

Positive Outcomes in the Context of Non-Willful Moral Failure

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ABSTRACT

In this dissertation, I define and draw attention to a phenomenon I call “non-willful moral failure”, and make a case for why it should be taken seriously by business ethics scholars. Even given ethical intent and moral awareness, individuals are still likely to *experience* causing harm to groups and individuals they care about. I substantiate this claim by showing how non-willful moral failure derives from prominent features of human psychology: (1) bounded rationality, or awareness (Bazerman & Tenbrunsel, 2011); and (2) multiple, distinct cooperative motivations (Tomasello, 2016).

Because of their responsibilities to multiple stakeholders, business managers and executives are particularly likely to experience non-willful moral failure. We therefore need to work towards understanding the conditions under which this experience will coincide with positive outcomes. Over three projects, I investigate how different positive outcomes result from individuals’ perception of whether change is possible in the domains of: personality (Paper 1); moral character (Paper 2); and conflicting stakeholder interests (Paper 3).

In the first paper, I investigate the antecedents of individuals’ efforts to repair relationships after interpersonal transgressions. In two online studies, I show that transgressors who believe that personality can change over time (Dweck, 2006; Dweck et al. 1995) do more to repair their damaged relationships. This research makes a unique contribution to our understanding of individual differences in reparative efforts, as it is the first to show the effect of a growth mindset on reparative effort while controlling for the effect of guilt-proneness (Tangney, 1991; Tangney & Dearing, 2003).

The second paper reveals the conditions under which managers will reflect on their ethical decisions. I conducted two online experiments in which we manipulated the valence consequences for others (Baumeister et al., 2001), and tested for an effect on participants’ willingness to reflect on the decision post hoc (Dane & Sonenshein, 2015). Participants reported a higher likelihood to reflect when their decision had negative as opposed to positive consequences for others. However, interestingly, this pattern of results only applied to individuals who believe that moral character can change over time.

In the final paper I detail the psychological conditions under which managers will work creatively to avoid serving one stakeholder over another. Drawing from research on cognitive dissonance (Festinger, 1957; Hinojosa et al., 2017; Tetlock et al., 1996), and creative problem-solving in organizations (Madjar et al., 2011), I develop a model of the psychological process through which managers are able to integrate conflicting interests, and thus avoid a trade-off decision. This paper contributes to stakeholder theory by introducing a psychological perspective to the study of conflicting stakeholder interests. It is also the first work to identify empirically testable mechanisms that motivate and enable managers to “bring [conflicting stakeholder] interests together” (Freeman et al., 2010: 288).

Taken together, these papers suggest that when individuals think of personality, character, and conflicting stakeholder interests as having the potential to change, they are more likely to: (A) repair relationships after failure (Paper 1); (B) learn from failure (Paper 2); and (C) avoid failure through creative problem-solving (Paper 3).

	2
INTRODUCTION	4
PAPER 1: RELATIONSHIP REPAIR AFTER INTERPERSONAL TRANSGRESSIONS	11
INTRODUCTION & LITERATURE REVIEW	11
The Moral Emotions: Shame and Guilt	12
Mindset and a Learning Orientation towards Relationship Building	14
RESEARCH OVERVIEW	18
Study 1	18
Method	18
Results	22
Discussion	24
Study 2	25
Method	25
Results	26
Discussion	27
General Discussion	28
PAPER 2: LEARNING IN THE CONTEXT OF MANAGERIAL DECISIONS WITH NEGATIVE CONSEQUENCES FOR OTHERS	31
INTRODUCTION	31
LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT	34
Research Overview	43
Study 1	43
Method	43
Results	48
Discussion	51
Study 2	51
Method	52
Results	54
Discussion	56
DISCUSSION	57
PAPER 3: AVOIDING FAILURE IN THE CONTEXT OF A CHOICE THAT PRESENTS A TRADE-OFF BETWEEN STAKEHOLDER INTERESTS	59
INTRODUCTION	59
MANAGERIAL PERCEPTIONS OF CONFLICTING STAKEHOLDER INTERESTS IN STAKEHOLDER THEORIZING	63
Perceiving Conflicting Stakeholder Interests: Conceptual Delineation	64

	3
Extant Approaches to Dealing with Conflicting Stakeholder Interests	66
TRADE-OFFS VS. INTEGRATIVE NOVELTY	70
DISCUSSION AND IMPLICATIONS	78
CONCLUSION	87
OVERALL CONCLUSION	89
ADDENDUM A: Vignette	92
ADDENDUM B: Manipulation Material	95
ADDENDUM C: Prompt for Reflection	97
BIBLIOGRAPHY	100

INTRODUCTION

Hoping to buy several meters of artificial grass, a potential customer went to a hardware store in Cape Town, South Africa. Once at the store, the customer spoke to a sales assistant who explained that they stocked two different kinds of artificial grass. Neither of the two options fit within the customer's budget, however. She thanked the sales assistant and started to leave the store. Right then, the sales assistant stopped the customer. He encouraged her to report only two meters of the product at the checkout counter, while in fact he would help her to take however many meters she really needed. In return, he would expect a monetary tip from her. The customer was taken aback by the offer, said "no, thank you," and simply left the store.

