcome such as a positive image of the business. On the other hand, the results show that relativism has a negative relationship with perceived importance of ethics (CSR Not Profit is Cardinal) as hypothesized. This shows that if the small business owner or owner is relativists, the business being profitable is more important than being ethical and thinking corporate social responsibility of the company is more important than the financial success of the company.

The results of this study shows the relationship between the personal moral philosophies constructs, idealism and relativism, and perceived ethical problems did not turn out as hypothesized for all scenarios. As discussed earlier, idealistic individuals feel that desirable consequences can always, with the right action, be obtained and are able to perceive ethical problems in a given situation. For the first scenario, Misleading
Appraiser, the results show that in this case, if the small business owner or manager in India is idealistic, they will likely be able to perceive an ethical problem in a given situation. With the remaining three scenarios, Overeager Salesperson, Withholding Information and Failure to Honor Warranty, the relationship between idealism and perceived ethical problems were negative and was not supported as hypothesized. This shows that in certain situations, the small business owner or manager in India, while idealistic, may not see an ethical problem in a situation. With all four scenarios, the results show that if the small business owner or manager is a relativist and looks at the consequences of a situation before determining if it is ethical or not, it doesn’t mean that they are not able to perceive an ethical problem.

The results of the hypothesized relationship between perceived importance of ethics (Good Ethics Lead to Good Business) and perceived importance of ethics (CSR Not Profit is Cardinal) and perceived ethical problems were not consistent with existing research. Extant literature shows that if an individual is able to perceive ethics as important, they would be able to perceive an ethical problem in a given situation. The results of this study did not support this hypothesis. The relationship between perceived importance of ethics (CSR Not Profit is Cardinal) and perceive ethical problems were not supported in all scenarios. This shows that though ethics is important for the small business owner or manager in India, profitability might be more important depending on the business situation.

The relationship between perceived importance of ethics (Good Ethics Lead to Good Business) and perceived ethical problems was supported for three of the four scenarios. Scenarios Misleading Appraiser, Overeager Salesperson and Withholding
Information show that if the small business owner and manager in India perceives ethics as important, they will perceive an ethical problem. On the other hand, in the Failure to Honor Warranty scenario, the small business owner and manager may perceive ethics as important but when it comes to a situation as honoring a warranty, he or she may not think there is an ethical problem with making minor adjustments to a car instead of completely fixing the issue with the car. Ultimately, these results show that just because the small business owner and manager may perceive ethics as important, their ability to perceive an ethical problem depends on the situation.

The relationship between perceived importance of ethics (Good Ethics Lead to Good Business) and perceived importance of ethics (CSR Not Profit is Cardinal) and ethical intention was supported in some but not all scenarios as hypothesized. The results show that scenarios, Misleading Appraiser and Failure to Honor Warranty, perceived importance of ethics (Good Ethics Lead to Good Business) has a positive influence on ethical intention as hypothesized. Scenarios Overeager Salesperson and Withholding Information show that perceived importance of ethics (Good Ethics Lead to Good Business) has a negative influence on ethical intention, which was not hypothesized. Again, this shows that depending on the ethical situation that the small business owner and manager in India faces, if they perceive ethics as important, they may or may not have the intention to act ethically.

Perceived importance of ethics (CSR Not Profit is Cardinal) has a positive influence on ethical intention as hypothesized for the Misleading Appraiser and Failure to Honor Warranty scenarios. Perceived importance of ethics (CSR Not Profit is Cardinal) has a negative influence on ethical intention which was not hypothesized. Based on these
results, it can be inferred that though the small business owner and manager in India perceives ethics as important, they might not have the intention to act ethically.

