

BUSINESS EDUCATION AND IDEALISM AS DETERMINANTS OF STAKEHOLDER ORIENTATION

Abstract

This paper based on the distinction between the instrumental and normative views of stakeholder management explores how business education and personal moral philosophies may influence the orientation adopted by an individual. A mediated regression analysis using survey information collected from 206 Spanish university students showed that those exposed to management theories were less willing to consider stakeholders when making business decisions if the consequent economic impacts on the firm were omitted. The results also provided support for a negative effect of business education on idealism and a mediating effect of the latter on the relationship between education and stakeholder management orientation. This study thus raises awareness on the influence of business education on individuals' ethical decision-making processes and suggests some possible changes for business education.

Keywords: Business education, Idealism, Stakeholder management, Instrumental orientation, Normative orientation

JEL Code: A22

Introduction

Do business students consider stakeholders' interests in a different way? As the attention paid to stakeholder management has increased in the context of business education and practices, this question has grown in relevance. In this sense, and following Berman et al. (1999) and Jones et al. (2007), we understand stakeholder management orientation as an individual's stance on which stakeholders are particularly relevant for a firm and on the objectives that can be achieved by engaging with them. Therefore, apart from descriptive, stakeholder management orientation can be instrumental and normative (Donaldson and Preston, 1995). The instrumental approach implies an interest in managing the relationship with stakeholders in order to achieve traditional corporate objectives, while the normative approach emphasizes the need of attending the intrinsic value of stakeholders' interests. These views of stakeholder management are not exclusive but complementary. It is the managers' responsibility to create value and make profit in order to survive in the market and they must keep it in mind when interacting with stakeholders but at the same time there is some kind of moral obligation towards them. We conduct our research intending to find whether business education is affecting the importance given by future managers to any of these two stakeholder management orientations.

Moreover, to the extent that stakeholder management has an ethical nature because it implies the choice among different decisions that will affect others (Jones, 1991), this research takes into account personal moral philosophies (Ferrell and Gresham, 1985; Hunt and Vitell, 1986) as one of its possible determinants. Specifically, we analyse the influence of the idealism dimension as proposed by Forsyth (1980) on stakeholder management orientation, since it

reflects a concern for the consequences for others of an individual's actions or decisions (Forsyth, 1992). This paper adopts an individual level of analysis, in line with the idea expressed by Ferrell and Gresham (1985) that individual factors are the cornerstone of ethical decision-making, and with the statement made by Freeman et al. (2010) about the importance of talking about human beings for stakeholder theory development.

This work contributes to the existing literature in two ways. Firstly, it develops empirical testing of a stakeholder theory-related concept –stakeholder management orientation– and offers empirical evidence of the effects of business education on how students assess stakeholders' interests and also on concern about the welfare of others. Secondly, this research proposes and corroborates that the personal characteristic of idealism plays a relevant mediating role in the relationship between business education and stakeholder management orientation, which explains part of the influence of the former on the latter.

The remainder of this article is set out as follows: in the next section, the hypotheses are developed, based on a review of the related literature. In the third section, the data, empirical methodology, and results are described. Finally, the last section offers the conclusions, discusses their implications and proposes future lines of research.

Theoretical background and hypotheses

Orientations towards Stakeholder Management

The stakeholder theory brought a view of the firm in which all groups and individuals that can affect, or are affected by, achievement of the organizational purpose are considered (Freeman, 1984). The list of parties involved includes employees, suppliers, customers, governmental bodies, environmentalists, the media and even competitors, going beyond the traditional view of the firm which advocated consideration of shareholders alone (Friedman, 1962).

Donaldson and Preston (1995) stated that the stakeholder theory was developed from three alternative but interrelated approaches: descriptive, instrumental and normative. This theory can be used to describe and explain specific corporate characteristics and behaviours. Moreover, stakeholder management can be presented as a way to achieve traditional corporate objectives. Finally, the central core of the theory is normative if it is accepted that all stakeholders' interests have intrinsic value and that there exist some kind of moral obligation towards them. Let us now focus in greater detail on the instrumental and normative approaches to establish a basis on which we can draw up our research hypotheses.

The instrumental view of stakeholder management proposes that addressing the demands of salient stakeholders has a positive impact (Mitchell et al., 1997) on firm performance. Mutual trust and cooperation with stakeholders will reduce overall contracting costs and will bring a competitive advantage (Jones, 1995). Firms can benefit from an improved reputation and greater social legitimacy because positive perceptions of the firm by outside stakeholders may lead to increased sales or reduced stakeholder management costs (Waddock and Graves, 1997). Nevertheless, empirical evidence cannot conclude that the optimal strategy for maximizing a firm's financial and market performance is stakeholder management (Donaldson and Preston, 1995). For example, using corporate resources for social issues not related to primary stakeholders may not create value for shareholders (Hillman and Keim, 2001). Moreover, the trade-offs among the multiple objectives defined by different stakeholders' claims violate the proposition that any organization must have a single-valued objective function as a precursor to purposeful or rational behaviour, empowering its managers to exercise their personal preferences in spending the firm's resources (Cennamo et al., 2009; Jensen, 2002). Sternberg (1997) even says that stakeholder theory is incompatible with business and all substantive objectives, and subverts the wealth-creating capabilities of business, taking these in the strict sense.

At this point, the eventual positive effect of stakeholder management on firm performance is irrelevant. What matters is that managers consider that stakeholders must be taken into account in business decisions because they may affect the firm's success. This is what really distinguishes the instrumental approach to the stakeholder theory from the normative position discussed below.

Agency theory (Jensen and Meckling, 1976) is normative in the sense that it proposes an exclusive fiduciary obligation to shareholders. While most stakeholders contract with the firm for a fixed return, shareholders assume a part of the business risk in exchange for fiduciary claims on the corporation (Maitland, 1994). In contrast, the normative nature of stakeholder theory denies this fiduciary duty towards shareholders or at least claims that they are entitled to similar fiduciary duties to other stakeholders because the fruits of organizational success and failure must be distributed among all legitimate stakeholders (Phillips et al., 2003). In this sense, it must be clear that shareholders are not the only group who would like to impose its interests, and also that not all the stakeholders worry about the interests of other groups; for example, customers or employees may also behave in a self-interested way. Hence, decision-makers within the firm must decide what claims are legitimate and, consequently, should be considered. Additionally, Freeman (2002) states that each group must participate in determining the future direction of the firm in which they have a stake. The right to participate is just a consequence of the duty to not treat stakeholders only as a means to an end, and is consistent with the categorical imperative by Immanuel Kant. The obligation to distribute the value created by the organisation among all legitimate stakeholders and give them input in managerial decisions is the fundamental normative implication of stakeholder theory (Hasnas, 2013). This normative interpretation of the corporate function by stakeholder theory is therefore based on the identification of moral or philosophical guidelines (Donaldson and Preston, 1995).

