

ETHICAL IDEOLOGY OF MANAGERS IN BANKING SECTOR IN INDIA

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Abstract *The present paper presents the analysis of ethical ideology of managers working in banking sector in Punjab, India. For the purpose of understanding ethical ideology of managers Ethics Position Questionnaire (Forsyth, 1980) is administered to 274 managers working in ten banks in Punjab state of India. Managers are then classified into different ethical ideologies as per Forsyth's ethical taxonomy (Forsyth, 1980). The results found that most of the bank managers are situationists and very few are absolutists. It is also found that none of the managers fall in the exceptionist or subjectivist group. It shows that there is probability of most of the Indian Bank managers using less of universal moral rules and more appraise the current situation and use it as the basis for making a judgment.*

Keywords *Ethical Ideology, Idealism, Relativism, Bank Managers*

INTRODUCTION

It is well established by different studies (Forsyth & Nye, 1990; Forsyth, 1992; Hunt & Vitell, 1986; Fraedrich & Ferrell, 1992) that moral philosophy or ethical ideology influences an individual's reasoning about moral issues and consequent behaviour. Differences in moral philosophy or ethical ideology contribute to differences in ethical judgments (Schlenker & Forsyth, 1977; Forsyth, 1980; Forsyth, 1992). Ethical ideologies can be explained as a set of individual's moral beliefs, values and attitudes, which may influence an individual's judgment and decision-making when faced with difficult situations and ethical dilemma (Monga, 2005). Individual variations in approaches to moral judgment may be described most prudently by taking into account two basic factors – Relativism and Idealism (Schlenker & Forsyth, 1977). Forsyth (1980) defined Idealism as the degree to which individuals “assume that desirable consequences can, with the right action, always be obtained” (1980, p. 176). Relativism on the other hand is defined as, “the extent to which an individual rejects universal moral rules” while making ethical judgments (Forsyth, 1980, p. 175).

According to Forsyth, individual differences in Relativism and Idealism influence judgments of moral issues (Forsyth, 1980). Highly Idealistic individuals will always try to avoid harming others and will not do anything that will have negative impact on others. On the contrary, hand highly relativistic individuals feel that moral actions are situation and individual dependent, and while making decisions they

consider the situation more than the ethical principle that was violated. When these two dimensions are dichotomised and crossed, they yield the 2X2 classification of ethical ideologies. The taxonomy indicates that individuals may adopt one of four different approaches of making ethical judgment – situationism, absolutism, subjectivism and exceptionism. Also, inclusion into one of these groups is determined by whether a person adopts idealistic or non-idealistic values and believes moral rules are universal; or relative (Forsyth, 1980).

	High Idealism	Low Idealism
High Relativism	Situationists	Absolutists
Low Relativism	Subjectivists	Exceptionists

Source: Forsyth, 1980, 1992a

Fig. 1: Forsyth's Taxonomy of Ethical Ideology

This model suggests that a person can be either low or high in idealism and relativism. Each one of the four groups of taxonomy is inclined towards a particular philosophy of ethics. For instance, the subjectivists and situationists (the high relativism groups) support an ethical ideology similar to ethical skepticism (Forsyth, 1980). Skeptics think that morality can be considered in distinct ways and criticise proponents of specific ethical principles (Monga, 2005). Situationists are both idealistic and relativistic. As they think that people should endeavor to produce the best possible consequences; however, they also think that moral rules cannot be applied in every situation. This ethical

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ideology is named situationism as its supporters believe in close assessment of the circumstances (e.g., the desirability of the consequences, possible alternative courses of action, and constraints acting on the individual), in reaching an acceptable suitable moral evaluation. Absolutists also come in category of idealistics as they endorse those acts that lead to many positive consequences and least negative consequences. However, while doing moral judgment they feel that actions should also be in conformity to absolute moral principles. Absolutists are likely to endorse statements that are similar with philosophical school of thought known as deontology (Forsyth, 1980, p. 176). In deontology an action is moral if it conforms to some universal moral rules that are absolute. Even though no ethical theory has all the features of a purely deontological approach, still the absolutists' are somewhat similar to deontologists in following absolute moral norms (Forsyth, 1980). Similar to situationists, subjectivists are skeptical of moral principles. However, they are much less idealistic than situationists, for they feel that in many situations it is impossible to avoid negative behaviors. This ideology is referred to as Subjectivism as its followers portray their moral decision making as subjective. They take personal judgments that are more based on "objective" information and not on universal moral norms. With regard to deception, a subjectivist would argue that general conclusions cannot be reached because morality is an individualistic matter. Exceptionists, as their name implies, permit exceptions to moral principles. Both non relativistic and practical, these individuals acknowledge that in some situations moral norms can be broken to avoid negative consequences. Applied to deception, exceptionists feel that deceiving others is generally wrong, but that this moral norm may be broken if the deception is deemed unavoidable (Forsyth & Pope, 1984). The ideology adopted by exceptionists is more attuned with ethical philosophy of teleology (Forsyth, 1980). As per teleology, "an action can be moral or immoral depending upon the consequences produced by it". One should, ethically speaking, act in a way that would lead to good result for the maximum that is similar to the utilitarian concept of "greatest good for the greatest number" (Monga, 2005).

