

AN EMPIRICAL INVESTIGATION OF THE MORAL JUDGMENT DEVELOPMENT OF TAIWANESE PROCUREMENT EXECUTIVES

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The issue of ethical behavior in procurement has become increasingly critical to many organizations. A sample of 213 procurement executives from large Taiwanese companies was assessed in terms of their moral judgment development measured by the Defining Issues Test (Rest, 1979). The findings indicate that Taiwanese procurement executives focus more on the conventional level than on the postconventional level of moral judgment development. Taiwanese procurement personnel at a higher management level will have higher overall scores for moral judgment development than those at a lower management level, and upper management focus less on mutually satisfying outcomes and group harmonization than do middle or lower levels.

Keywords: moral judgment development, Defining Issues Test, procurement executives, procurement ethics.

With the business environment becoming increasingly competitive in recent years, procurement personnel are facing ever greater ethical challenges. Not only do these people hold opportunities to spend millions of dollars to acquire a company's production resources, the procurement department functions prominently as a window through which the external business communities view the firm's operations. During the past decades, considerable attention has been paid to the ethics of procurement professionals (e.g., Forker & Janson, 1990; Handfield & Baumer, 2006). However, scant attention has been paid to the moral judgment development (MJD) of procurement personnel.

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Individual predispositions and MJD stages are central to the decisions people make about whether or not to behave ethically (Kohlberg, 1969; Rest, 1986). A person's developmental stage of moral judgment and his/her moral philosophy play an important role in how values and actions are shaped in the workplace (LeClair, Ferrell, & Fraedrich, 1998). Therefore, it is reasonable to expect procurement personnel with different levels of MJD to exhibit different business behaviors. Furthermore, with increasing globalization, the challenges are particularly great because a behavior regarded as customary in one country might be regarded as unethical in another country. Therefore, the study of the MJD of procurement professionals may have an important bearing on the ethical expectations or predispositions that the parties to any purchasing occasion bring with them to the negotiation table.

However, while the study of the MJD of businesspeople has a rich history in business ethics research, there is only one study that the authors have uncovered which focused on the MJD of procurement personnel. Ford, LaTour, and Henthorne (2000) used the Defining Issues Test (DIT; Rest, 1979) as a mechanism to measure the moral judgment levels of Japanese procurement executives. There is still a vast space left for research on the MJD of procurement personnel. As a number of studies have concluded that individuals with different national and/or cultural backgrounds will possess different levels of MJD (e.g., Ma & Cheung, 1996), one may intuitively anticipate that procurement executives in other countries will have different MJD from that of Japanese procurement executives. Ford et al. also suggested that it is relevant to assess the MJD of procurement executives in different countries. Therefore, to extend research on the MJD of procurement personnel, the purpose of this study was to examine the MJD of Taiwanese procurement executives.

LITERATURE REVIEW AND HYPOTHESES

MORAL JUDGMENT DEVELOPMENT (MJD)

The theory of cognitive moral development proposed by Kohlberg (1969) has been widely used in understanding the reasons that people use in making moral judgments. According to Kohlberg's cognitive moral development theory, *MJD is the extent to which consideration should ideally be given to resolve a particular ethical dilemma, and it describes the sophisticated cognitive moral structure that an individual is potentially capable of utilizing.* Kohlberg theorizes that moral judgment involves a sequential series of six increasingly complex developmental stages. Each successive stage requires more complex thinking and involves the individual's consideration of an increasingly wide range of persons and institutions. Table 1 shows the six MJD stages. MJD can be divided into three major levels: preconventional level (stages 1 and 2), conventional

level (stages 3 and 4), and postconventional level (stages 5 and 6). The pre-conventional level focuses on the consequences of decisions for the self. This level is typically characterized by moral decisions based on rewards and/or punishments. What is important here is the perceived physical power of the individuals who set the rules and limitations. The conventional level deals with the in-group of family, friends, and peers. This level is characterized by the adherence to norms which have been established by external groups such as society and peer groups. Adherence to rules is important but the the well-being of others is also a primary consideration. The postconventional level focuses on principles for humanity in general. This level involves moral judgment driven by the commitment of the individual to personally selected universal ideals, rather than to group norms.

