

# The framing of moral foundations alters perceptions of ethical business practices

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## Abstract

Pressure to be both ethical and profitable can create conflicts. Morality is multi-faceted, and ethical perceptions of a company that chooses shareholder profits over avoiding community harm may depend on one's endorsement of different moral foundations. Participants responded to different ethical dilemmas where companies chose shareholder profit over avoiding community harm. Across all studies, moral foundations influenced ethical perceptions. Study 1 found that endorsement of the moral foundation of harm avoidance was associated with decreased ethical perceptions of a company choosing shareholder profits over avoiding community harm, whereas loyalty endorsement was associated with the opposite effect. Study 2 found that priming participants with harm avoidance further decreased ethical perceptions of a company choosing shareholder profits over avoiding community harm, above and beyond dispositional endorsement of harm avoidance. Study 3 replicated the effect that high endorsement of harm avoidance and decreased ethical perceptions. However, there was also a significant loyalty endorsement  $\times$  shareholder interaction; such loyalty-endorsing shareholders were most likely to view companies favoring shareholder profits over avoiding community harm as ethical. These results suggest that ethical perceptions of a may depend on moral framing and emphasis on different moral foundations.

**Key Words:** Moral foundations, Morality, Business ethics, Corporate responsibility

## Introduction

According to *The Economist Magazine* in December 2012, Pepsi's Chief Executive Officer (CEO), Indra Nooyi, decided to use Super Bowl advertising space to support social causes (i.e., fighting obesity) rather than product promotion. Shareholders were unhappy, insisting that selling products (healthy or not) should be sole priority of the company. Nooyi took the opportunity the following year to use advertisement revenue to promote Pepsi product sales, abandoning the push for social change. Although some would perceive a myopic push for profits over greater social good to be immoral, others would consider such behavior not only moral but the only ethical behavior possible for a corporate leader. Thus, perceptions of Corporate Social Responsibility (CSR) may depend greatly on the moral lens through which the corporation is viewed.

## Theories of Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) can be defined as ethical obligations that a company faces to societies and communities that are affected by the company. Such obligations or responsibilities may include practices such as fair and ethical business practices, employee treatment, and environmental concerns (Garriga & Melé, 2004). There has been a recent push for CSR and changing the role that businesses play in society (Joyner & Payne, 2002; McWilliams & Seigel, & Wright, 2006; Windsor, 2006). Proponents of this increasing role of CSR in modern business draw heavily from the notion that companies need to keep ethical conduct in mind when doing business. Moreover, such advocates argue that it should not solely be the responsibility of regulators and government to ensure that companies compete fairly (see McWilliams et al., 2006 for a review). Recently, some scholars have sought middle

ground in this argument, arguing that corporations can be both profitable and socially responsible (see McWilliams et al., 2006).

Although many empirical investigations of the relationship between CSR and profitability have been mixed, McWilliams and Seigel (2000) argue that the two are unrelated (i.e., the relationship between CSR and profits are neutral). Meta-analytic evidence suggests that the relationship is positive, with some aspects (such as reputation and financial performance) being more highly related than others (Orlitzky, Schmidt, & Rynes, 2003). In sum, depending on the industry and the assessments, some find that CSR is a profitable business model, leading to positive reputation and marketing campaigns as well as increased trust of the public. Although this argument appears to be an attractive compromise, it is impossible to maintain in every scenario. For example, if you ask most corporate leaders if they want to do good things for society, most would respond with "yes." Similarly, if you ask most corporate leaders if they want to make a profit for their shareholders, most would respond with "yes." Thus, companies that can be socially responsible are likely to do so when the goals of profit and societal benefit are not in conflict with one another. However, it is when profits and societal good are in conflict with one another, what is ethical becomes less clear.

Traditional theories of CSR state that it is unethical for a company to be concerned with anything but profit, provided it stays within the boundaries of legal behavior (e.g., Friedman, 1962). This argument stems from the fact that publically owned companies have a responsibility to shareholders and the market to create profit, jobs, and fair competition. As a consequence, engaging in any behavior that undermines profits would be considered as (a) counterproductive, (b) unfair to shareholders and consumers, and (c) irresponsible. Such "instrumental theories" (see Garriga & Melé, 2004 pg. 52) of CSR espouse that the responsibility of a company is to make as much money as possible, and that pursuing social causes is only acceptable if it coincides with increased profits. There appears to be an

implicit sense among those supporting instrumental theories of CSR that competition eradicates the need for CSR given that ethical corporate behavior provides a competitive edge in certain markets (Kemper et al., 2013). In fact, many industries use CSR as a marketing strategy to build reputation and attract customers and investments (Menon, 1997). Thus, CSR may be one of many roads to increased profits and market competition will drive CSR in profitable ways.