Previous research shows that if an individual is able to perceive and ethical problem in a given situation, they will likely have an ethical intention. The results of this study show the opposite. In all four scenarios, the results show that though the small business owner or manager in India, perceives an ethical problem in a given situation, it does not mean he or she will have the intention to act ethically. It doesn’t mean that they won’t ultimately act ethically. It just means that they do not have the intention to do so.
<table>
<thead>
<tr>
<th>Hypothesized Relationship</th>
<th>Scenario 1 Misleading Appraiser</th>
<th>Scenario 2 Overeager Salesperson</th>
<th>Scenario 3 Withholding Information</th>
<th>Scenario 4 Failure to Honor Warranty</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Idealism --&gt;</td>
<td>Conclusion</td>
<td>Conclusion</td>
<td>Conclusion</td>
<td>Conclusion</td>
</tr>
<tr>
<td>Perceived Importance of Ethics (Good Ethics Lead to Good Business) (+)</td>
<td>Supported</td>
<td>Supported</td>
<td>Supported</td>
<td>Supported</td>
</tr>
<tr>
<td>H1: Idealism --&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived Importance of Ethics (CSR Not Profit is Cardinal) (+)</td>
<td>Supported</td>
<td>Supported</td>
<td>Supported</td>
<td>Supported</td>
</tr>
<tr>
<td>H2: Relativism --&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived Importance of Ethics (Good Ethics Lead to Good Business) (-)</td>
<td>Not Supported</td>
<td>Not Supported</td>
<td>Not Supported</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H2: Relativism --&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived Importance of Ethics (CSR Not Profit is Cardinal) (-)</td>
<td>Supported</td>
<td>Supported</td>
<td>Supported</td>
<td>Supported</td>
</tr>
<tr>
<td>H3: Idealism --&gt; Perceived Ethical Problems (+)</td>
<td>Not Supported</td>
<td>Not Supported</td>
<td>Not Supported</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H4: Relativism --&gt; Perceived Ethical Problems (-)</td>
<td>Not Supported</td>
<td>Not Supported</td>
<td>Not Supported</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H5: Perceived Importance of Ethics (Good Ethics Lead to Good Business) --&gt; Perceived Ethical Problems (+)</td>
<td>Supported</td>
<td>Supported</td>
<td>Supported</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H5: Perceived Importance of Ethics (CSR Not Profit is Cardinal) --&gt; Perceived Ethical Problems (+)</td>
<td>Not Supported</td>
<td>Not Supported</td>
<td>Not Supported</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H6: Perceived Importance of Ethics (Good Ethics Lead to Good Business) --&gt; Ethical Intention (+)</td>
<td>Supported</td>
<td>Not Supported</td>
<td>Not Supported</td>
<td>Supported</td>
</tr>
<tr>
<td>H6: Perceived Importance of Ethics (CSR Not Profit is Cardinal) --&gt; Ethical Intention (+)</td>
<td>Supported</td>
<td>Not Supported</td>
<td>Supported</td>
<td>Supported</td>
</tr>
<tr>
<td>H7: Perceived Ethical Problems --&gt; Ethical Intention (+)</td>
<td>Not Supported</td>
<td>Not Supported</td>
<td>Not Supported</td>
<td>Not Supported</td>
</tr>
</tbody>
</table>

133
Based on the results of the relationships in this study, one can infer that the culture of the Indian small business owner and manager plays a critical role. As mentioned earlier, India has both collectivist and individualist traits which means that though a degree of the people in India are integrated into groups there are situations where they make decisions that solely benefits them as an individual.

In the areas where relativism was tested, there were situations where the hypothesized relationships did not hold. For example, previous research shows that relativism has a negative influence on perceived importance of ethics as well perceived ethical problems. The results of this study show that in India, the relationships of these constructs are situational. With perceived importance of ethics, Good Ethics is Good Business, the results show that if the small business reputation is at stake, the small business owner will perceive ethics as important even if he or she is a relativist. In the relationship between relativism and perceived ethical problems, the results show that though the small business owners and managers in India may be relativist, they may be able to perceive an ethical problem in a given situation. While these results were not hypothesized, they show that the process may be in line with previous research on how a relativist makes an ethical decision. As discussed previously, a person who is relativist will look at the consequences and the outcomes before making an ethical judgment. Based on this, one may be able to conclude the Indian small business owner and manager looked at the outcome of the situation and then made the ethical judgment that enabled them to perceive an ethical problem in the situation.
7.2 Theoretical Implications

This study analyzes the moral philosophies, idealism and relativism, perceived importance of ethics, perceived ethical problem and ultimately ethical intention constructs. There is a lack of clarity and understanding of these constructs and this study attempted to shed some light and increase the understanding. For example, it may be easy to make the assumption that if an individual perceives ethics to be important, they would be able to perceive an ethical problem and ultimately have an ethical intention. As this study shows, this may not necessarily be the case.

The Stakeholder Theory and the Integrative Social Contracts Theory (ISCT) are the focus of this study. These theories are normative theories and considered very important to the complete understanding ethics research. As discussed earlier, normative or prescriptive theories, the focus is on what we should do when faced with an ethical situation. Both the Stakeholder Theory and ISCT theories have been used extensively in ethics research and is used to support the theoretical foundation in ethics research. Both theories focus on the individual (i.e. small business owner and manager) as opposed to the firm level (i.e. the business itself). Based on the importance of these theories to the body of ethic research, they were used to support the theoretical foundation of this study.

The Stakeholder Theory states that the manager needs to be concerned with how their decisions affect the stakeholders of the company over the financial well-being and success of the business. This theory doesn’t necessary hold in this case. Based on the results of this study, it shows that in certain instances, an individual may find that there is an ethical problem in a situation, however they may be more concerned with the financial success of the organization and act unethically. For example, the study shows that as
small business owner or manager in an emerging market may perceive an ethical problem in a given situation but they may not act ethically as originally hypothesized. One may argue that though the desire may be there to act ethically, other factors such as profitability or survival of a business may cause the owner or manager to act unethically. This theory should be further developed to include those variables that will cause the individual to perceive an ethical problem but not have the intention to act ethically.