Business Education as a Determining Factor of Stakeholder Management Orientation

As explained above, stakeholder theory may be considered from an instrumental and from a normative perspective. We now propose that the value that an individual places on any of these approaches may, at least partially, be determined by the education received.

Loe et al. (2000) reviewed the research on ethical decision-making and suggested that the Jones (1991) model is the most concise and comprehensive. According to this model, individuals move through a four-stage process proposed by Rest (1986) whereby a moral agent must (a) recognize the moral issue, (b) make a moral judgment, (c) place moral concerns ahead of others (establish moral intent), and (d) act on the moral concerns. It is in the first two of these stages that a clear distinction is made between the instrumental and the normative perspective of the stakeholder theory, as explained below. It is not our purpose in this research to study individuals' moral intent or actual behaviour.

Recognition of a moral issue by an individual is a necessary condition for the moral decision-making process to begin. The individual must realize that any decision may harm or help others (Velasquez and Rostankowski, 1985). This first stage, like the others, may be influenced by a number of factors that can be divided into two broad categories: individual and situational (Ford and Richardson, 1994). Education is one of the individual factors, and we consider that management training can be decisive for recognition of the moral issues behind decisions that may have consequences for those who have a stake in the company.

Traditionally, a big issue in economics has been the potential trade-off between efficiency and equity (Okun, 1975; Tillmann, 2005) and it can also be a relevant topic when talking about managing a business, especially if the stakeholder management theory is involved (Freeman, 2010; Minoja, 2012). While efficiency implies obtaining a maximum output from a determined amount of inputs, equity is more about trying to allocate such an output in a fair

way. Business education seems to have been putting more emphasis on efficiency, and, in particular, on maximising personal material outputs (Emiliani, 2004; Giacalone and Thompson, 2006; Lämsä et al., 2008). This circumstance appears to be reflected in two main points. Firstly, the notion of individuals exclusively motivated by self-interest is behind the main theories traditionally taught in business schools, such as transaction cost economics and agency theory (Ghoshal, 2005). Secondly, competition is usually considered a zero-sum game in frameworks such as the Porter's five forces analysis (Porter, 1980), meaning that the amount of potential profit in an industry is fixed so in order to make more profit firms must take it from a rival, a supplier, or a buyer. This way, competition becomes the only driving force of firms' performance (Freeman et al., 2007) while the rules of the markets as well as the competitive, but also collaborative, behaviour of the market participants may induce better or worse results for all of them.

Specifically, in relation to stakeholder management, such a predominance of efficiency over equity in business education may result in the search of an economic return from relationships with stakeholders, what is reasonably expected from a realistic decision-makers point of view. The perceived moral issue in this case will probably have to do with a situation in which managers have to choose the right option to attend personal interests and/or to respond to their professional duties and the trust put in them by shareholders. Moral concerns would trigger then self-interest, responsibility or loyalty considerations when the moment of deciding the right thing to do comes. If that is the case, other moral dilemmas more focused on the consequences of the choice to make over other stakeholders could go unnoticed.

Futhermore, the situational factor of moral intensity (Jones, 1991), that is, how important the issue is to the decision-maker, will affect the recognition of moral issues through its impact on the individual's recognition of the consequences of decisions. In particular, moral issues of high intensity will be more salient than those of low intensity. One of the components of

moral intensity¹ is the proximity, or the feeling of nearness, that the moral agent has towards victims (beneficiaries) of the evil (beneficial) act in question (Jones, 1991). Self-interest and the search for individual profit in accordance with the prevailing “profits-first” doctrine in business schools (Frank et al., 1993; Kochan, 2002; Mitroff, 2004) will make the decision-maker feel less close to those impacted by decisions. Thus, moral intensity will be reduced and the recognition of a moral issue when other stakeholders are affected will be hindered.

Business education might also be playing a role in the second stage of the ethical decision-making process: making a moral judgement. The popular phrase from 1776 by Adam Smith (1904, par. I.2.2) “it is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own self-interest”, implies that, the interests of society are promoted by people acting in response to self-interest and being driven by an invisible hand, although this was not its original intention. Acceptance of this idea means that theories inspired by individual self-interest would, in a way, be ethically justified according to the philosophy of utilitarianism because they result in the greatest amount of good for the greatest amount of people. As a consequence, the instrumental orientation of stakeholder management would be reinforced and there would be little room for explicit consideration of the interests of stakeholders based on their intrinsic value. Additionally, and owing to its relationship with this second step (Treviño, 1986; Treviño et al., 2006), the concept of moral development (Kohlberg, 1969; Rest and Narvaez, 1994) may be relevant here. The moral development of individuals establishes what is the right thing to do in a certain situation and it is indicated by whether and how they take others into account (Treviño, 1992). According to Kohlberg’s (1969) three-level moral development model, the lowest level, called pre-conventional, is characterised by a prevalence of personal interests over the interests of others. Thus, ethical egoism motivates the exchange of favours and leads to moral decisions that are explained and justified in terms of rewards and punishments

(Logsdon and Yuthas, 1997). By linking this notion with stakeholder theory, we can suggest that individuals who reason at the pre-conventional level will be more willing to adopt an instrumental view. Moreover, considering both the relevant influence of higher education on moral development (Treviño, 1992) and the above-mentioned theories, concepts and ideas that are extensively taught in business schools, we can infer that management education may be leading to individuals with low-level moral reasoning.

Based on these arguments, we offer the following hypotheses for empirical testing:

Hypothesis 1 Business education has a positive effect on instrumental stakeholder management orientation.

Hypothesis 2 Business education has a negative effect on normative stakeholder management orientation.

The Influence of Personal Moral Philosophies: Idealism

As we have pointed out, consideration of stakeholders' interests represents a moral or ethical decision, so it is important to take personal moral philosophies as one of the fundamental determinants of ethical decision-making (Ferrell and Gresham, 1985; Forsyth, 1980; Hunt and Vitell, 1986). In general, a personal moral philosophy is an integrated conceptual system that comprises an individual's moral beliefs, attitudes, and values, and provides guidelines for moral judgments, solutions to ethical dilemmas, and prescriptions for actions in morally toned situations (Forsyth, 1992; Forsyth and Nye, 1990); thus, individual differences in this variable influence how people reason about ethical issues and may lead them to different conclusions about the morality of a particular action (Barnett et al., 1996).

