

# The Moral Development Index of Future Business Leaders: A Study on the Impact of Changes in Economic Systems and Gender

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*As is clear from the burgeoning world of overbooked flights, potential travel bans, tense relationships between nuclear powers and political change as exemplified by the "Brexit," the issues associated with culture are extremely important. This article addresses moral development among college students majoring in business, and the impact on business practices. Culture is reflective of the most basic beliefs of a group or nation, from which their values, attitudes and behaviors are formed. However, when there is radical change in the economic and political system of a country, many cultural values may be weakened and replaced by new beliefs. The impact of this rapid change is studied with special emphasis on the changes in Eastern Europe. We use Schwartz's value theory (1992) and Lawrence Kohlberg's levels of moral development (1973, 1981) to determine if there are differences between developed countries which have dealt with free-markets for generations and post-communist countries which have rapidly changed in less than a generation. We found that there is a difference in level of moral development between subjects from developed vs. post-communist countries, as well as gender differences. This work makes a significant contribution to the study of moral development across national boundaries by showing statistically significant differences among future business leaders in developed nations and those in post-communist nations.*

**Keywords:** Moral development, business leaders, Schwartz's theory, Kohlberg's theory, post-communist countries.

**Reference** to this paper should be made as follows: Payne, D., Pawlak, M., & Mahesh, S. (2018). The moral development index of future

business leaders: A study on the impact of changes in economic systems and gender . *Journal of Business and Management*, 24 (1), March, 49-78.  
DOI: 10.6347/JBM.201803\_24(1).0003.

## Introduction

This rapid increase in globalization has caused business people from a wide variety of countries and cultures to work together in a multitude of situations, some of which have ethical overtones. The influence of culture on ethical attitudes of business managers is a valuable research topic (Christie, Kwon, Stoeberl, & Baumhart, 2003). "Culture and the expectations within cultures affect all business transactions. It is vital for Western (all [author added]) marketers to understand the expectations of their counterparts around the world. Even (now), inability to master the basic cultural factors still leads to failure (Pitta, Fung, & Isberg, 1999: 240)."

Nationality and culture are an integral part of how people interact with one another and the likelihood of miscommunication, misunderstanding, and conflict is greater in international business due to differences between cultures (Corey, Fok, & Payne, 2014). Even well-intentioned programs, such as Corporate Social Responsibility programs, which have proliferated in the EU and around the world (Carroll & Shabana, 2010), may be viewed differently in different cultures. Between the rapid globalization of business and the increased emphasis placed on corporate social responsibility (CSR) in many countries, it is imperative that managers understand the impact that culture has on people, how they make decisions, what those decisions are and how they are executed.

In addition to how different individuals make ethical (or not) decisions, there are differences in the ethical decision-making processes attributable to differences in the societies making them: as culture shapes societies, so does culture shape the differences in the decision-making processes. Jackson (2001) proposed that national differences of ethical attitudes "may be attributable to differences in underlying cultural values (p. 1268)." His study found that "ethical attitudes differ among national groups" (p. 1296)." Two giants among business and academic venues, Peter Drucker and Archie Carroll, assert that "the proper 'social responsibility' of business is to...turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth" (Drucker, 1984, p. 62; Carroll & Shabana, 2010, p. 100)." This responsibility is one to advance society's well-being, as well as for the business to make a profit (see DeGeorge, 2010: "the business of business is business" p. 5).

The push to globalize, and rush to open markets, has created an unsettled environment in all cultures; both mature free-markets and naïve entrants to the market economy. In the case of Eastern Europe, the change is exacerbated by the double whammy of the European Union with its ideals of “four freedoms”, that of goods, capital, services, and labor, and the broader global entry of newly resurgent Asian economies. Our study looks at the impact on cultural values, in particular, the moral development of business students.

While political changes may slow the pace of globalization, and even reverse some global market forces, there is the impact of new technology, in particular robotics and information technology, which have progressed continually during the past five decades. It appears likely that this growth had achieved the critical mass to enable mass replacement of employees by intelligent machines in many sectors. How will future business leaders react to these changes? Will they adopt a market economy orientation or force a more compassionate and socially oriented change?

We explore the union of cultural characteristics as offered by Schwartz and the levels of moral development as offered by Kohlberg. Each of these topics is a discrete topic; however, we explore these things as they interact across cultures and in light of differences in historical national development and gender. We examine the relationships among individuals’ values and levels of moral development in the context of the type of governmental authority they have experienced and their gender. The progression of this paper includes, first, a literature review on CSR and some of its nuances. The next section of the paper is a presentation of culture: what it is and what characterizes different cultures to make them distinct. This information includes a brief description of Schwartz’s value theory (1992) as it relates to cultural definition. The following material is a presentation of Lawrence Kohlberg’s stages of moral development (1973, 1981). Further, we present the methodology of our study and findings, as well as provide a discussion of our findings. Lastly, we identify areas of future research and potential limitations on our offering.

## **Business Ethics and Culture**

To fully appreciate levels of moral development as they impact business, we must first understand the underlying concept, ethics. Velasquez (1998) has defined business ethics as a “specialized study of moral right and wrong. It concentrates on moral standards as they apply particularly to business policies, institutions, and behavior. (p. 13)” Fritzsche (2000) cites Victor and Cullen (1988) in describing “the ethical climate of a corporation as ‘...the shared perceptions of what is ethically correct behavior and how ethical issues should be handled’”(p. 125). Fok, Payne and Corey (2016) identify ethics as an “inquiry into the foundations of morality, the moral