The Integrative Social Contracts Theory was designed to strengthen ethical decision making by requiring managers to consider their impact to relevant communities while at the same time, insisting that they ask themselves where their decisions implicates universal moral principles (Dunfee, 2006). Using this theory, one would assume that the small business owner or manager will consider the communities they are doing business in and see how their ethical decisions will impact that community. Based on the results of this study, this theory doesn’t completely hold. Just because an individual perceives an ethical problem, doesn’t mean they intend to act ethically even if the community is at stake. This theory should be further developed to include those variables that will cause the individual to perceive an ethical problem but not have the intention to act ethically.

7.3 Managerial Implications

There are many managerial implications when it comes to ethics in a small business. The small business owner and manager should consider ethics in their business on a daily basis. They should consider how important ethics is for their small business and how ethics affects their relationship with their customers. While large firms have historically been concerned with the ethical decision-making process of its executive
management and employees, small businesses should now have the same concerns. With the continuous growth of small businesses, the lack of ethical standards in a small business could potentially impact the success of the business. Based on the results of this study, the following managerial implications are presented.

First, small business owners and managers need to consider how they can incorporate ethical practices and standards into their business so that employees can behave ethically. One way to do this is to have documented code of ethics as a part of the corporate policy. This way employees will have documented procedures in place instead of having to intuitively rely on the ethical standards of the small business owner or manager. If financing this kind of endeavor is considered costly, the owner or manager can start by doing research on the “best practices” when it comes to small business ethics as a starting point. These best practices may be used as the starting point and the foundation for documented codes of ethics.

Second, ethical standards should be communicated to all stakeholders in the small business. It should not just be expected that the small business owner, manager and the employees to act ethically. These standards should be communicated to the customers as well. The customers should know that the businesses they are frequenting operates ethically. This may likely improve the small businesses image in the community they are doing business in.

Third, training in ethics may be a way of incorporating ethics into the small business culture. It will give the small business owner and manager an opportunity to promote ethical behavior of their employees into the corporation’s culture. Again, if there is a concern with financing such an endeavor, the small business owner and
manager may be able ability to pursue online training for a lower price. Resources such as Google © or YouTube © may be place for the owner and manager to start their research.

Fourth, as the growth of small businesses continue to increase in international markets, it will be important for small businesses to understand the culture and the ethical practices of the individuals in the markets they want to do business in. Culture is one of the important factors that affect ethical attitudes and behavior, moral philosophies, and ethical judgment (Javalgi & Russell, 2018). The culture of the manager may have the greatest effect on the perception of ethical problems and on the perceived increase of ethical problems as firms’ levels of involvement in foreign countries increase (Armstrong & Sweeney 1994). Before entering into business transactions with individuals from an emerging market, the small business owner should take steps to understand the culture, ethical behaviors and if possible, the ethical decision-making processes of these individuals. This knowledge could be a determinant of how successful the small business is. Lack of knowledge could prevent the success of the business.

Fifth, ethics should be taught in the classroom. Many business colleges within a university take great care in preparing their students for the business world. There are entrepreneurship programs and international business programs that are developed to provide the most well-rounded educational experiences for the university’s students. Ethics and ethical decision-making processes should be included in these curriculums. This may force the student to think about ethics and their ethical behaviors at the beginning of their educational pursuits. This may also transition into their professional endeavors as well.
7.4 Limitations and Recommendations for Future Research

Like all other studies, there are limitations to this research. First, the study only used a sample of two-hundred (200). While this number tends to be consistent in small business research, increasing the sample size has the potential of providing more accurate mean values, identify outliers that could skew the data in a smaller sample as well as provide a smaller margin of error. Future research should include a larger sample size in order to overcome this limitation.

Another limitation is that this is a cross-sectional study that shows the ethical intention of the small business owners and managers at a given point in time. In order to strengthen the study, a longitudinal data would have been preferred. Future research should pursue a longitudinal study looking at the factors that influence ethical intentions of small business owners and small business managers.

The third limitation is that ethical intention rather than ethical behavior was analyzed. The intent of the small business owner and manager to act ethically is different from the actually ethical or unethical behavior. To address this limitation, future research will analyze the actually ethical and potentially unethical behavior of the small business owner and manager. By analyzing the act, it will give a better understanding of how the individuals intent to act ethically actually affects their actual behavior to act ethically.

