### Abstract

We review the contribution of psychological science to the field of business ethics by discussing three major shifts that have occurred in scholarly work in the area. The first shift occurred from the cognitive-developmental perspective, at a time when moral reasoning was thought to be a rational mental process. The second shift advanced the role of emotional, intuitive, and largely automatic processes in moral decision making. And the third, complementary shift highlighted the role of small changes in one’s environment that can encourage ethical behavior. We then propose a fourth shift, suggesting that the field of business ethics could benefit from an expanded definition of ethical behavior based on recent findings in moral psychology which support the notion that ethics play a critical role in binding groups together into functional social units.
psychology and business ethics

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The discipline of business ethics first emerged around the turn of the 19th century, and it made little or no contact with the nascent field of psychology. Business ethics went through a renaissance and reformulation in the 1970s and 1980s, as psychology was undergoing a “cognitive revolution.” Gone were psychoanalysis and behaviorism. In their place was a new devotion to studying the mind as an information processing system, like a computer. Some business ethicists began to read the work of Lawrence Kohlberg and others who studied moral reasoning from a “cognitive-developmental” perspective. From 1980 through around 2005, an encyclopedia entry on “psychology and business ethics” would have focused on reasoning and decision making in business contexts, particularly in dilemmas that pitted the interests of the self or the firm against the rights and welfare of others. It would have offered advice on how to help individual businesspeople make more adequate and mature decisions—ones that more closely approximated ideals of justice, rather than self-interest.

But beginning in the 1990s, psychology underwent a second shift—a kind of correction to the overly rationalistic cognitive revolution. Psychologists have moved away from the computer metaphor and its emphasis on explicit rational thought. Beginning with the work of John Bargh, on automaticity, psychology has undergone a second revolution. In the current view, human behavior—and ethical behavior in particular—is not governed by explicit conscious reasoning of the sort studied by Kohlberg. Rather, humans are like other animals in being governed mostly by rapid automatic cognitive processes, which occur outside of awareness. These automatic processes often give rise to feelings and motivations, and these affective processes drive both our behavior and our conscious reasoning (Haidt, 2001). This is why people often fail to do what is right even when they consciously want to act in an ethical manner (e.g., Bazerman & Tenbrunsel, 2011). Our minds are influenced by implicit biases (Greenwald and Banaji, 1995) that can lead to selfishness, ingroup favoritism, and discrimination towards others. Furthermore, while we can easily recognize biases in others, we often fail to recognize them within ourselves (Pronin, Lin & Ross, 2002). These “bias blind spots” often facilitate unethical behavior, coupled with a sense of certainty that one has acted ethically.

Along with the shift to automatic and intuitive processes, there has been a complementary shift to studying the external and environmental causes of unethical behavior, rather than searching within the person for flaws of character or of reasoning. Social psychologists since Stanley Milgram’s famous studies of obedience in the 1960s have argued that situational forces are profoundly powerful and consistently underestimated. Empirical work in the booming sub-discipline of behavioral ethics carries forth Milgram’s message, demonstrating how small changes to the environment can have enormous impacts on behavior (see Thaler & Sunstein, 2008, on “nudges.”). For example, making people feel that they being observed—either by pasting “eye spots” on the wall, or by raising the level of ambient light—reduces cheating (Haley & Fessler, 2005; Zhong, Bohns, & Gino, 2010). It is very difficult to improve ethical behavior by subjecting employees to ethics classes, but it is very easy to improve behavior by modifying environmental cues. This is one the most exciting contributions that psychology is now making to the study of ethics in business.

Another contribution is to expand the realm of ethics. Research on “Moral Foundations Theory”
(Haidt, 2012) demonstrates that the moral domain is quite variable across cultures and even across social classes in Western nations. Morality is not just about issues of harm and fairness. Morality also serves to bind groups together—in the corporate world no less than in traditional societies—and therefore business ethics should arguably include more discussion of issues related to group-loyalty, respect for authority, and the sacralization of people, objects, and principles.

Bibliography