judgments, standards and rules of conduct of a person" (p. 264). The concept of ethics is generally thought to be a more personal matter: individuals have ethics (or not), as well as their levels of moral development and their personal values. On the other hand, the concept of corporate ethics on programs such as Corporate Social Responsibility to the community within which the business functions, and the ethics of the employer-employee relationship with respect to replacing employees with automated intelligent systems is more closely associated with corporate entities. Thus, it is important to understand Fritzsche's (2000) idea that the ethical climate of the workplace is the corporate entity's own system of ethics. The national culture, gender, age, religion, and type of governmental authority are among many variables that impact the personal and organizational ethical climate. A predicate question to providing some sense of clarity regarding the individual's ethics/level of moral development and the firm's approach to social issues such as CSR and employer-employee relationships is to accept that corporations do indeed have some sort of responsibility to society. While many authors have argued that such social responsibility is not required morally or legally (most notably Friedman, 1962; Hayek, 1969; Bartkus, Morris, & Seifert, 2002; Navarro, 1988; Levitt, 1958), and that businesses should be truly ethical to their shareholders by profit maximization, many others have at least conceded the importance of corporate social causes, and in some cases, lauded the concept (Carroll, 1979; Carroll & Shabana, 2010; Carrol & Buchholtz, 2009; Bernstein, 2000; Frederick, 2006; etc.). With the rise of the activist consumer, supported by IT based social networking, there is a greater pressure on corporations to act morally, merely to retain market share. In this case ethical behavior becomes one more facet of long-term profit maximization.

Bartels (1967) suggests a number of cultural factors that impact business decisions: law, concepts of property rights relationships between individuals and governments and nationality. Respect for individuals, power/authority ideals, religion, values, customs and mores are factors more individually oriented. Since "culture has a strong influence on the ethical attitudes of business managers (Christie, et al., 2003, p. 279)," it is impossible to separate out culture from ethics. Characteristics studied in attempts to determine relationships between cultural characteristics and ethics include gender, age, religion, employment, organizational size factors and industry focus (level of competition and industry type) (Christie, et al., 2003). Ford and Richardson (1994), Dubinsky and Levy (1985), Arlow (1991), Akaah (1989) and Whipple and Swords (1992) all conducted studies on the impact of gender on levels of ethical development, with differing results: in some instances, men were found to be less ethical than women and in others, gender was not found to be a determining factor for ethical decision-making. Age has also been studied as an influence on ethics with more uniformity in conclusion that age does have an impact on ethical attitudes (Dawson, 1997; Fritzsche, 1997; Longenecker, McKinney, & Moore, 1989). Huisman and Schwartz (1992); Clark (1966) and Christie, et al. (2003) also identify religion as having an impact on levels of ethical/moral development. In this effort, we concentrate our research on the impacts that living in a post-communist political, economic, legal and

social environment and gender have on one's values, levels of moral development and, thereby, their approach to ethical decision making and corporate responsibility to societies' needs.

Before we can make conclusions about how cultural characteristics might be intertwined with Kohlberg's levels of moral development, we must categorize cultural dimensions. The earliest attempt to categorize cultural dimensions was made by Kluckhohn and Strodtbeck (1961), while many others (Hofstede, 1980; the Globe Project, 2004, etc.) have followed in developing and/or refining more cultural characteristics. In this research, we focus on cultural characteristics as reflected in Schwartz's (1992) work on cultural values. He and colleagues developed a list of 10 personal values that he divided into 4 major values. He identifies the 10 values as: universalism, benevolence, tradition, conformity, security, power, achievement, hedonism, stimulation, and self-direction. The four major values are self-transcendence, conservation, self-enhancement and openness to change. Two of these four values conflict with other values in his list: self-transcendence conflicts with self-enhancement, while conservation and openness to change are diametrically opposed. Self-transcendence reflects values that emphasize service to others, service marked by concern and care for others. The values that make up the category of self-transcendence are acceptance, tolerance and concern for all regardless of group inclusion. These values represent benevolence and universalism. Self-enhancement, reflective of the values of power and achievement, involves the control of people or resources to succeed through ambition and competence. The categories of openness to change and conservation, again two diametrically opposed values, can also be described by association with more specific values. People open to change value self-direction and stimulation in the forms of thought and action autonomy and exciting change. Conservation values are reflected in the ideals of tradition, conformity and security. These cultures value past beliefs and customs, compliance with social norms and expectations and safety and stability. Table 1 provides a complete description of these cultural values and the alignment of Schwartz and Kohlberg's theories.

**Table 1.** Schwartz's theory values and alignment of Schwartz's and Kohlberg's theories

1.1: Self-enhancement vs. Self-transcendence Values (Sagiv & Schwartz, 2007; Roccas, 2003; Gandal, Roccas, Sagiv, & Wrzesniewski, 2005; Mahesh & Pawlak, 2016).	
Self-enhancement	Self-transcendence
People have a 'job' orientation, organizational status is more important, favour mastery and hierarchical cultural traits, are encouraged to assert themselves and encouraged to work hard, are encouraged to set high goals for themselves and their organizations, build and accept a hierarchical structure, defining roles and obligations, value social control over others, value personal success, and value personal pleasure.	People have a 'calling,' a vocational mission, organizational status is less important, favour cultural egalitarianism and harmony orientations, the organization develops egalitarian norms and practices, the organization encourages tolerance, cooperation, mutual support and concern for the community, works to avoid harming the environment, will be cautious in adopting technologies with uncertain ramifications, universalism is valued (emphasis is on social responsibility and tolerance), and enhancement of the welfare of other group members is valued
1.2: Openness to Change vs. Conservation Values (Sagiv & Schwartz, 2007; Ros, Schwartz, & Surkiss, 1997; Beyth-Marom, Chajut, Roccas, & Sagiv, 2003; Oreg, 2006; Mahesh & Pawlak, 2016).	
Openness to Change	Conservation
New technologies more readily adopted, there is a greater willingness to accept voluntary organizational change, affective and intellectual autonomy is sought, the organization is less likely to interest itself with group members' lives inside and outside of the organization, favouring autonomy of members, with less expectation of group members identifying with the organization, and is more likely to encourage independent/new ideas, new ways of completing tasks and acceptance of group members' own agenda development. New 'thrills' are valued and freedom of choice in independent pursuits is valued.	New technologies less readily adopted and there is less willingness to accept voluntary organizational change.  There is cultural embeddedness (people are viewed as part of the organization's collective whole) and the organization is more likely to interest itself with group members' lives inside and outside of the organization. There are higher expectation of group members identifying with the organization and it is less likely to encourage independent/new ideas or new ways of completing tasks. The continuity of customs and ideas is valued, there is restraint of actions to be within group norms is valued and maintenance of social stability is valued
1.3. Comparison and Alignment of Schwartz's and Kohlberg's Theories	