However, there are critics of the instrumental theories of CSR. In fact, Garriga and Melé (2004) outline three other theoretical perspectives (i.e., political, integrative, & ethical) insofar as how CSR relates to corporate ethics in addition to instrumental. Political theorists argue that businesses have an inherent responsibility, especially those with great power, considering that they are part of the larger societal system (e.g., Davis, 1960). By contrast, integrative theorists argue that being responsive to society is one of the fundamental roles of a corporation given that corporations rely on society and vice-versa (e.g., Preston & Post, 1975). Finally, ethical theorists argue that there exists a firm connection between business and responsibility to society (e.g., Freeman, 1984).

From the perspective of business ethics, all of these theories have some logical and empirical support. However, of particular interest to the present dilemma is the ethical theorists' position. According to Freeman (1984), a corporation has responsibility to individuals who are affected by a company's dealings, such as community members, customers, employees, (i.e., "stakeholders") in addition to just individuals who have a direct financial interest in a company (i.e., "shareholders"). The term stakeholders was intentionally used in order to be inclusive of any individual who has a vested interest in, or is affected by, a business or corporation. For example, all shareholders are stakeholders but not all stakeholders are shareholders. Examples of non-shareholding stakeholders of a business would be members of a community in which a business operates. Other examples of non-shareholding stakeholders would be customers, employees, and suppliers of the business. According to Donaldson and Preston (1995) the interests of all stakeholders are intrinsically relevant to a corporation and should be taken into consideration. Under typical circumstances, this seems to be a reasonable model. However, there are situations in business where different types of stakeholders (e.g., community vs. shareholders) are at odds. Thus, in such situations, there is at least one group that is being compromised at the benefit of a different group (Hillman & Keim, 2001).

Given that shareholders are suppliers of capital and the owners of a publically traded company, one would argue that they comprise the "ingroup" of the corporate leaders and board of directors. Indeed theory and research has shown that shareholders are perceived more readily as salient in-group members because they actively and financial support the financial institution or corporation. Although there has been a push for shareholders to be seen on par with shareholders, they are often less salient or not recognized as critical in-group members (Peloza & Papania, 2008). Indeed perceptions of both ingroup loyalty and shareholder status should predict a disproportionate emphasis on profitability over CSR, when the two may come into conflict.

Although some theorists argue it is the process by which a company engages these issues that makes them ethical or responsible (e.g., Jones, 1980), public perceptions of corporate ethics may depend on individual perspectives. In particular, one possible individual difference that would impact which group is perceived to be the primary stakeholder (and thus the company

has the greatest obligation to), has to do with moral frames.

## Morality and moral frames

Research on moral foundations has identified a similar paradox. Most individuals agree that it is moral to avoid harming others (i.e., harm avoidance), be fair to others (i.e., fairness), be loyal to one's in-group (i.e., loyalty), be obedient to authority figures (i.e., obedience), and be pure (i.e., purity) in one's behaviors (Haidt, 2007). However, different individuals emphasize different moral foundations (Haidt, 2001). For example, some emphasize the purity dimension so much, that they are willing to support unfair laws that discriminate against what they believe to be "impure" (e.g., Koleva et al., 2011). Similarly, some may believe so strongly in obedience or loyalty that they are willing to do harm to others in the service of these salient moral foundations (Ditto & Koleva, in press). In extreme cases, individuals are so loyal and obedient to their religious or moral in-group that they commit horrible acts of terrorism or genocide (Haidt & Algoe, 2004).

Indeed, research has found that moral framing has a profound impact on people's perceptions of the world around them, especially with respect to what is considered acceptable behavior. This impact stems from the fact that morality is a gut-level process (Haidt, 2001); individuals feel their morality first and then rationalize it later. Thus, when an individual views a moral dilemma through a particular moral lens, they are likely to justify their decision based on the moral lens through which the decision was viewed. Although there is some discussion on how many moral foundations exist, the present notion is that there appears to be five (although Haidt notes that more or less are possible; Haidt, 2008), which are: Harm avoidance, Fairness, Loyalty, Obedience, and Purity (see also Graham, Haidt, & Nosek, 2009).