TABLE 1
KOHLBERG'S SIX STAGES OF MORAL JUDGMENT DEVELOPMENT

Preconventional level – focus on self	
Stage 1	Obedience: You do what you are told primarily to avoid punishment.
Stage 2	Instrumental egotism and simple exchange: Let's make a deal, or, only consider the costs and/or benefits to oneself.
Conventional level – focus on relationship with others	
Stage 3	Interpersonal concordance: Be considerate, nice, and kind and you will get along with people. Focus is on cooperation with those in your environment.
Stage 4	Law and duty to the social order: Everyone in society is obligated to and is protected by the law. Focus is on cooperation with society in general.
Postconventional level – focus on personally held principles of justice	
Stage 5	Societal consensus: You are obligated by whatever arrangements are agreed to and by due process and procedure. Focus is on fairness of the law or rule as determined by equity and equality in the process of developing the rule.
Stage 6	Nonarbitrary social cooperation: Rational and impartial people would view cooperation as moral. Focus is on fairness of the law or rules derived from general principles of justice and what is right as determined by rational people.

Note: Adapted from Rest (1979).

Kohlberg argues that individuals respond differently to ethical issues in accordance with their stage of MJD. In a review of the literature on moral cognition/action, Blasi (1980) concludes that individuals at a higher moral development stage are more likely to resist the pressure of conforming to the judgments of others. While there is a statistical relationship between moral development and moral action, MJD cannot totally explain ethical/unethical behavior. Individuals at a higher stage are not always more honest and altruistic, and postconventional level individuals are not always more likely to resist social pressure to conform in moral action. MJD is not an evolutionary developmental process with higher stages being reached signaling greater levels of morality.

Accordingly, a “higher stage of moral development is a necessary but not sufficient condition for moral behavior such as honesty, altruism, and resistance to temptation” (Trevino, 1986, p. 609).

The Defining Issues Test (DIT), developed by Rest (1979), is a major measurement tool that has traditionally been widely employed by researchers in MJD research to measure individual MJD. From the standpoint of procurement management, however, only Ford et al. (2000) have used the DIT to examine the MJD of procurement personnel. They found that Japanese procurement executives demonstrated more focus on the conventional than on the postconventional level of MJD.

RESEARCH HYPOTHESES

When placed in a particular ethical situation, individualist and collectivist procurement executives can often make different decisions. Individualists have a high need for personal achievement and tend to believe that personal goals and interests are more important than group interests, while collectivists’ identities are based on the social system rather than on the self (Hofstede & Hofstede, 2005). To protect a group’s good reputation and to obey the code of conduct of the group, collectivist procurement executives may be more likely to behave ethically than the individualists. Therefore, greater adherence to the conventional stages of MJD should be found in more collectivist cultures, such as Taiwan, versus the more individualistic U.S. culture. In addition, uncertainty avoidance would, to a certain extent, support this expected difference in levels of MJD. *Uncertainty avoidance is the ability to cope with uncertainty through ritual, based upon rule orientation, employment stability, and stress* (Hofstede & Hofstede). As Taiwanese display a high level of uncertainty avoidance, Taiwanese procurement executives would be expected to demonstrate more focus on the conventional than on the postconventional level of MJD. This leads to the first research hypothesis:

H1 Taiwanese procurement executives will have higher scores for the conventional level than for the postconventional level of MJD.

Organizational ethical policies fall most commonly under the purview of top management. Middle management is less likely to concern itself with this issue (Brenner & Molander, 1977). While conducting a cross-cultural study of ethical beliefs in marketing for British and Chinese managers in Hong Kong, Lee (1981) found that there were significant differences between the moral standards of top and middle management. Middle management was found to be less ethically oriented than top management. Different levels of management may well result in different levels of MJD. One would expect that ethical concern at higher levels of management may be more than at lower levels of management among procurement personnel from the same firms. Moreover, power distance would,

to a certain extent, support this expected difference in levels of MJD for different management levels. Power distance may relate to the likelihood of subordinates to perform unethical actions in response to superiors' pressure and the code of ethics of their group (Hofstede & Hofstede, 2005). As Taiwanese businesses operate at a higher level of power distance, lower level managers have greater pressure on them to maintain the group harmonization than do their superiors. This leads to the second research hypothesis:

H2 Taiwanese procurement personnel at a higher management level will have higher overall MJD scores than personnel at a lower management level.