Original Value (Refined Theory)	Stage of Moral Development
Hedonism, Self-direction (Individuality, Autonomy), Achievement, Security (Societal, Personal), Stimulation, Power (Resources, Dominance Face-Saving)	2. The instrumental relativist orientation
Benevolence (Trust-worthiness, Caring)	3. The interpersonal concordance or “good boy-nice girl” orientation
Conformity (Rules, Interpersonal), Tradition (Maintenance, Humility)	4. The “law and order” orientation
Universalism (Concern, Nature, Tolerance),	5. The social-contract legalistic orientation (generally with utilitarian overtones) or 6. The universal ethical-principle orientation

We used these values in our combination of Schwartz’s original theory and Kohlberg’s stages of moral development. Thereby, we are able to more finely define cultural characteristics as they relate to ethics and CSR initiatives.

### ***Kohlberg: Levels of Moral Development***

From the literature review on corporate social responsibility and cultural characteristics, it is clear that there is both a high level of expectation of ethical business behavior in our societies and that culture shapes our values, attitudes, beliefs and behavior. We now turn to the issue of moral development in our quest to understand the corporate morality, national cultural characteristics and moral development. Cooper and Dorfman (2003) stress the importance of ethical professionals/managers. “(P)rofessionals (when) faced with ethical dilemmas in the course of their business activities, ...turn heavily to various formal and informal resources in their companies for help in resolving those dilemmas. The influence of top management, ...a major influence on corporate culture, is likely to play a similarly critical role in defining ethical environments...” (p. 391). Lawrence Kohlberg (1973, 1981) found that moral development is based in six stages, representing three levels of advancement (Kohlberg & Hersh, 1977; DeGeorge, 2010; Velasquez, 1998). Kohlberg devised the stages and orientations of moral development to reflect “the transformations that occur in a person’s form or structure of thought” (Kohlberg & Hersh, 1977, p. 54) with regard to what is viewed as right or necessary.

The first level of moral development, the pre-conventional level, describes the morality of young children or people whose will to act has been restricted by

someone/thing beyond themselves (i.e., a criminal tells one to do something wrong and he has a gun: the actor is likely to do what he is asked, but this is not based in his free will). At this level of moral development, the child is egocentric in decision-making: the "morally" correct choice is that which favors the decision maker in some way, either avoiding punishment or receiving an award. The first stage in the pre-conventional level is the Punishment and Obedience Orientation: obedience to rules is key in the decision maker's effort to determine right from wrong. The action is correct if, in obedience to rules, punishment is avoided. In the second stage, termed the Pre-conventional Level, the "right action consists of that which instrumentally satisfies one's own needs and occasionally the needs of others. Human relations are viewed in terms like those of the marketplace. Elements of fairness, of reciprocity, and equal sharing are present, but they are always interpreted in a physical, pragmatic way" (Kohlberg & Hersh, 1977, p. 54-55).

In the Conventional Level of moral development, Kohlberg asserts that a sense of morality outside of punishment or reward is developed. The standards for morality here are based in what the norms of a group/s are: this is how one determines what is good and what is bad. In the first stage of this level, the Interpersonal Concordance Orientation, the group against which morality, the moral valuation of an action, is measured is the group for which one feels an affinity through affection, trust and/or loyalty; the particular group in this stage is of, for instance, family, friends, schoolmates, etc. At this stage, we learn concepts of moral right and wrong, rather than simply accepting punishment or rewards for behavior we don't connect with morality. "Doing what is right is motivated by the need to be seen as a good performer in one's own eyes and in the eyes of others" (Velasquez, 1998, p. 26). In the Law and Order Orientation, the second conventional level orientation, the group against which we measure our actions as morally right or wrong is a broader group, represented by one's society or nation. "The individual becomes acculturated; he or she understands what a good citizen is supposed to be and do and lives in accordance with the role he or she has in society and with the conventional rules that govern that role" (DeGeorge, 2010, p. 23). Kohlberg's assessment is that most people operate at the conventional level of morality, never achieving the final level, the post-conventional level of moral development.

The Post-Conventional level is also known as the autonomous or self-accepted level of moral development. At this point, one understands, independently of family/friends or the broader society/nation, what is morally right or wrong. This level reflects an ability to judge impartially, without regard to family/friends or the wider group. We have grown beyond our desire to avoid punishment, seek reward or have our family, friends or society believe we have behaved morally correctly. We ourselves make determinations as to the morality of action on the basis of independent reason. The first stage in this level is the Social Contract Orientation. What is morally correct is what is in accord with respecting the rights of individuals and respecting social contracts among individuals and/or groups. "Freely entered social contract(s



protect) members' right and ensure the welfare of all" (Kohlberg & Hersh, 1977, p. 104). In this orientation, we can achieve consensus as to the moral right by democratic processes that take into consideration different opinions, attitudes and beliefs. Tolerance of others' rights, opinions, attitudes and beliefs is a key element of this orientation: this stage allows for the promotion of "fundamental human rights and values" (Kohlberg & Hersh, 1977, p. 104).

The final stage in Kohlberg's theory is the Universal Ethical Principles Orientation. At this point in moral development, the decision maker determines the morally correct decision as being comprehensively logical, universal and consistent with other morally correct decisions. Values are derived from "abstract general principles dealing with justice, society's welfare, the equality of human rights, respect for the dignity of individual human beings, and with the idea that persons are ends in themselves and must be treated as such" (Velasquez, 1998, p. 27).