On the one hand, harm avoidance is a core moral domain. However, harm avoidance is not the only domain through which one may be judged as moral or not, and it is not even equally emphasized across different individuals. For example, politically liberal individuals tend to emphasize harm avoidance and fairness more than they emphasize other foundations of morality such as purity, obedience, or loyalty (Graham et al., 2009). In this way, individuals who greatly emphasize harm avoidance as a central (and personally endorsed) moral foundation would be most likely to perceive corporate harm in any form as unethical.

H1: Increased endorsement or salience of the moral foundation of harm avoidance will decrease ethical perceptions of a company choosing profit over avoiding community harm.

In contrast, individuals who emphasize ingroup loyalty as much (or more) than harm avoidance may perceive a company fulfilling obligations to shareholders as being more indicative of ethical behavior than not doing harm would be. Furthermore, given that shareholders are the owners of a given company, which results in the perception that shareholders are the company's primary ingroup (Peloza & Papania, 2008), individuals high in the moral foundation of loyalty would perceive ethical behavior as associated with profit for shareholders.

H2: Increased endorsement of the moral foundation of ingroup loyalty will increase ethical perceptions of a company choosing profit over avoiding community harm.

The stakeholder vs. shareholder dilemma appears to pit the moral foundations of harm avoidance vs. loyalty against one another. The reason harm avoidance is central to this dilemma stems back to the aforementioned Pepsi Company example.

Concerns were not over fairness, but rather the harm that was being done to the health of children. In this way, the central focus would be on harm avoidance. Similarly, the foundations of obedience or purity are not emphasized as the contrasting moral domain because stakeholder vs. shareholder differentiation is primarily associated with corporate perceptions of in-group members (Peloza & Papania, 2008). Because there are no laws surrounding how much soda can be sold to children, this dilemma is unrelated to obedience, fairness, or purity.

Thus, an emphasis on harm avoidance would lead these individuals to stress the impact that a corporation or business has on society in general, especially if they are causing harm to a community. By contrast, an emphasis on the moral foundation of loyalty would result in perceiving the fulfillment of obligations towards a corporation's in-group (i.e., the shareholders) as most ethical.

H3: Increased endorsement of the moral foundation of in-group loyalty will increase ethical perceptions of a company choosing profit over avoiding community harm especially when individuals are shareholders.

In sum, moral dilemmas such as these are common in modern society (Haidt, 2007), and sometimes lead to contradictory behaviors in settings such as business, academic, or governmental. Moreover, such contradictions lead to opposing viewpoints as to whether or not a given behavior is moral (van Leeuwen & Park, 2009). In fact, the perception of whether the same behavior is moral or immoral may depend entirely on which domain of morality is emphasized by which person (Haidt & Graham, 2007). I argue the same is true of business ethics, and whether or not a corporation is viewed as socially responsible depends entirely on the moral lens through which it is viewed.

## Summary and Predictions

CSR has received increased attention in recent years, with a greater societal push towards increased corporate responsibility. A general notion held by proponents of ethical theoretical perspectives is that businesses must do right by all stakeholders (not just shareholders) related to that business. However, different stakeholders (e.g., a community vs. shareholders) may have interests that are incompatible, and these interests ultimately come into conflict. As a consequence, whether or not a business is perceived as behaving ethically may depend on the moral foundation one emphasizes. Research on morality has clearly identified different foundational lenses through which morality can be viewed, and these lenses may (similarly) come into conflict with one another. In sum, when corporate responsibility exists for society and shareholders, perceptions of ethical behavior may depend on which moral lens is used to view the corporation (see Figure 1 for summary).

Individuals high in the moral foundation of loyalty are hypothesized to view a company emphasizing profit for shareholders over social harm as more ethical. By contrast, individuals high in the moral foundation of harm avoidance are hypothesized to view a company emphasizing no harm to society (i.e., "stakeholders") over profit for the in-group (i.e., "shareholders") as more ethical. Furthermore, experimentally priming loyalty is hypothesized to increase ethical perceptions of a company that emphasizes loyalty to shareholders over avoiding societal harm. Finally, within a sample of investors, individuals who are shareholders, and high in loyalty foundations should show report the highest ethical perceptions of a company that chooses shareholder profit over stakeholder harm.