METHOD

PARTICIPANTS AND PROCEDURE

Managers in procurement departments of the 500 largest firms in Taiwan took part in the study. A packet containing three questionnaires was mailed to the head of the procurement department for each company. The head was asked to fill out one questionnaire and pass the other two to procurement personnel who represented middle and lower management levels within the company. A total of 83 different companies with all three levels of management returned the questionnaires. The response rate was 16.6%. To test the nonresponse bias, the answers of early versus late respondents to the survey were compared (Armstrong & Overton, 1977). The results suggest that early respondents did not display statistically significant differences from late respondents. Therefore, the nonresponse bias was not significant in the study.

Two reliability criteria for the DIT, M score and consistency checks (Rest, 1979), were used to verify the internal consistency of the responses. Twelve respondents did not pass reliability checks and were discarded in the subsequent analyses. The final sample was composed of 71 complete groups in each of the three management levels (upper, middle, and lower) made up of 213 individuals. The age of respondents ranged from 23 to 64 years of age with a mean of 39.6 years and a standard deviation of 9.3 years. The years of procurement experience ranged from 1 year to 40 years, with a mean of 14.9 years and a standard deviation of 10.1 years.

INSTRUMENT

The Defining Issues Test (DIT) developed by Rest (1979) is a well-known instrument to measure the level of MJD within the individual through his or her responses to a series of six ethical dilemmas. After reading an outline of the situation for each dilemma, the respondent is asked to provide an answer on what should be done as well as a ranking of importance of a series of 12 items as to their relevance to the final decision that has been made, each employing a 5-point

scale with anchors of *great importance* and *no importance*. The respondent is then asked to pick out the four items most important to the decision which has been reached and rank them in order. Some researchers have argued that, of the six DIT scenarios, the Newspaper, Webster, and Student Takeover scenarios are culturally inappropriate in an Asian context since they focus on issues of little meaning to Asian cultures (Ford et al., 1997; Ma & Cheung, 1996). Therefore, the three-scenario version consisting of Heinz and the Drug, Doctor's Dilemma, and Escaped Prisoner, was used in this study. Although the Chinese translation of the DIT had been tested in previous studies (Ford et al.; Ma & Cheung), for this study we pretested the Chinese translation of the DIT with three Taiwanese procurement executives to ensure conceptual equivalence after an extensive back translation process was completed. Along with the DIT, some demographic questions on the level of management (upper, middle, lower) were also included in the final questionnaire.

The two most important measures of MJD using the DIT are the P and D scores. Both the P and D scores were used in this study. The P score is an index score which represents a summated measure of the weight given by the individual to principled moral considerations in the making of a moral decision (Rest, 1979). It puts the weight on the postconventional level of Kohlberg's moral judgment development. The P score has been the most widely used measure in DIT test comparisons even though it relies heavily on the later stages of moral judgment (Ford et al., 2000). A measure which incorporates sums of responses across different stages of moral development is the D score developed by Davison (1979). This is a more balanced measure of moral judgment without the heavy emphasis on moral relativism. All levels are considered with the same weighting. There is no greater emphasis placed on the higher stages of moral judgment. With the D score the assumption is that respondents will attach the greatest importance to statements that reflect most closely their own levels of reasoning and the score is, therefore, an empirically weighted sum which can measure more effectively the respondent's level of moral judgment.

RESULTS AND DISCUSSION

Table 2 shows the mean stage scores for the DIT for the sample of Taiwanese purchasing executives. As can be seen, for the entire sample, the scores for the conventional level are apparently higher than for the postconventional level of MJD. An independent samples *t* test also revealed that the difference is significant ($t = 5.98, p < 0.000$). Therefore the research hypothesis H1, that Taiwanese procurement executives demonstrate higher scores for the conventional level (stages 3 and 4) than for the postconventional level (stages 5 and 6) of MJD, was supported. As stage 3 focuses more on mutual benefits and stage 4 focuses on

rules, we reasoned that the results show that Taiwanese procurement executives' collectivist orientation with the group benefits takes precedence over any desire to achieve benefits for the individual. They appear to be concerned with mutually satisfying outcomes and group harmonization during the procurement negotiation process.

TABLE 2
A SUMMARY OF THE DIT MEAN STAGE SCORES ($N = 213$)

Stage ^a	Mean score (Standard Deviation)	Japanese sample ^b
Stage 2	1.009 (0.842)	0.249
Stage 3	11.802 (5.149)	15.692
Stage 4	19.924 (8.102)	20.385
Stage 5a	10.891 (5.483)	9.086
Stage 5b	3.279 (2.096)	2.037
Stage 6	6.013 (2.713)	5.569
Conventional level (stages 3 and 4)	31.726 (13.157)	36.077
Postconventional level (stages 5a, 5b, 6)	20.183 (9.056)	16.692
P score	33.62 (13.71)	27.82
D score	19.21 (8.13)	18.76

Notes: ^a the DIT does not measure Stage 1.