According to Forsyth (1980, 1992), although the number of personal moral philosophies is unlimited, most fall within two dimensions called idealism and relativism that basically reflect a concern for consequences and a concern for principles (Forsyth et al., 2008). Forsyth

(1980) defines idealism as “the degree to which the individuals assume that desirable consequences can, with the ‘right’ action, always be obtained” (p. 176), while relativism is “the extent to which an individual rejects universal moral rules when making ethical judgments” (p. 175). Both dimensions seem to be important as they have been shown to be related to the ethical attitudes, judgments, and behaviours of individuals in different settings and across different samples (Neubaum et al., 2009). However, for the purpose of this research, the idealism dimension will be considered because of its relevance to stakeholder theory. Idealism reflects concern for the welfare of others and avoidance of negative consequences for others (Forsyth, 1980, 1992) and, following Jones et al. (2007), it is precisely in concern for others over self-interest that a number of ethical theories applied to stakeholder analysis converge.

As a component of an individual’s personal moral philosophy, idealism may be explained by both inherent characteristics or traits, and acquired conducts, values, and so on. Education may be a particularly relevant factor in the latter. Specifically, in the higher education context, critics of business school education (e.g., Ghoshal, 2005; Mitroff, 2004) propose that the training of future managers is too concerned with increasing profits even at the expense of the welfare of other affected groups. If this overriding focus on profitability is really inculcated in students, it might have a clear influence on their personal moral philosophies. In particular, it might affect their unwillingness to do harm to others, regardless of other outcomes (Forsyth, 1992). In general, management education intends to develop students’ cost-benefit analysis in order to face rather realistic decision-making where trade-offs do exist, that is to say, each decision usually has positive effects for some groups or individuals, and negative ones for others. Since in markets it is impossible not to disappoint some expectations of stakeholders and compromises with specific stakeholders are unavoidable, keeping an altruistic position, characterised by the belief that negative consequences to others can be prevented, is

complicated. Taking everything into account, business students might be expected to be less idealistic than their non-business school counterparts (Deering et al., 1994; Ibrahim et al., 2010; Neubaum et al., 2009). Nevertheless, it has also to be taken into account that being idealistic does not mean necessary making the decision that will undoubtedly benefit all the affected groups. Managers must also realize that their main job is to guarantee the firm's survival and promote its success in a world driven by competition and, in fact, that is in many cases the only way to even have the chance to positively affect the stakeholders. In other words, idealism could result in unintended and undesired consequences for those whose interests were promoted in the first place.

Hypothesis 3 tries to corroborate if the influence of business education on idealism is as stated before but does not imply the desirability of a positive effect:

Hypothesis 3 Business education has a negative effect on idealism.

The moral frameworks used by individuals are related to the different stages involved in the ethical decision-making process. In particular, previous studies show that idealism is associated with how individuals identify moral problems, make moral judgment, establish moral intent and engage in moral behavior (Barnett et al., 1996; Barnett et al., 1998; Bowes-Sperry and Powell, 1999; Henle et al., 2005; Valentine and Bateman, 2011). It is again the first two stages that draw our attention. Less idealistic individuals are more likely to consider that some undesirable consequences of their actions on others' welfare can be unavoidable and it may lead them to be unaware of the moral issue associated to the decision to be made (Chang and Leung, 2006), particularly when they have to make a business decision with a potential impact on other stakeholders apart from shareholders. Furthermore, idealists are also likely to reject a decision if it has the potential to cause harm to other stakeholders. This notion is related to the ethic of caring principle which states that hurting others is selfish and immoral (Gilligan, 1982). Forsyth et al. (1988) tested this relationship empirically, and found

that idealistic individuals are more likely to adopt an ethic of caring perspective, mainly characterised by treating people with dignity and respect (Forsyth et al., 1988). In addition, at least part of the influence of personal moral philosophies on ethical decision-making is likely to operate through perceptions of moral intensity and higher idealism is considered to also result in higher moral intensity (Singhapakdi et al., 1999).

In line with the above, idealism may influence an individual's preferred orientation towards stakeholder management, with the instrumental approach being preferred by less idealistic individuals, and the normative approach by those who are more idealistic. It has been proposed, as stated above, that business education may have an impact on idealism, so it might be that at least part of the effect of business education on stakeholder orientation takes place indirectly through idealism, which leads us to the last hypothesis:

Hypothesis 4 Idealism will mediate the relationship between business education and stakeholder orientation.

Figure 1 graphically depicts this paper's theoretical model, including the proposed hypotheses.

[Figure 1]

Analysis and results

Sample

Questionnaires were used because of the nature of the research, so there were no secondary data. We addressed 212 undergraduate students of a Spanish University from different degree courses adapted to the European Space for Higher Education in May 2012. Specifically, the sample was composed of 112 students from the Faculty of Economics and Business Administration, 59 students from the Faculty of Education, and 41 students from the Faculty

of Philosophy and Literature. However, in order to avoid missing values in our estimations and to show models with the same sample size, we omitted cases where information was not available for one or more of the variables considered. Consequently, the final sample was made up of 206 individuals.

Measurement of Variables

Dependent variable. As it has been previously noted, the stakeholder management orientation concept was divided into an instrumental and a normative orientation towards stakeholders. In order to identify both components (INSTRUMENTAL and NORMATIVE, respectively), we developed the following two items that were measured on a seven-point Likert-type scale (1 = strongly disagree, 7 = strongly agree) (see Appendix).

“Firms should take into account their stakeholders’ interests only when such groups may affect firms’ activities and goals now or in the future”.

“Firms should always take into account their stakeholders’ interests because that is the right thing to do, even when such groups are not able to affect firms’ activities and goals now or in the future”.

Independent variable. Our main explanatory variable was business education (EDUCATION). It was measured by a dummy variable that took value 1 when respondents were enrolled in a degree taught in the Faculty of Economics and Business Administration, and 0 when respondents were studying in the Faculties of Education or Philosophy and Literature and they had not taken any course on economic theory or business management.

Mediating variable. In order to measure the respondents’ level of idealism, the corresponding items of the Ethics Position Questionnaire (EPQ) developed by Forsyth (1980, 1992) were used (IDEALISM). This idealism scale consists of 10 items, and measures one’s perspective on positive and negative consequences. In the same way as the dependent variable, individual

responses were given on a seven-point Likert-type scale (1 = strongly disagree, 7 = strongly agree) (see Appendix).

The unidimensionality of this scale was established by a factor analysis (Table 1). The results showed one factor solution with the eigenvalues greater than 1 and the total variance explained was 52.64%. Regarding the individual reliability of items (Henseler et al., 2009), results showed that one item should be removed from the analysis: Ideal7. As a consequence, the final measurement model of IDEALISM included 9 items, giving an adequate Cronbach's alpha coefficient (0.89) (Hair et al., 1998). A composite variable was created as the average of the 9 items. This measurement was used in subsequent analyses as an index of idealism.

[Table 1]

Control variables. Two control variables corresponding to individual factors were included in the analysis. Firstly, we considered gender (GENDER), measured as a dummy variable taking value 1 for male respondents, and 0 otherwise. And, secondly, we included a variable (EXPERIENCE) that indicated the respondents' years of work experience.