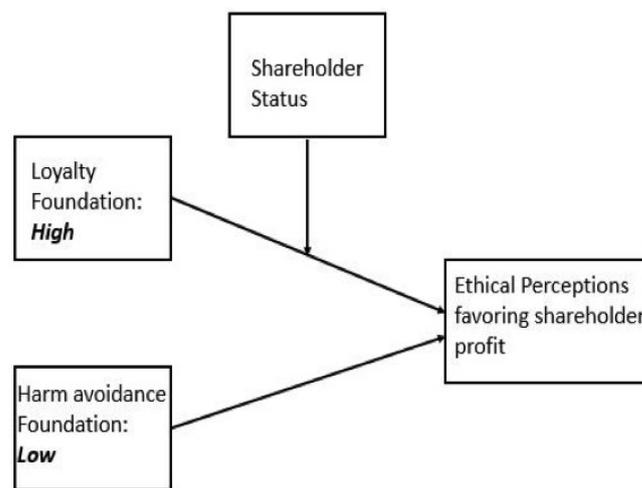


Figure 1. Predictive model

## Study 1 – Correlating moral foundations with ethical perceptions

### Participants

Participants were 128 workers on the crowdsourcing website "Mechanical Turk" or MTurk ([www.mturk.com](http://www.mturk.com)). MTurk is a valuable source of diverse data, and has similar (if not superior) levels of reliability and generalizability to student samples (Buhrmester, Kwang, & Gosling, 2011; Paolacci, Chandler, & Iperotis, 2010). The sample was restricted to the United States. One participant had to be eliminated for non-variance in responding (e.g., all "6" answers). Thus, the final sample consisted of 127 adults (37% female;  $M_{age} = 31.05$ ,  $SD = 9.92$ ; 76% European Heritage / White / Caucasian; 6% East Asian; 8% African-American; 8% South Asian; 2% other mixed ethnicities; Average income: \$35,000 to \$45,000) on MTurk. The most common educational milestone reported was a four-year degree (i.e., Bachelor's Degree).

### Measures

Moral Foundations Questionnaire (MFQ). In order to assess individual differences in morality and moral dimensions, participants answered the MFQ-30 (Graham, Haidt, & Nosek, 2009; see also Graham et al., 2011; available at [www.moralfoundations.org](http://www.moralfoundations.org)). The MFQ-30 assesses five dimensions of morality (Harm avoidance, fairness, loyalty, obedience, purity), by asking participants (a) how relevant certain morality items (1 = not at all relevant to 6 = extremely relevant) are to one's perceptions of morality and (b) how much they agree with different items relevant to a given moral domain (1 = strongly disagree to 6 = strongly agree). There has been substantial support for the MFQ-30 and similar assessments (Graham, et al., 2009; 2011). The five moral foundations were correlated in a pattern that was similar to previous research, in particular harm avoidance and loyalty were positively correlated ( $r = .18$ ,  $p < .05$ ). Each moral foundation also had acceptable levels of internal consistency ( $\alpha$  range = .67 to .73). Participants also filled out demographic questions such as their age, gender, income, political affiliation, and ethnicity.

### Design and Procedure

After consenting to participate, participants were asked to read the following scenario and answer the questions that followed: "An alcohol manufacturer has recently developed a new candy flavored beverage. However, according to a recent study, this liquor is most popular among underage drinkers. An advocacy

group placed pressure on the company arguing that its advertisement campaigns target underage drinkers. In response to the initial pressure, the company discontinued some of their ad campaigns. However, upon poor sales performance and pressure from shareholders, the company renewed their previous marketing efforts. Investigations into the matter have suggested that although the company does appear to cater to young drinkers, they are not in violation of the law."