There are additional opportunities for future research. First, more research needs to be done with the focus on emerging markets. With the potential growth of small businesses in these markets, the ethical decision-making processes of the owners and managers should be investigated further. The information deduced from these studies would assist academicians as well as managers in developed countries that may want to
do business in an emerging market. Second, this study shows that the Stakeholder Theory and ISCT doesn’t hold in certain situations. The Stakeholder Theory states that the manager needs to be concerned with how their decisions affect the stakeholders of the company over the financial well-being of the business. ISCT is designed to strengthen ethical decision making by requiring managers to consider their impact to relevant communities and ask themselves where their decisions implicates universal moral principles. This study shows that the theory does not necessarily hold for all situations. For example, existing research shows that if an individual has the ability to perceive an ethical problem, they are likely to act ethically. In this study, that is not always the case. In all four scenarios used in this study, the findings show that perceived ethical problems does not have a positive relationship with ethical intention. That is that though an individual is able to perceive a given situation is ethical, it doesn’t mean they will act ethically. For future research, these theories should be developed and extended further to address situations where the respondent doesn’t act in line with that the theory posits. The researcher will also need to investigate if theory not holding is related to the study being operated in an emerging market. This could be possible since existing research tends to focus on a Western perspective.
CHAPTER VIII

REFERENCES


APPENDICES

Appendix A: Confirmatory Factor Analysis on Individual Constructs

Idealism

The figure below shows the factor loadings for the idealism construct. The construct only has nine of the ten original items. Item Q21 was deleted because it cross-loaded on multiple factors. The CFA Factor Loadings for Idealism table (below) details the loading for each survey item in the idealism construct.

CFA for Idealism construct
CFA Factor Loadings for Idealism

<table>
<thead>
<tr>
<th>Item</th>
<th>Survey Questions</th>
<th>Factor Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q14</td>
<td>People should make certain that their actions never intentionally harm another even to a small degree.</td>
<td>0.74</td>
</tr>
<tr>
<td>Q15</td>
<td>Risks to another should never be tolerated, irrespective of how small the risks might be.</td>
<td>0.71</td>
</tr>
<tr>
<td>Q16</td>
<td>The existence of potential harm to others is always wrong, irrespective of the benefits to be gained.</td>
<td>0.61</td>
</tr>
<tr>
<td>Q17</td>
<td>One should never psychologically or physically harm another person.</td>
<td>0.79</td>
</tr>
<tr>
<td>Q18</td>
<td>One should not perform an action that might in any way threaten the dignity and welfare of another individual.</td>
<td>0.71</td>
</tr>
<tr>
<td>Q19</td>
<td>If an action could harm an innocent other, then it should not be done.</td>
<td>0.66</td>
</tr>
<tr>
<td>Q20</td>
<td>Deciding whether or not to perform an act by balancing the positive consequences of the act against the negative consequences of the act is immoral.</td>
<td>0.53</td>
</tr>
<tr>
<td>Q22</td>
<td>It is never necessary to sacrifice the welfare of others.</td>
<td>0.38</td>
</tr>
<tr>
<td>Q23</td>
<td>Moral behaviors are actions that closely match ideals of the most &quot;perfect&quot; action.</td>
<td>0.45</td>
</tr>
</tbody>
</table>

The Goodness-of-Fit Measures for Idealism table (below) shows the model fit for the idealism construct. The measures for the chi-square value (CMIN), the comparative fit index (CFI), the goodness-of-fit index (GFI), and the root mean square error of approximation (RMSEA) are all excellent (Arbuckle, 2017; Hair et al., 2010).

**Goodness-of-Fit Measures for Idealism**

<table>
<thead>
<tr>
<th>Measure</th>
<th>Estimate</th>
<th>Threshold</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>CMIN</td>
<td>47.55</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>DF</td>
<td>27</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>CMIN/DF</td>
<td>1.695</td>
<td>Between 1 and 3</td>
<td>Excellent</td>
</tr>
<tr>
<td>CFI</td>
<td>0.967</td>
<td>&gt;.90</td>
<td>Excellent</td>
</tr>
<tr>
<td>GFI</td>
<td>0.953</td>
<td>&gt;.95</td>
<td>Excellent</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.059</td>
<td>&lt;.08</td>
<td>Excellent</td>
</tr>
</tbody>
</table>
Relativism

The CFA for relativism figure (below) shows the factor loadings for the relativism construct. The error terms for items Q24, Q25, Q26, Q28, Q29, and Q30 had high modification indices and were allowed to covary to improve model fit. The Loadings for Relativism table (below) details the loading for each survey item.
### CFA Loadings for Relativism