Methodology

To test the hypotheses proposed in the theoretical section, we used the traditional mediation analysis methodology: hierarchical regression, following the causal steps proposed by Baron and Kenny (1986). This procedure requires the specification of three different regression models. In the first one, the dependent variable (both forms of stakeholder orientation, instrumental and normative, respectively) is regressed on the independent variable (business education) and control variables. In the second model, the mediating variable (respondents' idealism) is regressed on the independent variable (in this case, business education) and control variables. And in the third model, the dependent variable is regressed on the independent, mediating, and control variables.

The econometric models used to test the hypotheses were the following²:

$$1) \text{ STAKEHOLDER ORIENTATION} = \alpha + \beta_1 \text{ EDUCATION} + \beta_2 \text{ GENDER} + \beta_3 \text{ EXPERIENCE} + \varepsilon$$

$$2) \text{ IDEALISM} = \alpha + \beta_1 \text{ EDUCATION} + \beta_2 \text{ GENDER} + \beta_3 \text{ EXPERIENCE} + \varepsilon$$

$$3) \text{ STAKEHOLDER ORIENTATION} = \alpha + \beta_1 \text{ EDUCATION} + \beta_2 \text{ IDEALISM} + \beta_3 \text{ GENDER} + \beta_4 \text{ EXPERIENCE} + \varepsilon$$

where α is the constant; STAKEHOLDER ORIENTATION is the instrumental or normative stakeholder orientation, depending on the model; EDUCATION, IDEALISM, GENDER and EXPERIENCE are the variables defined in the previous section; and ε is the error term.

The method devised by Baron and Kenny (1986) for showing this indirect effect, which takes only the change in the significance of the coefficients through the corresponding regression models, has been criticised. As Holmbeck (1997) states, changes in the actual coefficients have to be taken into account and the test proposed by Sobel (1982) is undoubtedly the most widely used for this purpose.

Another method that is being increasingly used to test the existence of the indirect effect is the more rigorous and powerful bootstrap test (Zhao et al., 2010). This is a non-parametric resampling method that calculates the indirect effect in each sample and offers a confidence interval, so that if zero is not in the interval it can be stated that the indirect effect is different from zero (Bollen and Stine, 1990; Shrout and Bolger, 2002). These confidence intervals are better than the Sobel test because the latter makes an unrealistic assumption on the way in which the indirect effect is distributed in the sample (Hayes, 2009; Preacher and Hayes, 2004, 2008).

Results

Table 2 offers the main descriptive statistics of the variables. The first thing to be mentioned about the data gathered in the study is that the instrumental orientation is, on average, higher than the normative one and this difference is permanent no matter the education received. Specifically, although not shown in the table, average scores of the instrumental and the normative orientation were 5.65 and 4.36 respectively in the business students' subsample. The corresponding average scores in the non-business students' group were 5.16 and 4.84. Besides the prevalence of the instrumental orientation, it also must be noticed that the average gap between both approaches is significantly larger within the business students' subsample. In addition, Table 2 also shows the correlation coefficients of such variables. Although some of them showed a statistically significant correlation, following the empirical rule of Kleinbaum et al. (1998), analysis of the variance inflation factors (VIF) indicated that there was no evidence of multicollinearity because in no case was VIF above 10.

[Table 2]

In Table 3, business education (Models 1a and 1b) was used to explain stakeholder orientation, controlling for students' gender and work experience. Business education seemed to significantly affect instrumental and normative stakeholder orientation. More specifically, according to the results of Model 1a, business education had a positive effect on instrumental stakeholder orientation ($\beta=0.2$; $p<0.01$), thus confirming Hypothesis 1. Moreover, Model 1b revealed that business education influenced normative stakeholder orientation ($\beta=-0.13$; $p<0.10$), which was in line with Hypothesis H2. Also, since this influence was negative, higher scores in business education corresponded to lower stakeholder orientation from a normative point of view. Consequently, students exposed to business management theories tended to be more inclined to consider stakeholders as a means to their own end, and less willing to introduce moral values when relating to them.

Supporting our Hypothesis 3, business education also affected students' idealism ($\beta=-0.27$; $p<0.01$) (Model 2). The students that received more business education showed a lower level of idealism.

Furthermore, Hypothesis 4 considered the existence of a mediating effect on the part of idealism in the relation between business education and stakeholder orientation. Following Baron and Kenny (1986), in order for this mediation to exist, it is necessary for the variable that measures business education to be significant in the regressions on stakeholder orientation and on idealism (Models 1a, 1b, and 2). It is also necessary, when introducing business education and idealism variables in the same regression on stakeholder orientation, for the former to be non-significant or less significant and the latter to have a significant influence. Models 3a and 3b complied with this condition. As business education was also significant in the regression on instrumental stakeholder orientation (Model 3a), there was partial mediation regarding instrumental stakeholder orientation. However, business education was no longer significant in Model 3b, indicating a total mediation effect regarding normative stakeholder orientation, so the effect of business education was totally exerted through idealism.

We also found another interesting relation referring to one of our control variables: work experience. This variable positively affected normative stakeholder orientation, which meant that students with more work experience considered that firms should care for their stakeholders because that was the right thing to do.

[Table 3]

Figure 2 shows the relations between the three main variables considered in the research for the purpose of identifying the existence of mediation.

[Figure 2]

For showing the existence of this indirect effect, taking only the change in significance of the coefficients following Baron and Kenny (1986) has been criticised, so it may be advisable to take into account changes in the actual coefficients (Holmbeck, 1997). The effect of business education on stakeholder orientation, represented by its coefficient in Model 1a for instrumental stakeholder orientation ($\beta=0.20$) and in Model 1b for normative stakeholder orientation ($\beta=-0.13$), turned into a direct effect that can be quantified by its coefficients in Models 3a ($\beta=0.17$) and 3b ($\beta=-0.04$). So the indirect effect would be the difference between them (0.03; -0.09), which is 15% and 69% respectively. This indirect effect is equal to the result of multiplying the regression coefficients of business education in Model 2 ($\beta=-0.27$) by the coefficient for idealism in Models 3a ($\beta=-0.12$) and 3b ($\beta=0.34$). The test proposed by Sobel (1982) checked that both coefficients were different from zero so the presence of the indirect effect for business education regarding normative stakeholder orientation was corroborated ($Z=-3.089$; $p<0.01$), but did not hold regarding instrumental stakeholder orientation ($Z=1.56$; $p>0.1$).

Finally, bootstrapping is being increasingly used to test the existence of the indirect effect (Bollen and Stine, 1990; Shrout and Bolger, 2002). The results obtained by applying the macro for SPSS developed by Preacher and Hayes (2008) and including the control variables and 1,000 bootstrap samples indicated that, with a 95% confidence level, the indirect effect was different from zero and mediation by idealism was significant for both stakeholder orientations, thus confirming Hypothesis 4.