Participants then filled out questions, which constituted the dependent variable, pertaining to whether or not the corporation was seen as ethical: "Do you consider this company ethical? Would you consider investing in this company? Does this company have a fair business model? Does this company help society? Would you like to see this company stopped?" The last question was reverse scored. All questions were answered on a (1 = Not at all to 6 = Extremely) Likert Scale. An Exploratory Factor Analysis (EFA) of the present data revealed that all items loaded strongly and sufficiently ( $> .42$ ) on a single factor that accounted for 64% of the variance. In addition, the internal consistency of the scale was acceptable ( $\alpha = .86$ ). Participants then filled out the MFQ-30 and then demographic questions (see Table 1 for means and distributions).

## Results and Discussion

The means and standard deviations of all study variables (except income) can be found in Table 1. Ethical perceptions were correlated negatively with harm avoidance, and positively correlated (although non-significantly  $p = .11$ ) with loyalty (Table 2). A linear regression was then conducted, which directly test-

Variable	Mean	SD	Kurtosis	Skew
<b>Study 1 (n = 128)</b>				
Harm avoidance	4.42	0.89	-0.48	-0.30
Loyalty	3.32	0.83	-0.06	0.07
Ethical perceptions	2.92	1.09	-0.18	0.42
<b>Study 2 (n = 217)</b>				
Harm avoidance	4.76	0.74	-0.08	-0.46
Loyalty	3.53	0.83	0.27	0.26
Ethical perceptions	2.80	1.17	-0.77	0.10
<b>Study 3 (n = 47)</b>				
Harm avoidance	4.58	0.72	-0.55	0.05
Loyalty	3.55	0.93	-0.52	-0.25
Ethical perceptions	2.80	1.18	-0.50	0.29

Table 1. Means, Standard Deviations and Distributions of all Critical Variables

Variable	1	2	3	4	5	6	7	8	9
1. Harm avoid.	----								
2. Fairness	.78*	----							
3. Loyalty	.18*	.11	----						
4. Obedience	.09	-.01	.68*	----					
5. Purity	.05	-.03	.53*	.74*	----				
6. Age	.05	.08	-.03	.07	-.01	----			
7. Sex (1=M, 2=F)	.19*	.16	-.12	.02	.07	.15	----		
8. Income	.00	-.08	.17	.16	.16	.12	.07	----	
9. Ethical Perceptions	-.23*	-.26*	.14	.05	.04	-.28*	-.22*	-.05	----

Note: \* $p < .05$ .

Table 2. Intercorrelations among Study 1 Variables

ed the hypothesized relationship that harm avoidance would be negatively associated with ethical perceptions and loyalty would be positively associated with ethical perceptions. Gender, income, purity, political affiliation, fairness and obedience were not predicted to impact the overall relationship. Moreover, the inclusion of these variables resulted in non-significant main effects. In addition, gender, income, and age did not interact with any of the moral foundations in a significant way (all  $\beta$ 's  $> -.05$  or  $< .05$ , all  $p$ 's  $> .59$ ). The final regression included the two hypothesized predictors: harm avoidance, and loyalty.

The regression results (overall model:  $R^2 = .09$ ,  $F(2, 127) = 5.98$ ,  $p < .001$ ) revealed that, as predicted, harm avoidance did indeed have a negative association with ethical perceptions of the company ( $\beta = -0.26$ ,  $p < .01$ ) and loyalty had a positive association with ethical perceptions ( $\beta = 0.19$ ,  $p < .05$ ; see Table 3). The findings of Study 1 supported the hypotheses that individuals high in harm avoidance morality would have negative ethical perceptions of a company that chose shareholders over avoiding societal harm, whereas the opposite was true for individuals high in loyalty morality.

## Study 2 – Priming experiment

### Method

#### Participants

Participants were 217 workers on MTurk, restricted to the United States (50% female;  $M_{age} = 36.12$ ,  $SD = 13.17$ ; 79% European Heritage / White / Caucasian; 6% South Asian; 5% African-American; 10% other mixed ethnicities; Average

Variable	$\beta$	SE	95%CI	$p$
<b>Study 1 (n = 128)</b>				
Harm avoidance	-0.26	0.09	-0.44, -0.09	.003
Loyalty	0.19	0.09	0.02, 0.36	.033
<b>Study 2 (n = 217)</b>				
Harm avoidance	-0.25	0.07	-0.44, -0.13	.003
Loyalty	0.02	0.07	-0.17, 0.14	.821
Loyalty prime (dummy1)	0.06	0.16	-0.26, 0.38	.388
Harm prime (dummy2)	-0.16	0.16	-0.65, -0.03	.030
<b>Study 3 (n = 47)</b>				
Harm avoidance	-0.33	0.15	-0.05, -0.62	.023
Loyalty	0.06	0.14	-0.24, 0.37	.677
Shareholder (1=yes; -1=no)	0.00	0.14	-0.29, 0.29	.981
Loyalty*Shareholder	0.30	0.15	-0.007, 0.61	.052

Table 3. Regression Results across All Three Studies

income: \$35,000 to \$45,000). The most common educational milestone reported was a four-year Bachelor's Degree).