ETHICS POSITION QUESTIONNAIRE

Forsyth (1980) did a research for development and partial validation of a measurement instrument named Ethics Position Questionnaire (EPQ) to assess the degree of idealism and relativism. It was developed to measure the level to which individuals adopt one of these four ethical ideologies. The EPQ comprises of a series of 20 attitude statements, 10 concerning idealism and 10 concerning relativism. Respondents are asked to specify their degree of

agreement or disagreement with each item. Then the mean score of their responses to the idealism items make up their idealism score and the mean score of their responses to the relativism items make up their relativism score. These scores can then be used to classify individuals into different ethical ideologies as per Forsyth's taxonomy. Respondents who score high on both scales are situationists, and those who score high on the idealism scale but low on relativism would be classified as absolutists. Subjects who score low on idealism but high on relativistic would be classified as subjectivists, and respondents who score low on both scales would be exceptionists.

BRIEF LITERATURE REVIEW

It has been observed that ethical orientation of people affect their decision making process. Idealists and Relativists react differently in different situations. Different studies have been conducted to validate the relationship between ethical ideology and decision making.

Singhapakdi & Vitell (1993) did a study to explore the relationship between selected values and certain aspects of marketing ethics decision making. The Ethics Position Questionnaire (EPQ) developed by Forsyth (1980) was used to measure personal moral philosophies and it was observed that marketing professionals appeared to differ from psychology students on certain aspects of their moral philosophies. It was concluded that personal values are related to a marketer's ethical moral philosophy. Nakano (1997) did a study of Japanese managers to study ethical ideology of managers. The results of the study suggested that Japanese managers tend to be more situational in their ethical orientation than Americans. The results also revealed that the company policy on ethics is the most important factor influencing Japanese managers' ethical decisions. Singhapakdi et al. (2000) analyzed the marketing ethics decision-making process of Thai managers. The survey results generally indicated that both dimensions of moral philosophies, idealism and relativism, were significant predictors of a Thai manager's ethical intention. Kim (2003) investigated the Korean public relations practitioners' perceptions toward ethical issues, individual practices, and ethical standards in the context of ethical ideology. The survey was conducted with the Korean public relations practitioners. A 2 (Relativism: High/Low) X 2 (Idealism: High/Low) factorial design was devised for the analysis. It was concluded that idealistic ideology had a main effect on ethical issues, individual practices, and ethical standards. However, relativistic ideology only affected the decision-making process related to ethical issues. Sivadas et al. (2003) did a study to examine sales managers' ideological orientations, ethical evaluations of hypothetical salespeople

portrayed in scenarios, and the effect of such. It was found that ideological relativism influences managers' judgments of ethical behavior and hiring intentions, but idealism did not play a role. In turn, ethical judgments of justness, fairness, moral tightness, and acceptability influence hiring intentions. Park (2005) supported the proposition that the degrees of idealism and relativism determine involvement levels that, in turn, result in varying levels of reactions to the organisational environment and corresponding amounts of information processing. Tangpong, Pesek (2007) identified two potential factors that might be significant in managers' decision making when they are faced with moral dilemmas. The results of the study suggested that the ideology of share holder value and the norm of reciprocity affect managerial decision making in stakeholder moral dilemmas differently when the decision outcome affects different stakeholders. It was found that the ideology of share-holder value act as a driving force to maximise profits and shareholders' wealth, though at the expense of other stakeholders. Fernando, Chowdhury (2010) examined the relationship between spiritual well-being and ethical orientations in decision making through a survey of executives in organisations listed on the Australian Stock Exchange. It was observed that the relationship between spiritual well-being and relativism is weak. Vitell et al. (2010) supported the mediating influence of the PRESOR construct (an individual's perception of the importance of ethics and social responsibility for the effectiveness of the organisation) on relativistic and idealistic moral thinking when one is considering the moral intensity of a situation. In addition, the study found support for the relationship between relativism (negative), idealism (positive), corporate ethical values, and job satisfaction. Monga (2010) conducted research to examine the ethical positions held by the managers in India. The results indicated a high score for both idealism and relativism for the majority of managers. A positive correlation was found between idealism and education. It was found that the large majority of managers were situationists and only a small percentage was absolutists.