^b reported by Ford, LaTour, and Henthorne (2000).

This deduction is supported by the results of a study by Sheng, Chang, and French (1994) who used the DIT with a sample of Taiwanese businesspeople and found that Taiwanese businesspeople focused more on the conventional level than on the postconventional level of MJD. Table 2 also provides the results reported by Ford et al. (2000) which contained the DIT data for Japanese procurement executives. As can be seen, the Taiwanese scored higher on both the P and D scores than did the Japanese. However, we cannot say that Taiwanese procurement executives are more ethical than their Japanese counterparts since ethical behaviors may be fueled by the perceptions of decision situations (Rest, 1986). In addition, it is also clear that for both Taiwanese and Japanese procurement executives the stage scores for the conventional level are higher than for the postconventional level of MJD. This would be logical as both Taiwan and Japan are countries with collectivist values (Hofstede & Hofstede, 2005).

Table 3 shows the results of a comparison of MJD across the three different levels of management for all of the 71 companies. Analysis of variance (ANOVA) was employed to test whether or not the difference among the mean scores was statistically significant. As can be seen, there are significant differences in both the P and D scores across the management levels ($p < 0.01$). When comparing the means using Scheffe's test, significant differences for the P and D scores

were found in upper, middle, and lower management levels ($p < 0.05$). Taiwanese procurement agents at a higher management level had higher overall MJD scores than agents at a lower management level. Therefore, research hypothesis H2 was supported.

TABLE 3
THE DIT MEAN STAGE SCORES FOR DIFFERENT MANAGEMENT LEVELS

Stage	Upper management	Middle management	Lower management
Stage 2	0.893	1.014	1.030
Stage 3**	9.127	12.235	14.044
Stage 4	20.214	19.361	20.197
Stage 5a*	12.358	10.637	9.678
Stage 5b	4.036	3.319	2.482
Stage 6	6.138	5.984	5.917
Conventional level**	29.341	31.596	34.241
Postconventional level*	22.532	19.940	18.077
P score***	37.57	33.24	30.05
D score***	21.04	18.64	17.95

* $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

When examining the individual stage scores, significant differences were found only for stage 3 and stage 5a as well as for the conventional level and postconventional levels. The lower management respondents had the highest score for the conventional level while the upper management respondents had the highest score for the postconventional level. There are more individuals operating at the conventional level of MJD in the lower management group of respondents, while there are more individuals operating at the postconventional level in the upper management group. This leads us to conclude that as procurement executives reach higher levels of management within the company, there is a lessening of focus on group harmonization and mutually satisfying outcomes. The procurement personnel at a lower management level focus more on group norms while there is a greater focus on an intuitive humanist perspective for those at the upper level of management.

CONCLUSION

In this paper we extended the research on procurement ethics by using the DIT to examine the MJD of Taiwanese procurement executives. The results reveal that Taiwanese procurement executives demonstrate higher stage scores for the conventional level than for the postconventional level of MJD, and that Taiwanese procurement personnel at a higher management level will have higher

overall scores than those at a lower management level for the DIT scores. While industrial marketers dealing with Taiwan would be well served to understand the ethical motivations and perceptions of potential Taiwanese purchasers, in this study we attempted to facilitate this understanding through an examination of the MJD of Taiwanese procurement executives. Westerners should try to uncover the basic values of Taiwanese people with whom they negotiate. The present research results suggest that during procurement negotiation Taiwanese procurement executives would focus more on the group harmony and well-being of their companies than on their own personal gains.

Any study such as this has limitations. This study, like any other ethics research, has the potential to be biased by responses from participants who say or do what is socially desirable, not what they actually believe. However, the fact that the survey was voluntary and anonymous may have minimized this problem to some extent. This study has limited external validity as the sample frame is restricted to Taiwan. Making generalizations about the MJD of procurement executives in other countries based on the results of this study is not appropriate without further research. With increasing globalization in the business environment, contemporary industrial marketers have increasing opportunities to communicate with procurement professionals with different cultural backgrounds. Because culture plays such a potentially important role in MJD, it would be relevant to understand the possible cross-cultural differences in the MJD of procurement professionals. Future research could examine the MJD of procurement executives in many countries.

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