### Measures

**Moral Foundations Questionnaire.** Participants again answered the MFQ-30 ([www.moralfoundations.org](http://www.moralfoundations.org)) to assess five dimensions of morality. The MFQ-30 subscales once again had acceptable, or near acceptable internal consistencies ( $\alpha$ 's .68 to .90), with the exception of fairness ( $\alpha = .62$ ). All the inter-correlations were similar to Study 1. Harm avoidance and loyalty were not significantly correlated ( $r = .06, p > .05$ ).

**Ethical Perceptions.** The same assessment from Study 1 was used for ethical perceptions. A Confirmatory Factor Analysis (CFA) supported the one-factor structure. In fact, the Chi-Square test was non-significant for the one-factor model, indicating near-perfect fit ( $\chi^2 = 3.81, p = .577$ ) (RMSEA = .00; CFI/TLI = 1.0/1.0). Once again, all items again loading sufficiently on a single factor ( $> .5$ ). Finally, the internal consistency of the scale was acceptable ( $\alpha = .88$ ).

### Design and Procedure

After consenting to participate, participants were randomly assigned to one of three essay conditions: (a) Loyalty essay: "Please briefly write a statement about why it is important to be loyal to others." (b) Harm avoidance essay: "Please briefly write a statement about why it is important not to hurt people." (c) Control essay: "Please briefly write a statement about your most recent vacation." Participants were then given the same ethical scenario and dependent variable questions as in Study 1. Finally, participants then filled out the MFQ-30 and demographic measures.

### Results and Discussion

First, a one-way Analysis of Variance (ANOVA) was conducted to determine if the primes had the predicted impact. The overall model was significant,  $F(2, 216) = 4.67, p = .010$ . A series of LSD post hoc tests revealed that individuals in the harm prime condition ( $M_{harm} = 2.52; SD = 1.11$ ) viewed the company as less ethical than did individuals in the control prime condition ( $M_{control} = 2.92; SD = 1.12; M_{difference} = -0.40, p = .033$ ), or the loyalty prime condition ( $M_{loyalty} = 3.10; SD = 1.16; M_{difference} = -0.57, p = .003$ ). The loyalty and control conditions were not significantly different from one another ( $M_{difference} = 0.18, p = .340$ ).

Next, a similar regression to Study 1 was conducted (Table

3) with the addition of manipulated condition as two dummy coded variables, using the control (vacation) prime condition as the overall control condition (Dummy1: Loyalty prime = 1, control prime = 0, harm prime = 0; Dummy2: coded variable (Loyalty prime = 0, control prime = 0, harm prime = 1) and harm avoidance and loyalty (from the MFQ-30) as individual predictors.

The overall regression model was significant,  $R^2 = .10, F(4, 216) = 6.14, p < .001$ . The results demonstrated that the harm prime, even when accounting for dispositional levels of loyalty and harm avoidance foundations, was still significantly related to unethical perceptions of the company,  $\beta = -0.16, p = .030$ . Further, dispositional endorsement of harm foundations was also significantly related to unethical perceptions of the company,  $\beta = -0.25, p < .001$ . Neither the loyalty prime,  $\beta = 0.06, p = .388$ , nor dispositional endorsement of the loyalty foundation of morality,  $\beta = 0.02, p = .821$ , were related to the ethical perceptions of the company.

These results indicate that dispositional levels of harm foundation endorsement, regardless of prime or situational impact, are associated with unethical perceptions of companies that support shareholders over avoiding community harm. Further, these findings support the idea that priming individuals to think of why harm avoidance is important also pushes individuals towards perceiving such companies as unethical.