Conclusions

Drawing on Stakeholder Theory and on personal moral philosophies, this study analyses whether the type of higher education (business vs. non-business) received by individuals has

an influence on their stakeholder management orientation (instrumental and normative) and if this relationship is mediated by their level of idealism.

Our results indicate that business students tend to show a more instrumental, less normative, stakeholder management orientation than their non-business counterparts. This finding can be justified by some of the contents of management education. It is a fundamental task of such programs to develop students' cost-benefit reasoning and inculcate the idea that firms are mainly driven by competition so trade-offs between efficiency and equity have to be done. In this sense, business students are generally exposed to assertions such as *self-interest leads to the welfare of society*, *actors in a business context are opportunistic in nature*, and *the only valid objective is to maximise your own utility function*, which they are likely to embrace. In this situation, and in line with the first step of Rest's (1986) model of moral decision-making, when managing stakeholders' relations such students are likely to recognise moral issues related to the duty to act for the benefit of the company and loyalty towards shareholders while attending other may not represent a factual moral issue. Moreover, and moving on to the second step of Rest's (1986) model, once business students recognise that considering stakeholders' interests does represent a moral issue in one way or another, the sort of teaching they have received is likely to lead them to judge the morally right action according to ethical egoism. In relation to stakeholder management, the main principle of this ethical theory may be the statement by Jones et al. (2007:138): "The welfare of others is relevant to an egoist only if it affects his or her welfare; it has no independent moral standing". Furthermore, from a utilitarian point of view, egoistic behaviour is also justified as it may increase general welfare, following Adam Smith's idea of the invisible hand. It may therefore be understandable for business students to be more instrumentally-oriented and less normatively-oriented in dealing with stakeholders.

Our findings also suggest that business students have a lower level of idealism, which is in line with some previous empirical research (Deering et al., 1994, 1994; Ibrahim et al., 2010). Thus, to the extent that idealism involves concern for the welfare of others and avoidance of negative consequences for others (Forsyth, 1980, 1992), management education may be lowering the level of students' idealism: Business programs usually teach that self-interest is the key motivation for an individual's behaviour, and also the realistic fact that most decisions entail benefits for some individuals or firms, and costs for some others.

Finally, the results also support the idea that idealism mediates the relationship between type of education and stakeholder management orientation. On the one hand, the impact of individuals' education on their instrumental orientation is partially exerted through their level of idealism. So, although the influence of the personal characteristic of idealism is relevant, the main determinant for the instrumental orientation is education, as explained above. On the other hand, in the presence of idealism, students' education only exerts an indirect effect on their normative orientation through the above-mentioned dimension of personal moral philosophy.

When considering stakeholder management as part of the complex task of running a business, idealism may have positive effects. If a highly idealistic individual is responsible for a firm's decision-making, it is rather reasonable to believe that he or she is not going to give preference to his or her self over the interests of the firm, and it will be more likely to build trust-based relationships with stakeholders, which may lead to a competitive advantage. However, it has to be noted that idealism in managers may also have negative economic effects for their companies. Firstly, since trade-offs are rather common in business, an idealistic individual may be unwilling to make decisions that potentially could harm some stakeholders and this lack of decision, or at least, the subsequent delay, may result in a competitive disadvantage if competitors move first. And secondly, as comparing positive and

negative consequences of a decision is considered inappropriate by highly idealistic individuals, cost-benefit reasoning may be not applied in certain situations, which might lead to making inefficient decisions and, consequently, to a competitive disadvantage.

We also found other interesting relations referring to the control variables. Firstly, gender affects the instrumental stakeholder management orientation, but only marginally. Specifically, female respondents tend to exhibit a lower instrumental orientation. A possible explanation could be found in the ethics of caring (Gilligan, 1982) which proposes that women speak and act in the language of caring and responsibilities. This means that, in the context of a relationship –between a firm and its stakeholders, for example–, women are likely to believe that all parties in the relationship have responsibilities (Burton and Dunn, 1996) and both their own good and the good of others must be considered when deciding what is the right course of action. In this sense, previous empirical papers found that females are likely to be more concerned about their duties to different stakeholders (Simgan-Mugan, Daly et al., 2005) and also that they have values more sensitive to others than males (Eaton and Giacominio, 2001). Secondly, work experience positively influences the normative stakeholder management orientation. This finding means that individuals who have been working for more years are more willing to take stakeholders' interests into account because of their intrinsic worth. A possible explanation for this could be that, due to their own work experience, they see themselves more as a stakeholder in the business context and may therefore value the consideration of their claims beyond instrumental motives. In general, this fact may be consistent with the results of some previous empirical studies which suggest that individuals with more years of work experience tend to have a less egocentric attitude (Keller et al., 2007), and to consider other parties' interests when facing ethical dilemmas (Eweje and Brunton, 2010).

Our results have some limitations. Firstly, our research design was cross-sectional in nature, so explicit conclusions cannot be drawn about variable causality (Valentine and Bateman, 2011). It would have been interesting to measure the level of idealism and the stakeholder orientation of our sample's individuals before they started their higher education. This would have enabled us to observe any changes caused by students' exposure to management theories, concepts, and so on. Secondly, the observed differences between business and non-business students could be explained by a self-selection effect, which would imply that individuals who follow business studies are less idealistic, more instrumentally-oriented, and less normative-oriented. Empirical evidence is contradictory and some studies found a significant self-selection effect (Frank and Schulze, 2000; Frey and Meier, 2003) while others did not (Neubaum et al., 2009; Wang et al., 2011). In any case, it appears to be reasonable to consider that both personal or innate characteristics and the type of higher education received may be influencing respondents conduct (Pfeffer, 2005). Besides, the data for the study was collected using a questionnaire so there might be a social desirability bias. The nature of the topic under investigation might have led some respondents to reply in a way that they consider socially acceptable to others (Valentine and Fleischman, 2008). This would have resulted in overvaluation of idealism and the normative stakeholder orientation and undervaluation of the instrumental stakeholder orientation. And, finally, according to Yezer et al. (1996) conclusions, we have to be aware that the behaviour of undergraduate students of economics in surveys or specialised games may be different at least in some way than the one shown in the "real-word".

This study may be relevant for teaching in business education. In general terms, to the extent that business schools have freed their students from moral responsibilities (Ghoshal, 2005) and considering the influence shown in our results that management education has on individuals' concern for others, the promotion of ethics training should be reinforced as it has

a positive effect on ethical behaviour and moral reasoning (Delaney and Sockell, 1992; Lau, 2010; Weber, 1990). In particular, Treviño (1992) suggests that moral education and training may be especially relevant in influencing moral development (Kohlberg, 1969). As we have mentioned above, business education today seems to be fostering the lowest level of moral development, which is labelled pre-conventional and is characterised by the prevalence of personal, material interests. Therefore, if ethical courses were more included in business education and business ethics was efficiently taught, students would be more likely to advance to both subsequent levels of moral development. At the next level up referred to as the conventional level, individuals live up to the expectations of their peers (Martynov, 2009; Treviño, 1992). Regarding this level, management education should aim to develop the image of business people as cooperative individuals concerned for the economic and social welfare. At the third level, called post-conventional, individuals are guided by strongly held values and principles, are loyal to humans in general, and actively promote the welfare of others (Logsdon and Yuthas, 1997; Martynov, 2009; Treviño, 1992). In relation to this level, business education could teach students that there are some values or principles, such as Human Rights, that should be respected always, even if this entails a suboptimal economic outcome for oneself.