Now that we have presented the basic principles associated with CSR, cultural characteristics and level of moral development, we proceed to examine how understanding how these principles aid in our understanding of good management practice. "(M)anagers take the lead in setting the tone of the ethical environment in a business firm through both formal and perhaps more important, informal mechanisms" (Cooper & Dorfman, 2003, p. 383). Since managers are so integral to the promise and efficacy of ethical standards, an understanding of the levels of moral development, upon which the manager bases decisions are important.

### *Developed and Post-Communist Countries: Effects on Ethics?*

Two of the countries in our survey are post-communist countries: Poland and Bulgaria. Three developed nations were also used for comparison: U. S., Taiwan and Italy. We used this sample to compare the effects of communism on decision makers' values and levels of moral development to the values and levels of moral development of decision makers who represent non-post-communist countries (which, hereinafter, we will designate as developed countries). It is notable that there is a relative lack of research in this area (Stoian & Zaharia, 2012; Kooskora, 2006; Cooper & Dorfman, 2003). Noting that the fall of communism in Central and Eastern European countries (CEECs) wrought massive change in those countries' political, economic and cultural environments, Stoian and Zaharia (2012), quoting Campbell (2007), fashion a definition of corporate ethical standards that they applied specifically to CEECs. For example, they define CSR using the example of Romania as "the minimum behavioral standard with respect to the corporation's relationship to its stakeholders" (p. 380). CEEC domestic firms then adopted CSR when their managers had worked for MNEs and saw the promise of CSR initiatives. A significant problem with doing this, as noted by a number of authors (Stoian & Zaharia, 2012; Koleva, Rodet-Kroichvili, David, & Marasova, 2010) is that this adaptation was done via the imposition of ideals of

Western CSR on to the remaining infrastructures of the departing communists. Thus, many of the programs developed in post-communist countries had as a 'starting' point in Western social agendas, structures and principles.

Conversely, Brouthers, Lascu, and Werner (2008) describing situation in Slovakia assert that the departure of communists left a "moral vacuum" created by the departure of the communists, partly based in the inadequacies of the post-communist legal system: there was no 'starting' point of Western social agenda, structure or principle. Absent laws upon which to base moral norms, such norms supporting ethical behavior were not recognized, creating a situation in which failure of legal infrastructures were accompanied by a failure of moral standards. It has been argued that "this moral vacuum has been filled by a fairly ruthless and competitive form of capitalism, one in which intangible assets such as copyrights and patents are not protected, where investors have little legal protection, where customers are routinely subjected to fraudulent business behavior, and where corruption is pervasive" (Brouthers et al., 2008, p. 405). In reality, both positions have merit: there are elements of a vacuum, as well as elements of remaining communist infrastructure upon which to build corporate social agendas. Bohata (1997) sums up the origins of unethical business in CEECs. "(S)ome are a heritage of the past regime; some represent phenomena connected specifically with new 'opportunities' and temptations which it brings; and finally, some are new phenomena related to the market system itself" (p. 1575).

Knowledge and understanding that the socialist legacy has affected employees' attitudes regarding norms and behaviors at work is critically important, just as any good manager would seek to understand corporate culture in any country. For example, corporate social agendas in post-communist countries are influenced by the paternalistic attitude government took towards workers and communities (Iankova, 2008; Kornai, 1992; Bronchain, 2003; Johnson & Brady, 2004; Koleva, et al., 2010). Paternalism is marked by interference with individual freedoms under the aegis of increased protection of the individual. This domino effect could not continue with the departure of communism. In the communist system, the benefits provided by the firm to their employees and communities included housing, education, childcare and the like. The state's paternalism caused commercial entities to be responsible to local communities for these expenses; when the entity incurred loss, the state would "rescue" the entity with a budget infusion. In the capitalist system, to which formerly communist states migrated, profits are of primary interest: thus, such subsidies could not now be given to employees and communities with the expectation that profits would be made. For the firm to take a loss in the provision of goods/services is untenable for capitalistic entities, yet that expectation still exists at some level in post-communist cultures, thus mandating some form of CSR to be undertaken to prevent unemployment, social marginalization, reduced health care availability/quality, etc. in post-communist countries (Stoian & Zaharia, 2012).

Brouthers, et al. (2008) suggest that, under communist rule, ideology was valued to the exclusion of materialism; the transition to capitalism has resulted in materialism being valued, with no ideology to support ethical principles. They also find ) that there is a legacy of communism which shaped “seasoned former communists whose training may not lead to efficiency, but who are rational within their belief system” (p. 406). Simultaneously with the transition from a controlled to free market economy, the moral vacuum they identify as a being a result of the departure of communists created “young, secular, ruthless managers who may damage their business by pursuing policies which punish their competitors at the expense of (their own) profit maximization” (p. 406).

We examine the effect the communist regime has on values and moral development. We posit that moral development, as a product of enculturation, will be negatively affected by the communist culture: subjects will operate at lower levels of Kohlberg’s theory of moral development. The communist system was dominant for so long that “the inertial drag of embedded customs and practices that are accepted as legitimate and that are routinely reproduced by economic actors (the paternalistically shaped business entity)” (Stoian & Zaharia, 2012, p. 386). has caused a suppression of moral development among business decision makers. We believe that the communist regime negatively affected all countries in which it was in force. On this basis, our null hypotheses are formulated based on differences between countries, between mature free-market economies and post-communist economies, between different countries within these two groups. Using the traditional statistical approach of formulating a null hypothesis of no difference, we obtain the following four hypotheses.

*H0: There is no difference in the level of moral development of the studied groups.*

*H1: There is no difference in the level of moral development between the mature free market economies and post-communist countries.*

*H2: There is no difference in the level of moral development among post-communist countries*

*H3: There is no difference in the stage of moral development among developed countries.*

### ***Gender as an Influence on Moral Development***

Given the increase in the number of women entering the workforce, gender differences in ethical decision making are gaining in importance. Gender as an influence on moral behavior has been studied many times. In a literature review, it seems that a significant number of studies have found that gender is not an influence on levels of moral development and a significant number have found gender to be

influential in level of moral development or ability to engage in moral reasoning. For example, Yamamura and Stedham (2011) find no gender differences in ethical judgment, noting that this finding supports Davison, Martinsons, Ou, Murata, Drummond, Le, and Lo's 2009 study of Japanese IT professionals. Kidwell, Stevens, and Bethke (2013) also find no significant gender differences, as do Rest (1986), Robin and Babin (1997), and Izraeli and Jaffee (2000).