It should be noted that in both Studies 1 and 2, we asked participants if they were shareholders for any companies. Less than 5% were, which made it impossible to examine whether or not actually being a shareholder (i.e., being a member of the in-group, when it comes to loyalty) had a significant impact. Thus, for Study 3, we turned to professional websites (i.e., LinkedIn) to find individuals who actually are legitimate shareholders (or not).

## Study 3 – Investor Sample

### Method

#### Participants

Participants were 47 investors and business professionals on LinkedIn.com. Volunteers came from groups emphasizing CSR, investment strategies, and banking (49% female;  $M_{age} = 43.39, SD = 11.12$ ; 73% European Heritage / White / Caucasian; 9% South Asian; 6% African-American; 12% other mixed ethnicities; Average income: \$75,000 to \$100,000). The most common educational milestone reported was a post-graduate degree of a masters or higher).

#### Measures

**Moral Foundations Questionnaire.** To keep the survey brief, only the two moral foundations of interest (loyalty and harm avoidance) were included from the larger MFQ-30 ([www.moralfoundations.org](http://www.moralfoundations.org)). The internal consistency was acceptable for loyalty ( $\alpha = .72$ ), but not for harm avoidance ( $\alpha = .54$ ), which is not uncommon (Graham et al., 2009). However, given this low reliability, I examined disattenuated associations with harm avoidance, and the results did not change.

#### Design and Procedure

After consenting, participants read the scenario described in the introduction from The Economist pertaining to Pepsi and childhood obesity. Participants responded to the following three questions, on a 1 to 6 (strongly disagree to strongly agree) Likert scale, following the scenario: "Would you consider the

CEO of Pepsi ethical for abandoning the obesity campaign?" "Would you consider selling as much Pepsi as possible the most ethical thing for the CEO to do?" and "Was fighting childhood obesity more important than company sales?" (Reverse scored). These items formed an internally consistent composite ( $\alpha = .72$ ). Participants then filled out the morality and demographic questions.

### Results and Discussion

Bivariate correlations examined the relationships among the three variables of interest (shareholder status, loyalty, and harm avoidance). Loyalty was not significantly related to either harm avoidance or ethical perceptions ( $r = .05$  &  $.16$ , respectively), and harm avoidance was significantly and negatively related to ethical perceptions,  $r = -.36$ ,  $p = .012$ . Shareholder status was uncorrelated with ethical perceptions,  $r = .09$ , harm avoidance,  $r = -.20$ , and loyalty,  $r = -.13$ , all  $p > .15$ . The measure of ethical perceptions was then regressed on the two moral foundations, shareholder status, and shareholder status  $\times$  loyalty. The overall model was significant ( $R^2 = .24$ ,  $F(4, 47) = 3.29$ ,  $p = .019$ ). Once again, harm avoidance predicted negative ethical perceptions of the company,  $\beta = -0.33$ ,  $p = .023$  (see Table 3). However, neither loyalty,  $\beta = 0.06$ ,  $p = .677$ , nor shareholder status,  $\beta = 0.003$ ,  $p = .981$ , had a significant main effect on ethical perceptions. However, there was a marginally ( $p = .052$ ) significant interaction between loyalty and shareholder status,  $\beta = 0.30$ ,  $p = .052$ , such that higher levels of loyalty was associated with increased ethical perceptions among shareholders only (Figure 2).