METHODOLOGY

Research Objective

Literature review has identified more than 200 publications that have cited EPQ in some way. EPQ has been applied in different studies in various countries. But literature review has revealed only two main studies in Indian context. One of the studies was by Monga (2005) to understand ethical ideologies of Indian managers in manufacturing sector and other by Vij, Sharma, and Kaur (2010) to explore the ethical orientation of managers of insurance industry in India. But

no such study has been done to understand ethical ideology of Indian managers working in banking sector. The present research is first such study of understanding ethical ideology of Indian managers working in banking sector. The main objectives of this study are:

- To validate the reliability of Ethics position questionnaire in Indian context.
- To understand ethical ideology of Indian bank managers as per Forsyth's ethical taxonomy.

Measure

Ethics position questionnaire was used for the study. It consists of 20 items. A five point Likert scale was used for this study.

Sample

The sample for the study consisted of 300 managers from ten banks in Punjab state of India. The bank managers were visited personally and EPQ was filled by them. Out of 300 questionnaires collected only 274 were found to be usable.

ANALYSIS

Validity and Reliability of EPQ in Indian Context

Only a few studies have used the Forsyth (1980) EPQ in the Indian context. The internal consistency, stability and predictive validity of Ethical Position Questionnaire have been well established in the context of many countries in prior researches (Forsyth, 1980; Forsyth & Pope, 1984; Davis, Andersen, & Curtis, 2001; Redfern & Crawford, 2004; Redfern, 2005). However, there are only two published studies by Monga (2005) and Vij et al. (2010) that has checked the validity of EPQ in India. The current study also tries to validate the factor structure of the items of EPQ for Indian sample.

Adequacy of Data Test

Bartlett's Test of Sphericity and KMO Measure of Sampling Adequacy (KMO) was applied on the data for Measuring of Sampling Adequacy. The result of the Bartlett's Test of Sphericity and KMO test of Sampling Adequacy is given in table 1.

Table 1: KMO and Bartlett's Test

KMO Measure of Sampling Adequacy		.812
Bartlett's Test of Sphericity	Approx. Chi-Square	2.329E3
	Df	190
	Sig.	.000

As seen in table 1, in Bartlett's Test of Sphericity, approx. Chi-Square is 2.329E3, Degree of Freedom is 190 and significance is 0.000. KMO value is 0.812 that confirms adequacy of data for factor analysis. Thus, all of these examinations confirmed that data is suitable for factor analysis.

Factor Analysis

Principal Component Analysis has been used for extracting factors. The number of factors to be extracted is settled on

the basis of having Eigen value greater than 1 i.e. 'Latent Root Criterion'. Table 2 presents initial Eigen values and rotation sums of squared loadings. As seen from table 4.2, two factors have been extracted as only two variables have Eigen value greater than unity, whereas the total variance explained by these factors is 42.392% and the remaining variance is explained by other factors.

Table 2: Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.687	28.433	28.433	5.687	28.433	28.433	5.548	27.740	27.740
2	2.792	13.959	42.392	2.792	13.959	42.392	2.930	14.652	42.392
3	.998	7.295	49.687						
4	.997	5.794	55.480						
5	.900	5.656	61.136						
6	.889	5.266	66.402						
7	.876	4.975	71.378						
8	.872	4.410	75.788						
9	.763	3.816	79.604						
10	.630	3.152	82.756						
11	.611	3.055	85.811						
12	.488	2.440	88.250						
13	.459	2.295	90.545						
14	.371	1.854	92.400						
15	.325	1.623	94.022						
16	.317	1.585	95.607						
17	.279	1.396	97.003						
18	.224	1.122	98.125						
19	.195	.975	99.099						
20	.180	.901	100.000						

Further, Orthogonal rotation with Varimax has been used. Rotation is generally used because the unrotated factor solution may or may not give meaningful structure of the variables. It has been established that cut-off of 0.40 is sufficient for including item in a scale (Stevens, 1992). So;

all factor loadings greater than 0.40 (ignoring signs) were retained. Twenty variables from the tables were then loaded on the two factors respectively. Table No. 3 shows the rotated component matrix.