Unlike most management theories, which separate business decisions from ethical decisions (Freeman, 1994), stakeholder theory is grounded on a) the integration of both areas of decision, and b) the responsibility principle which states that “most people, most of the time, want to, and do, accept responsibility for the effects of their actions on others” (Freeman et al., 2010: 8-9). However, although stakeholder theory is widely taught in business schools, there is a bias towards an instrumental approach in the way it is explained (Donaldson and Preston, 1995). Therefore, stakeholders are commonly understood as groups or individuals who can affect the achievement of traditional corporate objectives, without enough

consideration as to whether they are affected by them. This understanding is consistent with the findings of this paper. If we desire to complement the predominant instrumental orientation presented to business students with a normative orientation, ethical theories and moral concepts should be included when teaching stakeholder theory and, in general, when teaching management. It might be interesting to link stakeholder theory with the development of ethics of care ideas such as *caring for all with whom we have a relationship* and *giving special attention to the least advantaged members of the moral community* (Burton and Dunn, 1996), or the Kantian notion of “Do unto others as you would have them do unto you” (described in Jones et al., 2007:139), or the Rawlsian fairness considerations on how to distribute a result or an outcome among different parts with justice (also described in Jones et al., 2007).

Finally, further research could move forward in the ethical decision-making process as the stakeholder management approach as discussed here is related only to the first two stages: recognizing a moral issue, and making a moral judgment in business decisions that may affect stakeholders’ welfare. It has been proposed that business education and the level of idealism may affect recognition of a moral issue and how to judge the right course of action. In consequence, the approach to stakeholder theory was qualified as more or less instrumental and normative. This same reasoning could be followed in new research studies to check if the stages of establishing intent and making real decisions on stakeholders are also influenced by business education and idealism in decision makers. For this purpose, a new questionnaire measuring the instrumental and/or normative approach adopted at the time of forming intent and making decisions would be required, as well as a sample composed of business practitioners instead of students.

Furthermore, it might be of interest to develop research on personal moral philosophies, including relativism (Forsyth, 1980, 1992) in the analyses. Some ethical scenarios could be

created representing a business context in which a stakeholder-related problem occurs to see how respondents would solve the problem. Another possibility would be to differentiate among several stakeholders, such as shareholders, employees or society, in order to compare individuals' instrumental and normative orientations towards each of them.

Notes

1. The other five components of moral intensity according to Jones (1991) are: magnitude of consequences, social consensus, probability of effect, temporal immediacy and concentration of effect.
2. We repeated the regression models considering a problem of heteroscedasticity with robust estimations and the results did not vary significantly.

References

- Barnett, T., Bass, K., & Brown, G. (1996). Religiosity, ethical ideology, and intentions to report a peer's wrongdoing. *Journal of Business Ethics* 15(11), 1161-1174.
- Barnett, T., Bass, K., Brown, G., & Hebert, F.J. (1998). Ethical ideology and the ethical judgments of marketing professionals. *Journal of Business Ethics* 17(7), 715-723.
- Baron, R.M., & Kenny, D.A. (1986). The moderator-mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology* 51(6), 1173-1182.
- Berman, S.L., Wicks, A.C., Kotha, S., & Jones, T.M. (1999). Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance. *Academy of Management Journal* 42(5), 488-506.
- Bollen, K.A., & Stine, R. (1990). Direct and indirect effects: Classical and bootstrap estimates of variability. *Sociological Methodology* 20, 115-140.
- Bowes-Sperry, L., & Powell, G.N. (1999). Observers' reaction to social-sexual behavior at work: An ethical decision making perspective. *Journal of Management* 25(6), 779-802.
- Burton, B.K., & Dunn, C.P. (1996). Feminist ethics as moral grounding for stakeholder theory. *Business Ethics Quarterly* 6(2), 133-147.
- Cennamo, C., Berrone, P., & Gomez-Mejia, L.R. (2009). Does stakeholder management have a dark side? *Journal of Business Ethics* 89(4), 491-507.

- Chan, S.Y., & Leung, P. (2006). The effects of accounting students ethical reasoning and personal factors on their ethical sensitivity. *Managerial Auditing Journal* 21, 436-457.
- Delaney, J.T., & Sockell, D. (1992). Do company ethics training programs make a difference? An empirical analysis. *Journal of Business Ethics* 11(9), 719-727.
- Deering, T.E., Cavenagh, T.D., Kelley, K., & Stanutz, A.G. (1994). Absolutism versus relativism: Philosophies of education and business Majors. *Educational Horizons* 72(3), 146-152.
- Donaldson, L. (2002). Damned by our own theories: Contradictions between theories and management education. *Academy of Management Learning & Education* 1(1), 96-106.
- Donaldson, T., & Preston, L. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of Management Review* 20(1), 65-91.
- Eaton, T.V., & Giacomino, D.E. (2001). An examination of personal values: Differences between accounting students and managers and differences between genders. *Teaching Business Ethics* 5(2), 213-229.
- Emiliani, M.L. (2004). Is management education beneficial to society? *Management Decision*, 42(3/4), 481-498.
- Eweje, G., & Brunton, M. (2010). Ethical perceptions of business students in a New Zealand university: Do gender, age and work experience matter? *Business Ethics: A European Review* 19(1), 95-111.
- Fernández-Gago, R., & Martínez-Campillo, A. (2012). Teaching business management from a perspective beyond self-interest. *Innovar: Journal of Administrative and Social Sciences* 22(46), 165-174.
- Ferrell, O.C., & Gresham, L.G. (1985). A contingency framework for understanding ethical decision making in marketing. *Journal of Marketing* 49(3), 87-96.
- Ford, R.C., & Richardson, W.D. (1994). Ethical decision making: A review of the empirical literature. *Journal of Business Ethics* 13(3), 205-221.
- Forsyth, D.R. (1980). A taxonomy of ethical ideologies. *Journal of Personality and Social Psychology* 39, 175-184.
- Forsyth, D.R. (1992). Judging the morality of business practices: The influence of personal moral philosophies. *Journal of Business Ethics* 11(5-6), 461-470.