<table>
<thead>
<tr>
<th>Item</th>
<th>Survey Questions</th>
<th>Factor Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q24</td>
<td>There are no ethical principles that are so important that they should be a part of any code of ethics.</td>
<td>0.43</td>
</tr>
<tr>
<td>Q25</td>
<td>It is acceptable for ethical perspectives to vary from one situation and society to another.</td>
<td>0.51</td>
</tr>
<tr>
<td>Q26</td>
<td>Moral standards should be seen as being individualistic; what one person considers to be moral may be judged to be immoral by another person.</td>
<td>0.68</td>
</tr>
<tr>
<td>Q28</td>
<td>Questions of what is ethical for everyone can never be resolved since what is moral or immoral is up to the individual.</td>
<td>0.59</td>
</tr>
<tr>
<td>Q29</td>
<td>Moral standards are simply personal rules that indicate how a person should behave, and are not be applied in making judgments of others.</td>
<td>0.61</td>
</tr>
<tr>
<td>Q30</td>
<td>Ethical considerations in interpersonal relations are so complex that individuals should be allowed to formulate their own individual codes.</td>
<td>0.73</td>
</tr>
<tr>
<td>Q31</td>
<td>Rigidly codifying an ethical position that prevents certain types of actions could stand in the way of better human relations and adjustment.</td>
<td>0.52</td>
</tr>
<tr>
<td>Q33</td>
<td>Whether a lie is judged to be moral or immoral depends upon the circumstances surrounding the action.</td>
<td>0.46</td>
</tr>
</tbody>
</table>

The table below (Goodness-of-Fit Measures for Relativism) shows the model fit for the relativism construct. All model fit measures are excellent (Arbuckle, 2017; Hair et al., 2010).

### Goodness-of-Fit Measures for Relativism

<table>
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<tr>
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<th>Threshold</th>
<th>Interpretation</th>
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<td>DF</td>
<td>16</td>
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</tr>
<tr>
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<td>0.962</td>
<td>&gt;.90</td>
<td>Excellent</td>
</tr>
<tr>
<td>GFI</td>
<td>0.963</td>
<td>&gt;.95</td>
<td>Excellent</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.066</td>
<td>&lt;.08</td>
<td>Excellent</td>
</tr>
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</table>
Perceived Importance of Ethics

As discussed in the section where the EFA results were presented, the Perceived Importance of Ethics construct loaded on two different factors. Based on this, they will be measured as two separate constructs called Good Ethics Lead to Good Business and CSR Not Profitability Is Cardinal for the CFA analysis.

Good Ethics Lead to Good Business

The figure below is the CFA for PIE (Good Ethics Lead to Good Business construct) and shows the factor loadings for the Good Ethics Lead to Good Business construct. The table Loadings for Good Ethics Lead to Good Business details those factor loading for each survey item.

CFA for PIE (Good Ethics Lead to Good Business construct)
CFA Loadings for Good Ethics Lead to Good Business

<table>
<thead>
<tr>
<th>Item</th>
<th>Survey Questions</th>
<th>Factor Loadings</th>
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<tbody>
<tr>
<td>Q40</td>
<td>The ethics and social responsibility of a firm is essential to its long term profitability.</td>
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</tr>
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<td>Q41</td>
<td>The overall effectiveness of a business can be determined to a great extent by the degree to which it is ethical and socially responsible.</td>
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<tr>
<td>Q43</td>
<td>Social responsibility and profitability can be compatible.</td>
<td>0.57</td>
</tr>
<tr>
<td>Q44</td>
<td>Business ethics and social responsibility are critical to the survival of a business enterprise.</td>
<td>0.53</td>
</tr>
<tr>
<td>Q46</td>
<td>Business has a social responsibility beyond making a profit.</td>
<td>0.67</td>
</tr>
<tr>
<td>Q49</td>
<td>Good ethics is often good business.</td>
<td>0.62</td>
</tr>
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</table>

The table below (Goodness-of-Fit Measures for PIE (Good Ethics Lead to Good Business)) shows the model fit for the Good Ethics Lead to Good Business construct. All model fit measures are excellent (Arbuckle, 2017; Hair et al., 2010).

**Goodness-of-Fit Measures for PIE (Good Ethics Lead to Good Business)**

<table>
<thead>
<tr>
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<td>GFI</td>
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<td>&gt;.95</td>
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<tr>
<td>RMSEA</td>
<td>0.077</td>
<td>&lt;.08</td>
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</table>

The figure below, CFA for CSR Not Profitability is Cardinal construct, shows the factor loadings for the CSR Not Profitability construct. The CFA for CSR Not Profitability is Cardinal details the loading for each survey item. The error terms for Q36REV and Q37Rev were allowed to covary to improve model fit.
CFA for CSR Not Profitability is Cardinal