Several studies, however, find that there were gender differences in ethical beliefs, values and behaviors (Akaah, 1989; White, 1992; Lund, 2008; Schminke, Ambrose, & Miles, 2003). Additionally, of the studies that do identify a gender difference, it is also noteworthy that this difference dissipates with age: as men or women mature, their ability to engage in independent moral reasoning (more attuned to the third level of Kohlberg's theory) attains parity (Aldrich & Kage, 2003; McGee, 2007; Peterson, Rhoads, & Vaught, 2001; Dawson, 1997). Thus, the findings of no gender differences in moral reasoning could be attributable to age: the older the person, the less important gender becomes in utilizing independent moral reasoning. Such parity also tends to negate the idea that there are meaningful gender differences at higher levels of management, since higher levels of management are occupied by those old enough to have attained that professional status. "Previous research also linked life experience with moral development theory to explain ethical behavior" (Lourenco, Sappleton, & Cheng, 2015, p. 387).

Conroy and Emerson (2004) find that gender does affect ethical attitudes in a majority of the vignettes they provide to their test subjects. In his study of religion and economic attitudes in post-communist countries, Minarek (2014) finds that gender has an effect on economic attitudes, with men being more pro-market than women. "(G)ender differences exist, the ethical perspective used by either gender plays a role in their ethical assessments, and...gender differences are reflected in culture" (Beekun, Stedham, Westerman, & Yamamura, 2010, p. 321). See also Lourenco, et al., (2015); Kracher and Marble (2007); Albaum and Peterson (2006); Loo (2003); Stedham, Beekun, and Yamamura (2006).

Differences between the genders, particularly at earlier ages with regard to moral development, are deemed to be the result of different socialization processes (Gilligan, 1985). "The difference between men and women in terms of how they view ethical situations is generally attributed to the early socialization process" (Peterson, Rhoads, & Vaught, 2001, p. 225). Commensurate with these findings, Dawson (1997) connects age with gender in moral development, in one sense finding that gender is material and in another sense that it is not, since the differences dissipates with increasing age. "... (T)he differences between males and females diminished as the age of the respondents increased. .. (T)he level of ethics increased with age for both males and females, but the rate of increase was greater for males" (Peterson, et al., 2001, p. 226). The possible impact of gender differences in ethical decision making might be in the suggestion that women are more contextually bound, making them more situationally sensitive (Peterson, et al., 2001; Beekun, et al., 2010).

Beekun, et al., (2010) also note that culture is an important variable in the decision-making process: whether a culture is more particularistic or more universalistic in its outlook may be a reason for the genders to be different. Particularistic cultures avoid making rule-bound ethical decisions, favoring a more subjective approach; universalistic cultures, in contrast, value equal treatment of people and situations. Women are more likely to use a management approach that is more interactive, showing more concern for relationships and helping others. "Men are more likely to adopt a command-control approach to management... (W)omen are willing to look at the 'particulars' of a situation such as who is involved and why. Women take into account the contextual aspects of the specific situation whereas men prefer a universalistic approach" (Beekun, et al., 2010, p. 321). The extrapolation of this research is that moral decisions are made differently by men and women, at least until a certain age.

Schwartz and Rubel (2005) address the issue of gender disparity in moral judgment. "In sum, the empirical research on sex differences in value priorities reveals a trend for women to emphasize benevolence values more than men. ...The research suggests that men tend to emphasize achievement values more than women do (though this is not always the case)" (p. 1012). They also note that, while the size of the difference between the genders' moral reasoning is small, the "effects of sex on value importance var(ies) substantially across cultures (p. 1020)." In light of the bi-polar nature of Schwartz's values, men and women are at opposite ends of each value to a significant degree. Schwartz and Rubel find that, of the four overarching categories of values, men tend to adopt the self-enhancement and openness to change values and women tend to adopt self-transcendence and conservatism values. Thus, men are more interested in power, achievement, self-direction, stimulation and hedonism than women. Conversely, women value universalism and benevolence, as well as security, tradition and conformity more than men. "Values held by each individual will have significant impacts on the reasoning and decision-making process leading to actual behavior. Our personal values and perceptions of desirable or ideal behavior will influence the evaluation of actions and moral reasoning" (Lourenco, et al., 2015, p. 390). Schwartz and Rubel's article also points out that more gender egalitarian cultures have a positive effect on reducing gender differences (see also Schwartz & Rubel-Lifschitz, 2009). In particular, with regard to gender and the post-communist environment, they note that the sex difference in the value of self-direction was the only value that was different in developed European countries and in post-communist European countries.

We examine the question of the relationship between gender and the stage of moral development in our study of post-communist and developed countries. There is no reason to believe that people of different genders are at different stages of moral development, regardless of political history. This follows with a further hypothesis:

*H4: There is no relationship between the sex of the persons surveyed and their moral development*

## Methodology

Data were collected for four years, from 2012 until 2015. Countries included in the data collection process were: Poland, Bulgaria Italy, Taiwan and the U. S. A., a total of 1385 completed surveys are available for analysis: Poland 661, Bulgaria 281, Taiwan 245, USA 115, Italy 83. 944 women and 438 men completed the survey; 3 subjects did not specify a gender and were excluded from the sample. Paper questionnaires were completed by students who were mainly studying Business Administration and related subjects (in different countries different names are used to represent a number of business-related programs of academic study). Most of the students were seeking undergraduate degrees.