- Forsyth, D.R., & Nye, J.L. (1990). Personal moral philosophy and moral choice. *Journal of Research in Personality* 24, 398-414.
- Forsyth, D.R., Nye, J.L., & Kelley, K. (1988). Idealism, relativism, and the ethic of caring. *Journal of Psychology* 122, 243-248.
- Forsyth, D.R., O'Boyle, E.H. Jr., & McDaniel, M.A. (2008). East meets west: A meta-analytic investigation of cultural variations in idealism and relativism. *Journal of Business Ethics* 83(4), 813-833.
- Frank, R.H., Gilovich, T., & Regan, D.T. (1993). Does studying economics inhibit cooperation? *Journal of Economic Perspectives* 7(3), 159-171.
- Frank, B., & Schulze, G.G. (2000). Does economics make citizens corrupt? *Journal of Economic Behavior & Organization* 43(1), 101-113.
- Freeman, R.E. (1984). *Strategic management: A stakeholder approach*. Pitman Publishing, Boston.
- Freeman, R.E. (1994). The politics of stakeholder theory. *Business Ethics Quarterly* 4(4), 409-421.
- Freeman, R.E. (2002). Stakeholder theory of the modern corporation. In T. Donaldson et al. (eds.), *Ethical Issues in Business*, 7th Edition. Prentice Hall, New Jersey.
- Freeman, R.E. (2010). Managing for stakeholders: Trade-offs or value creation. *Journal of Business Ethics* 96(1):7-9.
- Freeman, R.E., Harrison, J.S., Wicks, A.C., Parmar, B.L., & de Colle, S. (2010). *Stakeholder theory: The state of the art*. Cambridge University Press, Cambridge, UK.
- Freeman, R.E., Martin, K. & Parmar, B. (2007). Stakeholder capitalism. *Journal of Business Ethics* 74(4):303-314.
- Frey, B.S., & Meier, S. (2003). Are political economists selfish and indoctrinated? Evidence from a natural experiment. *Economic Inquiry* 41(3), 448-462.
- Friedman, M. (1962). *Capitalism and freedom*. Chicago University Press, Chicago.
- Ghoshal, S. (2005). Bad management theories are destroying good management practices. *Academy of Management Learning & Education* 4(1), 75-91.

- Giacalone, R.A. & Thompson, K.R. (2006). Business Ethics and Social Responsibility Education: Shifting the Worldview. *Academy of Management Learning & Education* 5(3), 266-277.
- Gilligan, C. (1982). *In a different voice*. Harvard University Press, Cambridge, USA.
- Hair, J.E., Anderson, R.E., Tatham, R.L., & Black, W.C. (1998). *Multivariate data analysis*. Prentice-Hall, New Jersey, 5th Edition.
- Hambrick, D.C. (1994). What if the Academy actually mattered? *Academy of Management Review* 19(1), 11-16.
- Hart, S.L. (1995). A natural-resource-based view of the firm. *Academy of Management Review* 20(4), 986-1014.
- Hasnas, J. (2013). Whither stakeholder theory? A guide for the perplexed revisited. *Journal of Business Ethics* 112(1), 47-57.
- Hayes, A.F. (2009). Beyond Baron and Kenny: Statistical mediation analysis in the new millennium. *Communication Monographs* 76, 408-420.
- Henle, C., Giacalone, R., & Jurkiewicz, C. (2005). The role of ethical ideology in workplace deviance. *Journal of Business Ethics* 56(3), 219-230.
- Heugens, P.P., van den Bosch, F.A.J., & van Riel, C.B.M.. (2002). Stakeholder integration. *Business & Society* 41(1), 36 -60.
- Hillman, A.J., & Keim, G.D. (2001). Shareholder value, stakeholder management, and social issues: What's the bottom line? *Strategic Management Journal* 22, 125-139.
- Holmbeck, G.N. (1997). Toward terminological, conceptual, and statistical clarity in the study of mediators and moderators: Examples from the child-clinical and paediatric psychology literatures. *Journal of Consulting and Clinical Psychology* 65, 599-610.
- Hunt, S.D., & Vitell, S.G. (1986). A general theory of marketing ethics. *Journal of Macromarketing* 6(1), 5-16.
- Ibrahim, N., Tomic, I., & Parsa, F. (2010). The impact of students' major area of study on their ethical ideology'. In R.A. Oglesby et al. (wds.): *Business research yearbook. Global Business Perspectives*, (pp. 332-337). Publication of the International Academy of Business Disciplines.

- Jensen, M. (2002). Value maximization, stakeholder theory, and the corporate objective function. *Business Ethics Quarterly* 12(2), 235-256.
- Jensen, M., & Meckling, W. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics* 3, 305-360.
- Jones, T.M. (1991). Ethical decision making by individuals in organizations: An issue contingent model. *Academy of Management Review* 16(2), 366-395.
- Jones, T.M. (1995). Instrumental stakeholder theory: A synthesis of ethics and economics. *Academy of Management Review* 20(2), 404-437.
- Jones, T.M., Felps, W., & Bigley, G.A. (2007). Ethical theory and stakeholder-related decisions: The role of stakeholder culture. *Academy of Management Review* 32(1), 137-155.
- Keller, A.C., Smith, K.T., & Smith, L.M. (2007). Do gender, educational level, religiosity, and work experience affect the ethical decision-making of U.S. accountants? *Critical Perspectives on Accounting* 18(3), 299-314.
- Kleinbaum, D.G., Kupper, L.L., & Muller, K.E. (1998). *Applied regression analysis and other multivariable methods*. PWS-KENT Publishing Company, Boston.
- Kochan, T.A. (2002). Addressing the crisis in confidence in corporations: Root causes, victims, and strategies for reform. *Academy of Management Executive* 16(2), 139-141.
- Kohlberg, L. (1969). Stage and sequence: The cognitive-developmental approach to socialization. In D.A. Goslin (Ed.), *Handbook of socialization theory and research*, (pp. 347-480). Rand McNally, Chicago.
- Lämsä, A.M., Vehkaperä, M., Puttonen, T. & Pesonen, H.L. (2008). Effect of Business Education on Women and Men Students' Attitudes on Corporate Responsibility in Society. *Journal of Business Ethics* 82(1):45-58.
- Lau, C.L. (2010). A step forward: Ethics education matters. *Journal of Business Ethics* 92(4), 565-584.
- Leavitt, H.J. (1989). Educating our MBAs: On teaching what we haven't taught. *California Management Review* 31(3), 38-50.
- Loe, T.W., Ferrell, L., & Mansfield, P. (2000). A review of empirical studies assessing ethical decision making in business. *Journal of Business Ethics* 25(3), 185-204.