Table 3: Rotated Component Matrix

Variable name	Component	
	1	2
EI1	-.203	.422
EI2	-.307	.450
EI3	-.261	.401

Variable name	Component	
EI4	-.105	.412
EI6	.236	.404
EI5	.046	.607
EI8	.036	.406
EI7	.078	.727
EI9	-.174	.647
EI10	.055	.717
EI11	.439	.001
EI12	.526	-.272
EI13	.737	-.004
EI14	.823	.050
EI15	.777	-.057
EI16	.706	-.202
EI17	.769	.050
EI18	.795	.013
EI19	.814	-.075
EI20	.796	-.081

Table 4 shows the two factors that are extracted; with factor loadings and communalities etc. It is observed that all items which loaded on factor 1 (Relativism) are exactly the same items as suggested by Forsyth (1980) for relativism and all

items which loaded on factor 2 (Idealism) are exactly the same items as suggested by Forsyth (1980) for idealism. Thus, our analysis lends support for the validity of EPQ in the Indian context.

Table 4: Factors with Factor Loadings and Communalities

Factor No.	Name of variable	Variable name	Statement	Factor loadings	Communalities
1.	Relativism	EI11	There are no ethical principles that are so important that they should be a part of any code of ethics.	.439	.678
		EI12	What is ethical varies from one situation and society to another.	.526	.760
		EI13	Moral standards should be seen as being individualistic; what one person considers to be moral may be judged to be immoral by another person.	.737	.719
		EI14	Different types of morality cannot be compared as to "rightness."	.823	.700
		EI15	Questions of what is ethical for everyone can never be resolved since what is moral or immoral is up to the individual.	.777	.678
		EI16	Moral standards are simply personal rules that indicate how a person should behave, and are not to be applied in making judgments of others.	.706	.698
		EI17	Ethical considerations in interpersonal relations are so complex that individuals should be allowed to formulate their own individual codes.	.769	.758
		EI18	Rigidly codifying an ethical position that prevents certain types of actions could stand in the way of better human relations and adjustment.	.795	.725
		EI19	No rule concerning lying can be formulated; whether a lie is permissible or not permissible totally depends upon the situation.	.814	.773

Factor No.	Name of variable	Variable name	Statement	Factor loadings	Communalities
		EI20	Whether a lie is judged to be moral or immoral depends upon the circumstances surrounding the action.	.796	.684
2.	Idealism	EI1	People should make certain that their actions never intentionally harm another even to a small degree.	.422	.727
		EI2	Risks to another should never be tolerated, irrespective of how small the risks might be.	.450	.474
		EI3	The existence of potential harm to others is always wrong, irrespective of the benefits to be gained.	.401	.459
		EI4	One should never psychologically or physically harm another person.	.412	.520
		EI5	One should not perform an action which might in any way threaten the dignity and welfare of another individual.	.607	.580
		EI6	If an action could harm an innocent other, then it should not be done.	.404	.472
		EI7	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.	.727	.763
		EI8	The dignity and welfare of the people should be the most important concern in any society.	.406	.639
		EI9	It is never necessary to sacrifice the welfare of others.	.647	.782
		EI10	Moral behaviors are actions that closely match ideals of the most "perfect" action.	.717	.689

Reliability of Scales

The reliability coefficient of Cronbach's Alpha was found to be 0.704 for idealism scale and 0.896 for relativism score which indicates the high reliability of EPQ in present sample. It shows that scale is highly reliable in the Indian context. Monga (2005) and Vij et al. (2010) also used Cronbach's Alpha to confirm the reliability of the scale. In the study of Monga (2005) Cronbach's Alpha reliability statistics for Idealism and Relativism was 0.683 and 0.825 and in Vij et

al. (2010) study, it is 0.917 and 0.704 respectively. In study of Bass, Bennett, and Brown (1999), Cronbach's Alpha was 0.81 for relativism scale and 0.86 for the Idealism scale.

ANALYSIS OF ETHICAL IDEOLOGY OF MANAGERS

We have used mean, median and standard deviation to measure ethical ideology of managers. Table 4.5 shows the descriptive statistics of ethical ideology of managers.