The survey instrument contained three sections. In the first section, the Portrait Value Questionnaire (PVQ) was used to identify their values. A 7-point Likert scale was used (Groza, Pronschinske, & Walker, 2011; Wang & Juslin, 2012) to rate the answers provided. A separate section of the survey collected demographic information about the respondents, such as age, gender, academic level of study, nationality, religiosity level, whether the subject had a part- or a full-time job and whether he went to a public or a private high-school.

Kohlberg suggests the existence of a certain hierarchy of values from the perspective of moral development. From this, we can conclude that people at a higher level of moral development are guided in their decision-making processes by values other than those at lower levels, like the avoidance of punishment or the manipulation of others to achieve the desired result. Developing a different approach, Schwartz describes ten values as belonging to four categories and claims that people have their own hierarchy of values, but does not make them orderly from the point of view of moral development. He does not address moral development or envision a progression of moral development. The research methodology used here is based on a comparison of Schwartz's theory of values and Kohlberg's theory of moral development. The research described is based on the assumption that one can identify the stage of moral development (Kohlberg) that a person is acting in from the declarations of values in his or her life (Schwartz).

Specifically, we used Schwartz's ten values derived from the PVQ in this study and compared them to Kohlberg's levels of development. For each statement in Schwartz' study of the identification of self with others, subjects were asked "to what extent does the portrayed person resemble you?" Schwartz thereby developed "portraits of people" he used to generate his theory that different values are important for different people. We believe that portraits formulated by Schwartz (persons described by these portraits) may be identifiable with Kohlberg's individual stages of moral development. Column 1 in Table 1.3 provides the named value identified. Schwartz' theory has been refined over time and more detailed, specific attributes

associated with Schwartz' original value. Finally, Kohlberg's levels of moral development are associated with the values previously identified with each description of the other and are presented in Column 2 of Table 1.3.

Unfortunately, none of Schwartz's portraits fit the first level of moral development. It is surmised that Schwartz portraits were formulated for adults, while Kohlberg, on the other hand, clearly indicates that his theory applies regardless of age (his theory was developed using youngsters). Stretching the analysis, hedonism might be represented in actions deemed to be related to the first stage of moral development, the Punishment and Obedience Orientation, but, in our calculations, it was assumed that hedonism is more closely attuned to the second stage of moral development, the Instrument and Relativism Orientation.

There is also an issue concerning the distinctions of Stages 5 and 6, as it is noted in the table 1.3. Kracher and Marble (2007) note that research has found that it is difficult, if not impossible, to differentiate between Stages 5 and 6; additionally, there is a question of whether there need be a distinction. "As long as individuals give primacy to sharable moral concepts or principles that benefit all involved in an equitable way, then virtue reasoning, communitarian reasoning, utilitarian reasoning, justice reasoning – any of these and more – are suitable" (p. 506). Other authors have also supported the elimination of the distinctive stages of 5 and 6, incorporating values and moral processes into one stage (Gibbs, 2003; Rest, Narvaez, Bebeau, & Thoma, 1999; Narvaez, Bebeau, Thoma, & Pritchard, 1997). For the sake of simplicity, it was assumed that Schwartz' value 7, 'universalism,' is at stage 5. It was also assumed that none of the studied persons, all of whom were students, was in 6<sup>th</sup> stage of moral development.

While the four moral development stages are well defined, an approach to summing them up into a single indicator is challenging. We use 12 questions to estimate stage 2 development, two for stage 3, four for stage 4, and three for stage 5. As a first step, we determine an average for each stage to eliminate the difference in number of questions used to assess each stage of moral development. Since each individual generates scores on each stage of development, a study of moral development needs to compare the relative importance assigned by an individual to each of these moral stages. For example, the difference in scores assigned for stage 5 and stage 1 questions shows the relative importance of the assessments of universalism and hedonism. A positive score shows a Universalist value system while a negative score shows hedonistic value system. Extending this line of reasoning, and ranking the stages in order, we assign a weight to each difference based on the relative ranking. The difference between stage 5 and stage 2 scores is weighted by  $5-2=3$ , and that between stage 5 and stage 3 scores is weighted by  $5-3=2$ . This leads to a moral development index (MDI) shown below.

$$MDI = 3(r_5 - r_2) + 2(r_5 - r_3) + (r_5 - r_4) + 2(r_4 - r_2) + (r_4 - r_3) + (r_3 - r_2)$$

$r_i$  = average rating in scale 1-6, "how much described person is like you",  $i$  = 2, 3, 4, 5. Note that the average takes into account the differing number of questions for assessing each stage (12, 2, 4, and 3)

The index is constructed so that the higher stages of Kohlberg's moral development are of higher importance. Further, the score weights the differences between individual scores for each moral stage. The MDI value can be positive or negative, with positive values showing higher moral development and negative values showing a hedonistic preference. This indicator can be calculated for each person who completes the questionnaire.

## Findings

Schwartz's value theory was used to analyze the results. The first hypotheses concern the comparison of those in developed nations in contrast to those in post-communist nations and in contrast to each other. H0 states that there are no differences in the levels of moral development among the groups studied.

### *Rejection of H0*

Our ANOVA shows that the null hypothesis is clearly rejected. There are clear and demonstrable statistically significant differences in the stages of moral development of the studied groups in different countries. The test results shown in Table 2.1 indicate that at the significance level of nearly 0 (4.59E-06), we can say that the mean values for the countries are significantly different.