- Logsdon, J.M., & Yuthas, K. (1997). Corporate social performance, stakeholder orientation, and organizational moral development. *Journal of Business Ethics* 16(12-13), 1213-1226.
- Maitland, I. (1994). The morality of the corporation: An empirical or normative disagreement? *Business Ethics Quarterly* 4(4), 445-458.
- Martynov, A. (2009). Agents or stewards? Linking managerial behavior and moral development. *Journal of Business Ethics* 90(2), 239-249.
- Minoja, M. (2012). Stakeholder management theory, firm strategy, and ambidexterity. *Journal of Business Ethics* 109(1):67-82.
- Mintzberg, H., & Gosling, J. (2002). Educating managers beyond borders. *Academy of Management Learning & Education* 1(1), 64-76.
- Mitchell, R.K., Agle, B.R., & Wood, D.J. (1997). Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts. *Academy of Management Review* 22, 853-886.
- Mitroff, I.I. (2004). An open letter to the deans and faculties of American business schools. *Journal of Business Ethics* 54, 185-189.
- Neubaum, D., Pagell, M., Drexler, J., Ryan, F.M.K., & Larson, E. (2009). Business education and its relationship to student personal moral philosophies and attitudes toward profits: An empirical response to critics. *Academy of Management Learning & Education* 8(1), 9-24.
- Okun, A. (1975) *Equality and Efficiency: The Big Tradeoff*. Brookings Institution, Washington, D.C.
- Pfeffer, J. (2005). Why do bad management theories persist? A comment on Ghoshal. *Academy of Management Learning & Education* 4(1), 101-103.
- Pfeffer, J., & Fong, C.T. (2002). The end of business schools? Less success than meets the eye. *Academy of Management Learning & Education* 1(1), 78 -95.
- Phillips, R.A., Freeman, R.E., & Wicks, A.C. (2003). What stakeholder theory is not? *Business Ethics Quarterly* 13(4), 479-502.
- Porter, M.E. (1980). *Competitive Strategy*. Free Press, New York.
- Preacher, K.J., & Hayes, A.F. (2004). SPSS and SAS procedures for estimating indirect effects in simple mediation models. *Behaviour Research Methods* 36, 717-731.

- Preacher, K.J., & Hayes, A.F. (2008). Asymptotic and resampling strategies for assessing and comparing indirect effects in multiple mediator models. *Behaviour Research Methods* 40, 879-891.
- Rest, J.R. 1986. *Moral development: Advances in research and theory*. Praeger, New York.
- Rest, J.R., & Narvaez, D. (1994). *Moral development in the professions: Psychology and applied ethics*. Lawrence Erlbaum, New Jersey.
- Sharma, S., & Vredenburg, H. (1998). Proactive corporate environmental strategy and the development of competitively valuable organizational capabilities. *Strategic Management Journal* 19(8), 729-753.
- Shrout, P.E., & Bolger, N. (2002). Mediation in experimental and nonexperimental studies: New procedures and recommendations. *Psychological Methods* 7, 422-445.
- Simgan-Mugan, C., Daly, B.A., Onkal, D., & Kavut, L. (2005). The influence on nationality and gender on ethical sensitivity: An application of the issue contingent model. *Journal of Business Ethics* 57(2), 139-159.
- Singhapakdi, A., Vitell, S.J., & Franke, G.R. (1999). Antecedents, consequences, and mediating effects of perceived moral intensity and personal moral philosophies. *Journal of the Academy of Marketing Science* 27(1), 19-36.
- Smith, A. (1904). *An inquiry into the nature and causes of the wealth of nations*, 5th Edition. First published 1776. London: Edwin Cannan. Retrieved December 3, 2008, from <http://www.econlib.org/library/Smith/smWN1.html>
- Sternberg, E. (1997). The defects of stakeholder theory. *Corporate Governance: An International Review* 5(1), 3-10.
- Tillmann, G. (2005). The equity-efficiency trade-off reconsidered. *Social Choice & Welfare* 24(1): 63-81.
- Treviño, L.K. (1986). Ethical decision making in organizations: A person-situation interactionist model. *Academy of Management Review* 11(3), 601-617.
- Treviño, L.K. (1992). Moral reasoning and business ethics: Implications for research, education and management. *Journal of Business Ethics* 11(5-6), 445-459.
- Treviño, L.K., Weaver, G.R., & Reynolds, S.J. (2006). Behavioral ethics in organizations: A review. *Journal of Management* 32(6), 951-990.

- Valentine, S.R., & Bateman, C.R. (2011). The impact of ethical ideologies, moral intensity, and social context on sales-based ethical reasoning. *Journal of Business Ethics* 102(1), 155-168.
- Valentine, S.R., & Fleischman, G. (2008). Ethics programs, perceived corporate social responsibility and job satisfaction. *Journal of Business Ethics* 77(2), 159-172.
- Velasquez, M.G., & Rostankowski, C. (1985). *Ethics: Theory and practice*. Prentice-Hall, New Jersey.
- Waddock, S., & Graves, S. (1997). The corporate social performance-financial performance link. *Strategic Management Journal* 18(4), 303-319.
- Wang, L., Malhotra, D., & Murnighan, J.K. (2011). Economics education and greed. *Academy of Management Learning & Education* 10(4), 643-660.
- Weber, J. (1990). Measuring the impact of teaching ethics to future managers: A review, assessment, and recommendations. *Journal of Business Ethics* 9(3), 183-190.
- Yezer, A.M., Goldfarb, R.S., & Poppen, P.J. (1996). Does studying economics discourage cooperation? Watch what we do, not what we say of how we play. *Journal of Economic Perspectives* 10(1), 177-186.
- Zhao, X., Lynch, J.G., & Chen, Q. (2010). Reconsidering Baron and Kenny: Myths and truths about mediation analysis. *Journal of Consumer Research* 37(2), 197-206.

APPENDIX. Measurement scales

Stakeholder orientation

(Likert-type scale, from 1 = strongly disagree, to 7 = strongly agree)

“Firms should take into account their stakeholders’ interests only when such groups may affect firms’ activities and goals now or in the future”.

“Firms should always take into account their stakeholders’ interests because that is the right thing to do, even when such groups are not able to affect firms’ activities and goals now or in the future”.

Idealism

(Likert-type scale, from 1 = strongly disagree, to 7 = strongly agree)

Idealism 1. People should make certain that their actions never intentionally harm others, even to a small degree.

Idealism 2. Risks to others should never be tolerated, irrespective of how small the risks might be.

Idealism 3. The existence of potential harm to others is always wrong, irrespective of the benefits to be gained.

Idealism 4. One should never psychologically or physically harm another person.

Idealism 5. One should not perform an action which might in any way threaten the dignity or welfare of another individual.

Idealism 6. If an action might harm an innocent other, then it should not be done.

Idealism 7. Deciding whether or not to perform an act by balancing its positive consequences against its negative consequences is immoral.

Idealism 8. The dignity and welfare of the people should be the most important concern in any society.

Idealism 9. It is never necessary to sacrifice the welfare of others.

Idealism 10. Moral behaviours are actions that closely match ideals of the most "perfect" action.