<table>
<thead>
<tr>
<th>Item</th>
<th>Survey Questions</th>
<th>Factor Loadings</th>
</tr>
</thead>
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<tr>
<td>Q36REV</td>
<td>While output quality is essential to corporate success, ethics and social responsibility is not.</td>
<td>0.67</td>
</tr>
<tr>
<td>Q37REV</td>
<td>Communication is more important to the overall effectiveness of an organization than whether or not it is concerned with ethics and social responsibility.</td>
<td>0.42</td>
</tr>
<tr>
<td>Q39REV</td>
<td>The most important concern for a firm is making a profit, even if it means bending or breaking the rules.</td>
<td>0.76</td>
</tr>
<tr>
<td>Q42REV</td>
<td>To remain competitive in a global environment, business firms will have to disregard ethics and social responsibility.</td>
<td>0.76</td>
</tr>
<tr>
<td>Q47REV</td>
<td>If survival of a business enterprise is at stake, then you must forget about ethics and social responsibility.</td>
<td>0.77</td>
</tr>
<tr>
<td>Q48REV</td>
<td>Efficiency is much more important to a firm than whether or not the firm is seen as ethical or socially responsible.</td>
<td>0.75</td>
</tr>
<tr>
<td>Q50REV</td>
<td>If the stockholders are unhappy, nothing else matters</td>
<td>0.61</td>
</tr>
</tbody>
</table>
The table below, Goodness-of-Fit Measures for PIE (CSR Not Profitability is Cardinal), shows the model fit for the CSR Not Profitability is Cardinal construct. All model fit measures are excellent (Arbuckle, 2017; Hair et al., 2010).

**Goodness-of-Fit Measures for PIE (CSR Not Profitability is Cardinal)**

<table>
<thead>
<tr>
<th>Measure</th>
<th>Estimate</th>
<th>Threshold</th>
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<tr>
<td>RMSEA</td>
<td>0.057</td>
<td>&lt;.08</td>
<td>Excellent</td>
</tr>
</tbody>
</table>
Appendix B: Survey Instrument

DissDiff-Ethical Factors/Small Business Managers and Owners

Start of Block: Default Question Block

Q1 Your opinion is very valuable to us. Today we are asking you to participate in a survey that aims to gage the factors that influence the ethical decisions of small business owners and/or managers in India. You must be a small business owner or manager, reside in India and be at least 18 years of age. Thank you for participating in the survey.

Q2 Informed Consent My name is La Toya M. Russell. I am a Doctoral Student in the Marketing/Global Business Department at Cleveland State University, which is located in the United States. I am requesting your participation in a research study. The study aims to gage the factors that influence the ethical decisions of small business owners and/or managers in India. If you decide to participate in this study, you will be asked to do three things. You will be asked to complete a survey. This survey will be no longer than one hour. The survey will be administered using Qualtrics and the survey will be online. To participate, you must be at least 18 years of age. You must be a small business owner or manager and you must reside in India. Risks associated with participation are considered to be minimal. These risks are no greater than living day to day. The survey will be anonymous. All research data will be secured in the Qualtrics database linked to the researchers account. The researcher will also import the data on a secure laptop that is owned by the researcher. A copy of the data will also be housed in the Marketing/Global Business Department at Cleveland State University. Once you start the online survey, you are asked to answer each question in order to complete the entire survey. You may withdraw from this study at any time without any consequence whatsoever. Only summary results may be published, presented or used for instruction. No personal identifiers will be included in such data. There are no direct benefits from the researcher available to you as a participant in this research. If you have any questions, please feel free to contact me, La Toya M. Russell at (216) 849-4210 or by email at L.M.RUSSELL@vikes.csuohio.edu or Dr. Ashutosh Dixit at 216-687-4775 or by email at A.DIXIT1@csuohio.edu. Please read the following: “I
understand that if I have any questions about my rights as a research subject, I can contact the Cleveland State University Institutional Review Board at (216) 687-3630.” By checking the “Yes” below, you are confirming that you have read and understand the information above. By checking the “Yes” below, you are confirming that you are at least 18 years of age. By checking the “Yes” below, you voluntarily consent to participate in this research study. Would you like to continue with the survey?

- Yes (1)
- No (2)
Q3 Please answer the following demographic questions.

Q4 What is your gender?

○ Male (1)

○ Female (2)

Q5 How old are you?

________________________________________________________________
Q6 What is your educational level?

- High school or less (1)
- Some college (2)
- Bachelor’s degree (3)
- Some Master’s degree (4)
- Master’s degree (5)
- Doctorate (6)

Q7 What is your current job title?

- Small Business Owner (1)
- Small Business Manager (2)
- Account Executive (3)
- Analyst (4)
- Other (5)

Skip To: End of Block If What is your current job title? = Account Executive
Skip To: End of Block If What is your current job title? = Analyst
Skip To: End of Block If What is your current job title? = Other
Q8 What industry is your small business in?

- Manufacturing (1)
- Services (2)
- Retail (3)
- Marketing (4)
- Advertising (12)
- Other (13)

Q9 What is your annual income (salary)?