**Table 2.** Hypotheses verification

2.1: Single Factor ANOVA on Country										
Groups	Count	Average	Variance	<i>Sour. of Var.</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Poland	661	-2.2413	36.92312							
Bulgaria	281	-1.2171	36.60985	Between Gr.	1052.381	4	263.10	7.6117	4.59E-06	2.378
Italy	83	-0.2831	27.928	Within Gr.	47699.02	1380	34.564			
Taiwan	245	-0.2449	26.94798	Total	48751.4	1384				
USA	115	-0.2783	36.96137							
2.2: Single Factor ANOVA on Change in Economic System										
Post Com.	Count	Average	Variance	<i>Sour. of Var.</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Mature E.	443	-0.2607	29.59081	Between Gr.	845.399	1	845.40	24.406	8.75E-07	3.848
				Within Gr.	47906	1383	34.639			
				Total	48751.4	1384				
2.3: Single Factor ANOVA on Post-Communist Countries										
Poland	Count	Average	Variance	<i>Sour. of Var.</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Bulgaria	281	-1.2171	36.60985	Between Gr.	206.8439	1	206.84	5.6162	0.017996	3.851
				Within Gr.	34620.02	940	36.830			
				Total	34826.86	941				
2.4: Single Factor ANOVA on Mature Free-Market Economies										
Italy	Count	Average	Variance	<i>Sour. of Var.</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Taiwan	245	-0.2449	26.94798	Between Gr.	0.138409	2	0.0692	0.0023	0.997675	3.016
USA	115	-0.2783	36.96137	Within Gr.	13079	440	29.725			
				Total	13079.14	442				
2.5: Single Factor ANOVA on Gender										
Gender	Count	Average	Variance	<i>Sour. of Var.</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
St. Dif. W	1383	-1.4028	34.85251	Between Gr.	5111.208	1	5111.2	291.48	3.27E-62	3.845
				Within Gr.	48467.09	2764	17.535			
				Total	53578.29	2765				

### Rejection of H1

Hypothesis H1 states that the level of moral development is the same in mature free markets and in post-communist countries. This hypothesis is clearly rejected at the 5% level as seen in Table 2.2. There is a difference between post-communist and mature free-market economies. The average (-1.93577) for the two post-communist economies shows a stronger value assigned by the subjects for lower order moral values (for example law and order) than for higher order moral values (altruism). While students from the developed economies also showed a negative value on this score (-0.26), they also scored significantly higher than the subjects in the post-communist countries. We have, therefore, adequate reason to believe that there is a statistically significant difference between the MDI means of the two groups – subjects from post-communist and developed countries.

Our data analysis examining the stage of moral development of different groups of people produced results that confirm our initial opinions. We reaffirmed the view that the communist regime would exert a lasting impact on human behavior,

even after nearly thirty years since its liquidation in Europe. The moral attitudes of people from post-communist countries are different from those from mature free-market economies.

### ***Rejection of H2***

Hypothesis H2 states that there is no difference in the stages of moral development between the two post-communist countries studied: Poland and Bulgaria. We find, in Table 2.3, to our surprise, that there is a statistically significant difference at the 1.7 % level. We do not think that communist regime influenced those two countries in different way. The reason can be another factor. Poland is a traditional catholic country. As Richards and Davison (1992) noted Kohlberg's approach (theory) does not work satisfactorily, when used to estimate moral development of conservative religious people. Answers to questionnaires on moral issues are impacted by religious values and students may have placed themselves in a lower stage of development based on what they heard from theological leaders. Another possible source of bias is the fact that the sample from Poland was distinctly larger than the sample from Bulgaria. This question needs further study.

### ***Verification of H3***

Our fourth hypothesis is that there is no difference in the stage of moral development among developed countries. We compared the stages of moral development in Italy, Taiwan and the U. S. As shown in Table 2.4, the null hypothesis was not rejected by the data. We have adequate reason to believe that there is no statistically significant difference between MDI means of groups from Italy, Taiwan, and the U. S. The developed economies have a similarity that is likely the result of close relationships between these economies and significant transfer of knowledge, information, and international contact between these economies. In the case of Poland and Bulgaria, there is limited travel and communication between the two countries. However, there are extensive communications, trade, and education links between the three mature free-market economies in our sample.

### ***Rejection of H4***

Our last hypothesis is that there is no relationship between the sex of the persons surveyed and their moral development stage. The null hypothesis is rejected and our results showed that there is difference for the whole group studied. In fact, women scored higher than men in their moral development index for the entire sample as seen in 2.5.

Using our results, we can say that there is statistically significant difference between mean the MDIs of women and men for the whole sample. We further explore this difference by viewing the MDI stage difference by country and gender. Female subjects are classified as Gender = 1 in our study.

**Table 3.** MDI scores by gender and country

COUNTRY	Gender	Mean	Std. Dev.	N
BULGARIA	1	-0.677	5.910	212
	2	-2.877	6.218	69
	Total	-1.217	6.051	281
ITALY	1	-0.190	5.327	63
	2	-0.575	5.275	20
	Total	-0.283	5.285	83
POLAND	1	-1.785	5.790	459
	2	-3.277	6.580	202
	Total	-2.241	6.076	661
TAIWAN	1	0.444	5.087	142
	2	-1.194	5.208	103
	Total	-0.245	5.191	245
USA	1	0.287	5.502	68
	2	-1.136	5.998	44
	Total	-0.272	5.718	112
Total	1	-0.945	5.725	944
	2	-2.386	6.169	438
	Total	-1.402	5.906	1382

In every country, we find that the scores for men are lower than for women, showing that women's responses show a higher stage of moral development. We explore the impact of country and gender using factorial ANOVA to test whether there is a difference between genders that varies by country. A factorial ANOVA on the data shows that while country and gender matter independently (Both are significant at the 1% level with F statistics of 8.032 for country and 10.303 for Gender, there is no statistically significant difference based on the interaction of gender and country, which has an F statistic of 0.323 and is not significant. We conclude that while women show higher scores on our index than men in every country, and there are country-based differences, there is no statistically significant interaction factor of country and gender in our data. There is a statistically significant difference between the moral stages based on the gender of our study participants. In every country, women showed a higher stage of moral development than men.

Our attempt to combine Kohlberg's theory with Schwartz's theory has some imperfections. Probably new research questionnaires should be created containing portraits of people and situations more closely adapted to Kohlberg's theory. Such a research model would support refined assessments about value differences among cultures, and the relationship of these values to stages of moral development. The generation and administration of such a survey would allow better categorization of people of diverse cultural backgrounds to various stages of moral development. The ability to better categorize workers aids in managerial understanding of what motivates people and how people will achieve best success through more appropriate leadership styles. We do not mean this to stereotype in the negative sense, but rather this could serve as an indicator about how to create a work environment to make workers happier, more committed to the organizational mission and, thereby, make the firm more successful.