Table 5: Descriptive statistics of Idealism and Relativism of Managers

	Idealism	Relativism
N	274	274
Mean	4.3	3.0682
S.D	0.37151	0.72074
Median	4.3	3

It is found from table 5 that the mean scores and median scores on both the idealism scale ($X_{id}=4.3$ & $M_{id}=4.3$) and the relativism score ($X_{rel}=3.0682$ & $M_{rel}=3$) of managers were relatively high. It is also found that mean and median score of idealism is higher than mean and median score of relativism, implying that managers are more idealistic

than relativistic. The small score of S.D on idealism scale (0.37151) indicates uniformity/homogeneity in the viewpoint of the group. But the S.D for relativism is found to be very high (0.72) demonstrating a lack of uniformity/homogeneity in the group.

The data reveals that managers scored high on both relativism and idealism. This finding is corroborate with the findings of Forsyth (1980); Monga (2005); Redfern (2005); Vij et al. (2010). It shows that there is probability of most of the Indian Bank managers depending less on universal moral rules and more appraise the current situation and use it as the basis for making a judgment. They act to make sure the best possible outcomes for all concerned even though doing so will flout conventional norms about ethics.

ETHICAL POSITION OF BANK MANAGERS

Table 6: Ethical Position of Bank Managers (Overall Sample, N=274)

Relativism \ Idealism	LOW (mean<2.5)	HIGH (mean ≥ 2.5)
LOW (mean<2.5)	Exceptionists N=0	Subjectivists N=0
HIGH (mean ≥ 2.5)	Absolutists N=55 (20.1%)	Situationists N=219 (79.9%)

Five point likert scale is used to measure ethical ideology and mean of scale is 2.5. So 2.5 is used as cut off for classifying ethical ideology of managers into four groups as per Forsyth's taxonomy. The same method was used in study of ethical ideology of insurance managers in India by Vij et al. (2010). It is observed that all (100%) managers are high in idealism score, so there are no respondents who lie in exceptionists and subjectivist category. There are 55 respondents (20.1%) who are absolutists and 219 respondents (79.9%) are situationists. It means majority of the managers are situationists and always strive to produce the best consequence and believe that moral rules are not applicable in all circumstances. So we can say that most of the managers in banking sector take their decisions depending upon the situation and act to make sure the best possible outcomes for all concerned even though doing so will flout conventional norms about ethics. Some managers are found to be absolutist also which means they approve of those actions which result in many positive consequences and minimal negative consequences. These managers feel that actions should also be consistent with absolute moral principles. No managers have been found to be exceptionist or subjectivist.

The results are consistent with previous studies (Monga, 2005; Vij et al., 2010) conducted on Indian managers where it was found that most of the Indian managers are situationists and some of them are absolutists. The results of similar previous studies and current studies in Indian context are presented in table below:

Mean and median is used to measure ethical ideology of managers. It is found that the mean scores and median scores on both the idealism scale ($X_{id}=4.3$ & $M_{id}=4.3$) and the relativism score ($X_{rel}=3.0682$ & $M_{rel}=3$) were relatively high. It is also found that mean and median score of idealism is higher than mean and median score of relativism, implying that managers are more idealistic than relativistic. The study results revealed that bank managers under study scored high on both idealism and relativism. In present study all managers have high idealism scores and most of the managers have high relativism scores. Only some of the managers are low on relativism.

It is observed that all managers are high in idealism score, so there are no respondents who lie in exceptionists and subjectivist category. There are 55 respondents who are absolutists and 219 respondents are situationists. It means majority of the managers are situationists and always strive to produce the best consequence and think that moral rules cannot be applied in all circumstances. So we can say that most of the managers in banking sector take their decisions depending upon the situation and act to make sure the best possible consequences for all concerned even if doing so will defy traditional rules about ethics. Some managers are found to be absolutist also, so they approve of those actions which result in many positive consequences and minimal negative consequences. These managers feel that actions should also be consistent with absolute moral principles. No managers have been found to be exceptionist or subjectivist.

CONCLUSION

The study revealed that bank managers scored high on both relativism and idealism. In present study all managers have high idealism scores and most of the managers have high relativism scores. It shows that there is probability of most of the Indian Bank managers using less of universal moral rules and more appraise the current situation and use it as the basis for making a judgment. They act to make sure the best possible consequences for all concerned even if doing so will defy traditional rules about ethics.

Having maximum managers as situationists is something of big concern as they are considered less ethical as compared to absolutists. As they can compromise ethical ideology or standards of organisation if they have justification that it will do good for most or for the organization.

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