- 0 – 300,000 Rs (1)
- 300,001 – 600,000 Rs (2)
- 600,001 – 900,000 Rs (3)
- 900,001 – 1,200,000 Rs (4)
- 1,200,001 – 1,500,000 Rs (5)
- 1,500,001 – 1,800,000 Rs (6)
- Over 1,800,000 Rs (7)
Q10 How large is your company?

- 1 – 100 Employees (1)
- 101 – 200 Employees (2)
- 201 – 300 Employees (3)
- 301 – 400 Employees (4)
- 401 – 500 Employees (5)
- 501 – 1000 Employees (6)
- Over 1000 Employees (7)

Q11 How old is your business?

_________________________________________________________________

Q12 Does your company conduct business in foreign markets?

- Yes (1)
- No (2)
Q13 Please indicate if you agree or disagree with the following items. Each represents a commonly held opinion and there are no right or wrong answers. We are interested in your reaction to such matters of opinion. Rate your reaction to each statement by selecting an option below. 1 – Strongly disagree 2 – Disagree 3 – Somewhat disagree 4 – Neither agree or disagree 5 – Somewhat agree 6 – Agree 7 – Strongly agree

Q14 People should make certain that their actions never intentionally harm another even to a small degree.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q15 Risks to another should never be tolerated, irrespective of how small the risks might be.

○ Strongly disagree (1)

○ Disagree (2)

○ Somewhat disagree (3)

○ Neither agree nor disagree (4)

○ Somewhat agree (5)

○ Agree (6)

○ Strongly agree (7)
Q16 The existence of potential harm to others is always wrong, irrespective of the benefits to be gained.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q17 One should never psychologically or physically harm another person.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q18 One should not perform an action that might in any way threaten the dignity and welfare of another individual.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q19 If an action could harm an innocent other, then it should not be done.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q20 Deciding whether or not to perform an act by balancing the positive consequences of the act against the negative consequences of the act is immoral.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q21 The dignity and welfare of the people should be the most important concern in any society.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q22 It is never necessary to sacrifice the welfare of others.

○ Strongly disagree (1)

○ Disagree (2)

○ Somewhat disagree (3)

○ Neither agree nor disagree (4)

○ Somewhat agree (5)

○ Agree (6)

○ Strongly agree (7)

Q23 Moral behaviors are actions that closely match ideals of the most "perfect" action.

○ Strongly disagree (1)

○ Disagree (2)

○ Somewhat disagree (3)

○ Neither agree nor disagree (4)

○ Somewhat agree (5)

○ Agree (6)

○ Strongly agree (7)
Q24 There are no ethical principles that are so important that they should be a part of any code of ethics.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q25 It is acceptable for ethical perspectives to vary from one situation and society to another.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q26 Moral standards should be seen as being individualistic; what one person considers to be moral may be judged to be immoral by another person.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q27 Different types of morality cannot be compared as to "rightness."

○ Strongly disagree (1)
○ Disagree (2)
○ Somewhat disagree (3)
○ Neither agree nor disagree (4)
○ Somewhat agree (5)
○ Agree (6)
○ Strongly agree (7)
Q28 Questions of what is ethical for everyone can never be resolved since what is moral or immoral is up to the individual.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q29 Moral standards are simply personal rules that indicate how a person should behave, and are not be applied in making judgments of others.

- [ ] Strongly disagree (1)
- [ ] Disagree (2)
- [ ] Somewhat disagree (3)
- [ ] Neither agree nor disagree (4)
- [ ] Somewhat agree (5)
- [ ] Agree (6)
- [ ] Strongly agree (7)
Q30 Ethical considerations in interpersonal relations are so complex that individuals should be allowed to formulate their own individual codes.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q31 Rigidly codifying an ethical position that prevents certain types of actions could stand in the way of better human relations and adjustment.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q32 No rule concerning lying can be formulated; whether a lie is permissible or not permissible totally depends upon the situation. Whether a lie is judged to be moral or immoral depends upon the circumstances surrounding the action.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q33 Whether a lie is judged to be moral or immoral depends upon the circumstances surrounding the action.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q34 Please indicate if you agree or disagree with the following items. Each represents a commonly held opinion and there are no right or wrong answers. We are interested in your reaction to such matters of opinion. Rate your reaction to each statement by selecting an option below. 1 – Strongly disagree 2 – Disagree 3 – Somewhat disagree 4 – Neither agree or disagree 5 – Somewhat agree 6 – Agree 7 – Strongly agree

Q35 Being ethical and socially responsible is the most important thing a firm can do.