### **Discussion, Limitations and Future Research**

The presented approach to examining the level of moral development of different groups of people produced results in accordance with intuitive feelings. We reaffirmed the view that the communist regime would exert a lasting impact on human behavior, even after nearly thirty years of its liquidation in Europe. The moral attitudes of people from post-communist countries are different from those of developed countries.

When discussing the situation in post-communist countries, it should be noted that after years of political dependence, they begin to develop dynamically. This is manifested by setting ambitious goals, seeking new solutions, changing old structures. If we refer to Kohlberg's theory, we find that such an activity is, in his view, a sign of remaining at a lower level of moral development - the second stage of the pre-conventional level.

Since Poland completed the transition from Communism to democracy in 1991, its economy has been growing at an average annual rate of 4 percent and, remarkably, has not suffered a single year of negative growth. In those 25 years, Poland's average income has risen to near \$13,000, from \$2,300, and it is now on pace to pass the \$15,000 mark by the turn of this decade. This is testimony to the long-term fiscal sobriety of Poland's leaders, and its sharp break with Communism (Sharma, 2017). Studies have shown that in Polish joint-stock companies, about 15% of management boards members (Pawlak 2016) and 28% of supervisory boards are women (Pawlak 2011). This demonstrates the position of women in Polish business leadership. In Poland, the average age of management boards of joint-stock companies' members is about 46 years (Pawlak 2016), and in supervisory boards, it is about 48 years (Pawlak 2011).

Economically, Bulgaria is in a similarly positive position with regard to growth. "Higher inflows of EU funds and strong private consumption growth will largely keep the economy on its stellar growth path. FocusEconomics Consensus Forecast panelists expect GDP to expand 3.3% in 2017, which is up 0.1 percentage points from last month's forecast, and 3.2% in 2018 (FocusEconomics, 2017)." Bulgaria, has included a statement regarding equal rights and principles of non-discrimination on the basis of gender in their 1991 Constitution (Association of Spread Knowledge, n.d.). While there is still a gender gap in many areas of Bulgaria, there is slow but sure change. For example, the National Encouragement Plan for Gender Equality in Public Health, Education and Employment was approved in 2008 (Solicitor General, 2008). The goal of this plan is the unification of governmental authorities in efforts to generate policies of gender equality in all areas of Bulgarian life: economic, political and social. A report by Roland Berger Strategy Consultants GmbH in partnership with ergo Unternehmenskommunikation GmbH & Co. KG (2013) provides statistics on the employment and pay rates of men and women in Bulgaria. They found a number of interesting comparisons. The general participation rate of women in the workplace is lower than the EU average. Further, women's full-time employment rates were lower than men's and the EU average, while the part time employment rate was significantly lower than men's and the EU average, and that the gender pay gap was less than men's, but that the gap was lower than the EU average. They further found that the need for qualified women in the Bulgarian workplace is clear from a report on Bulgaria's state of gender equality: "Due to demographic change as well as a stronger focus on service and knowledge intensive industries, Europe will face a significant shortage of (qualified) skills in the next decades. To secure qualified labor, it will be of vital importance for large companies to diversify the pool of (potential) employees by gaining better access to the female labor force (n/a)." One conclusion is that the gender difference may be the result of fewer women in the workforce for a significant time: the opportunity for the gender differences to fade with age by interaction among the genders at work is not as prominent in other societies where there are more women in the workforce.

Global companies should explore these and other post-communist countries. However, they must first understand the characteristics of the national culture, level of moral development, interest in and choice of social initiatives and the motivation and leadership styles best suited to the culture. As these economies get more integrated into the global arena, with personal and educational connections, along with richer communications using electronic media, it is likely that the MDI will become more similar to that of mature free-markets.

The presented attempt to combine Kohlberg's theory with Schwartz's theory has many imperfections. New research questionnaires should be created containing portraits of people and situations more closely adapted to Kohlberg's theory. Such a research model would allow for more refined assessments about different values among different cultures and how those values relate specifically to stages of moral

development. The generation and administration of such a survey would allow better categorization of people of diverse cultural backgrounds to various stages of moral development. The ability to better categorize workers aids in managerial understanding of what motivates people and how people will achieve best success through more appropriate leadership styles. We do not mean this to stereotype in the negative sense, but rather this could serve as an indicator about how to create a work environment to make workers happier, more committed to the organizational mission and, thereby, make the firm more successful.

## Conclusion

One thing can certainly be derived from these findings: there are a multitude of theories describing culture, cultural characteristics, moral values, moral development, and demographic information like nationality, gender, age, religion, etc. If one accepts that diversity and heterogeneity are valuable in the workplace and in society, one must have at least some understanding of the myriad nuances inherent in culture characteristics as they appear in society and within corporate cultures. The old adage that forewarned is forearmed is apt here. For example, one may not know precisely if one is dealing with a higher or lower level of moral development or an openness to change versus conservational value system. If, however, one knows that a plethora of these dimensions exist, one can be pro-active in learning of the culture and thereby one can learn about individual cultures, individual corporate cultures and individuals. This achievement will aid in the productivity of business and indeed in facilitating better relationships within and among individuals, corporations, societies, and among nations.

Further, understanding the moral values that motivate people to various activities aids in understanding how best to manage all those stakeholders (Sagiv & Schwartz, 2007). Attribution theory states that we believe we know why others act because we know why we act; attribution error is that we are wrong in our assessments of why others act: the same motivations do not drive the same actions. Committing attribution error can be overcome with more accurate, realistic knowledge of culture, motivation and values: at least at that point, one's first best guess as to what values motivate which person is likely to be more accurate. Such improved accuracy can only be beneficial to the conduct of any relationship at any level, from individual to societal to national and beyond.

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