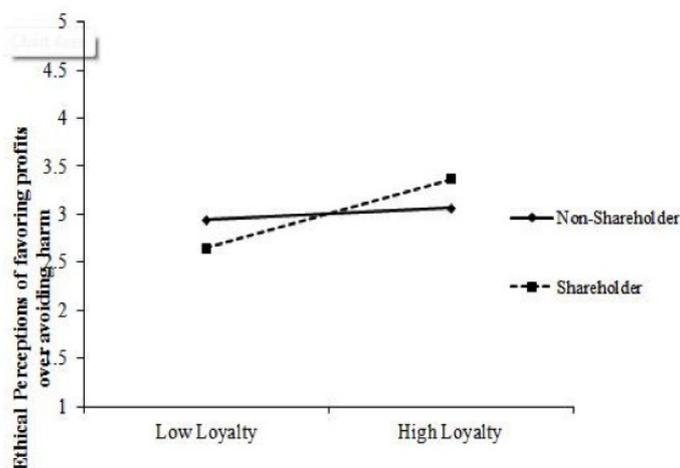


Figure 2. Shareholder status  $\times$  loyalty morality foundation

### General Discussion

The findings of the present research suggest that moral frames have an impact on ethical perceptions of corporate behavior. Individuals who view morality through a harm avoidance foundational lens see corporations as unethical when they choose profits (for shareholders) over avoiding harm to society. By contrast, individuals who view morality through a foundational lens of loyalty see corporations as ethical in that same situation. The findings shed light on how identical behaviors of corporate leaders and corporation bodies may draw conflicting opinions about ethical behavior and appropriate business practices. Importantly, being a shareholder had a synergistic interaction with loyalty, such that individuals who were dispositionally high in the moral foundation of loyalty, and actively were a shareholder for a company, were most likely to view a company that chose shareholder profit over avoiding community harm as ethical.

These findings are critical in understanding why and how

corporations behave towards different types of stakeholders. Individuals within a company may insist they are highly ethical and slash employee benefits, harm environmental regions, or mislead consumers, because it is focused on loyalty to shareholders. These perceptions may be especially true when the individuals in that company are shareholders of the company itself. In fact, research on moral dimensions would suggest that, indeed, such a company is being honest that they are behaving as ethically as possible, provided they are viewing morality through a loyalty foundational lens. In contrast, individuals focusing more on harm avoidance may short-change investments by shareholders and insist their behavior is ethical because they are avoiding environmental harm, employee benefit cuts, or helping consumers. In sum, conflicts between different types of shareholders may be decided in the ethical mind by knowing which moral dimension is being used to view the issue.

Perhaps a greater issue is that only a fraction of the United States stakeholders are also shareholders. Thus, the ingroup for loyalty is slim, and thus, fewer stakeholders are taken into account when ethical obligations are focused too narrowly on shareholders. These findings may also provide answers as to why individuals who identify as fiscal conservatives view corporate behavior differently from those identified as economically liberal. Graham and colleagues (2009) found that, among liberals, the two of the dimensions of morality (harm avoidance and fairness) are highly emphasized, and the other three dimensions (loyalty, obedience, and purity) are emphasized less. By contrast, conservative individuals emphasize all foundations of morality, especially the latter three (loyalty, obedience, & purity). As a result, individuals who emphasize the loyalty foundation of morality in a dispositional way may more often view shareholder profit as the more ethical outcome of business behavior, especially when it conflicts with avoiding societal harm.

These findings also have implications for corporate policy and marketing as well. Companies who trade in goods and services are traditionally seen as harmful to society (e.g., alcohol, cigarettes, fast food) may effectively divert ethical conversations by focusing on obligations to shareholders and job creation. However, given the present data, it appears that these messages would only be persuasive to a segment of the population who (at least equally) emphasize loyalty vs. harm avoidance in their moral perceptions. Future research should examine ethical perceptions of real companies and the impact that differential marketing campaigns have on individuals high vs. low in harm avoidance (vs. loyalty) morality dimensions. It is entirely likely that individuals who support stronger regulations for (potentially) socially harmful companies do so out of a different moral perception than those who stand against such regulations.

There are several limitations of the present research. Most importantly, the first two samples were chosen out of convenience and not representative of consumers or investors. Although, it should be noted that the focus of the paper was on lay perceptions of corporate ethics, and therefore a non-business sample is just as relevant as one that is business-related. The addition of the third sample was to replicate the findings of the first two studies in a sample that had an adequate amount of shareholders and CSR enthusiasts. Although loyalty was not significant it did interact with shareholder status to predict ethical perceptions of companies that favor shareholder profits over concerns over societal harm. Harm avoidance was, however, consistently related to favoring avoiding societal harm over shareholder profits across all three studies. The findings of Study 3 also provide a conceptual replication given that a different scenario and questions of ethics were used.

Another limitation is that the outcome or dependent variable was also self-reported in nature. Future research may seek to investigate behavioral indexes of stock market investment or financial decisions based on investor interviews. Finally, future research should investigate other moral foundations that could be pitted against in-group (shareholder) loyalty, such as fairness. For example, profitability of a company may also conflict with fair employee or consumer treatment. In such situations, the same loyalty vs. fairness (instead of harm avoidance) predictions could be made.

Perceptions of CSR, and public perceptions of CSR, have a vital role to play in future business models (e.g., Windsor, 2006).

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