○ Strongly disagree (1)

○ Disagree (2)

○ Somewhat disagree (3)

○ Neither agree nor disagree (4)

○ Somewhat agree (5)

○ Agree (6)

○ Strongly agree (7)
Q36 While output quality is essential to corporate success, ethics and social responsibility is not.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q37 Communication is more important to the overall effectiveness of an organization than whether or not it is concerned with ethics and social responsibility.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q38 Corporate planning and goal setting sessions should include discussions of ethics and social responsibility.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q39 The most important concern for a firm is making a profit, even if it means bending or breaking the rules.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q40 The ethics and social responsibility of a firm is essential to its long term profitability.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q41 The overall effectiveness of a business can be determined to a great extent by the degree to which it is ethical and socially responsible.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
-Strongly agree (7)
Q42 To remain competitive in a global environment, business firms will have to disregard ethics and social responsibility.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q43 Social responsibility and profitability can be compatible.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q44 Business ethics and social responsibility are critical to the survival of a business enterprise.

○ Strongly disagree (1)

○ Disagree (2)

○ Somewhat disagree (3)

○ Neither agree nor disagree (4)

○ Somewhat agree (5)

○ Agree (6)

○ Strongly agree (7)
Q45 A firm's first priority should be employee morale.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)

Q46 Business has a social responsibility beyond making a profit.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q47 If survival of a business enterprise is at stake, then you must forget about ethics and social responsibility.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q48 Efficiency is much more important to a firm than whether or not the firm is seen as ethical or socially responsible.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q49 Good ethics is often good business.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)

Q50 If the stockholders are unhappy, nothing else matters.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q51 Please read the scenario and action for each scenario below. Please indicate if you agree or disagree if the situation involves an ethical problem and indicate if you agree or disagree that you would act in the same manner. Each represents a commonly held opinion and there are no right or wrong answers. We are interested in your reaction to such matters of opinion. Rate your reaction to each statement by selecting an option below.

Q52 Scenario 1: Misleading the Appraiser  An automobile salesperson is told by a customer that a serious engine problem exists with a trade-in. However, because of the salesperson’s desire to make the sale, the salesperson does not inform the used car appraiser at the dealership and the problem is not identified.  
Action: The salesperson closes the deal that includes the trade-in.

Q53 The situation above involves an ethical problem.

- Strongly disagree  (1)
- Disagree  (2)
- Somewhat disagree  (3)
- Neither agree nor disagree  (4)
- Somewhat agree  (5)
- Agree  (6)
- Strongly agree  (7)
Q54 I would act in the same manner as the salesperson did in the above scenario.

○ Strongly disagree  (1)

○ Disagree  (2)

○ Somewhat disagree  (3)

○ Neither agree nor disagree  (4)

○ Somewhat agree  (5)

○ Agree  (6)

○ Strongly agree  (7)

Q55 **Scenario 2: Overeager salesperson**  A young woman, recently hired as a salesperson for a local retail store, has been working very hard to favorably impress her boss with her selling ability. At times, this young woman, anxious for an order, has been a little overeager. To get the order, she exaggerates the value of the item or withholds relevant information concerning the product he is trying to sell. No fraud or deceit is intended by her actions, she is simply overeager.  **Action:**  Her boss, the owner of the retail store, is aware of this salesperson’s actions, but she has done nothing to stop such practice.
Q56 The situation above involves an ethical problem.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)

Q57 I would act in the same manner as the boss did in the above scenario.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q58 **Scenario 3: Withholding Information** Sets of well-known brand of ‘‘good’’ china dinnerware are advertised on sale at a considerable discount by a local retailer. Several patterns of a typical, 45-piece service for eight are listed. The customer may also buy any ‘‘odd’’ pieces which are available in stock. The ad does not indicate, however, that these patterns have been discontinued by the manufacturer. **Action:** The retailer offers this information only if the customer directly asks if the merchandise is discontinued.

Q59 The situation above involves an ethical problem.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)
Q60 I would act in the same manner as the retailer did in the above scenario.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)

Q61 Scenario 4: Failure to honor warranty  A person bought a new car from a franchised automobile dealership in the local area. Eight months after the car was purchased, he began having problems with the transmission. He took the car back to the dealer and some minor adjustments were made. During the next few months he continually had a similar problem with the transmission slipping. Each time the dealer made only minor adjustments on the car. Again, during the 13th month after the car had been bought, the man returned to the dealer because the transmission still was not functioning properly. At this time, the transmission was completely overhauled.  Action: Since the warranty was for only one year (12 months from the date of purchase), the dealer charged the full price for parts and labor.
Q62 The situation above involves an ethical problem.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)

Q63 I would act in the same manner as the dealer did in the above scenario.

- Strongly disagree (1)
- Disagree (2)
- Somewhat disagree (3)
- Neither agree nor disagree (4)
- Somewhat agree (5)
- Agree (6)
- Strongly agree (7)