A few days later, the customer decided to phone the store and to report the sales assistant; the incident had bothered her. It made her reflect on her beliefs that corruption is not part of a healthy society, and that it is indeed too prevalent in South Africa. Yet, as more time passed, her decision to report the shop assistant starts to bother her even more than her previous inaction. After all, many South Africans suffer severe financial hardship. What if the shop assistant was struggling to take care of his family, and what if reporting the incident has made him and his family significantly worse-off? What if the employer is in the wrong by not compensating their employees adequately? The customer feels that she may well have harmed the interests of an already disenfranchised individual.

In the end, she concludes that she will never know whether she did “the right thing.” She avoids going back to that specific store, and makes a point of looking away when she drives past it.

*

The experience of the customer in this story is a vivid illustration of *non-willful moral failure* - the phenomenon that serves as the basis for my research. I define non-willful moral failure as a target individual’s experience of having harmed the interests of a person or group they care about (Jones, 1991), despite being morally aware (Reynolds, 2006), and having ethical intent (Treviño, 1986; Tenbrunsel & Smith-Crowe, 2008). The customer in the story is aware that her decision to report the sales assistant has consequences for others, i.e. she is morally aware. She has ethical intent; her aim is not to act in her own narrow self-interest. Rather, she is concerned with the interests of a specific society, and a specific other, i.e the sales assistant.

In using the term “non-willful moral failure,” the individual’s *experience* of wrongdoing or having wronged others comes into sharp focus. This can be contrasted with the literature on organizational misconduct (for a review see Greve, Palmer & Pozner, 2010), which focuses on specific types of wrongdoing, e.g. deceptive accounting (Harris & Bromiley, 2007), and option backdating (Lie, 2005). The term also lends itself to addressing a category of harm that has seldom been studied in the literature on unethical behavior (for a review see Kish-Gephart et al. 2010): harm that is caused through actions that are neither motivated by narrow self-interest, nor necessarily illegal.

I argue that although non-willful moral failure is understudied and undertheorized, it is a commonly and acutely experienced phenomenon. Even under the conditions of being morally aware (Reynolds, 2006; 2008) and having ethical intent (Treviño, 1986; Sezer, Gino & Bazerman, 2015) individuals are still liable to harm the interests of groups or persons they care about. This claim can be substantiated by considering the two prominent features of human psychology from which non-willful moral failure derives: (1) Limited cognitive capacities; (2) A multitude of distinct cooperative motivations.

Firstly, by virtue of being bounded in their rationality and information-processing abilities (Simon, 2000; March, 1994) humans are also bounded in their ethicality. They have “ethical blind spots” (Bazerman & Moore, 2013; Bazerman & Tenbrunsel, 2011; Bazerman & Sezer, 2016). Individuals are limited in the number of perspectives that they can take at any given point in time, yet are often not aware of this limitation as they reach a decision. One of the implications is that judgments that are ethically or morally salient often suffer from unconscious biases. In a meta-analysis of research spanning 30 years, Kish-Gephart and colleagues (2010) found that unethical behaviors were not reliably predicted by intentions. From the perspective of my project, this finding suggests that individuals are likely to only become aware of the harm and unfairness associated with some of their actions after the fact.

Why would such an awareness bother a target individual? Otherwise put: Why might the awareness of having caused others harm or having treated them unfairly amount to a sense of having failed?

Not only have human beings evolved to be good cooperators (Dunbar, 1998; Tomasello & Vaish, 2013; Curry & Mullins, 2019) , but we have also evolved to have *multiple, distinct* cooperative motivations. That is, our evolutionary history has endowed us with the capacity to develop simultaneous commitments to multiple different groups and individuals, and these commitments can come into conflict with each other in practice (Tomasello, 2016). In the example presented at the outset, the customer exhibits a commitment towards society. She wants to be a person who contributes positively to a larger group. Yet, she also feels some responsibility towards a specific individual - the sales assistant - because, like her, he is a human being. As part of an attempt to serve society, she fails to act in the interests of a particular individual. Indeed, it is this capacity for *intra-personal* moral pluralism that leads individuals to experience moral dilemmas (Kohlberg, 1971; 1981) or “right vs. right” decisions (Badaracco, 1997; Sartre, 1945).

Because commitments to multiple different groups and persons can come into conflict with each other, individuals are liable to fail some groups (or persons) precisely while acting in the interests of another group (or person). In some cases, an individual may be aware of the conflict in the process of making a decision or before actually reaching a judgment. Under such circumstances, the individual experiences failure in the form of making a trade-off (Buchanan, 1978; Tetlock, 1986; Freeman, 2010). In other cases, like in the example provided at the outset, the individual develops the perspective that is necessary to see the conflict only *after* having acted.

An experience qualifies as an instance of non-willful moral failure if a target individual perceives their decisions, actions, or inactions as directly related to harm, or unfairness suffered by some group or individual they care about. Indeed, even actions (or inactions) that are *not* considered to have been deliberate, or part of a conscious decision-making process can result in the experience of non-willful moral failure. In reflecting on a particular (in)action associated with a particular harmful consequence, it may be necessary for an individual to feel that they could have done something differently for them to experience non-willful moral failure. Questions such as this one are vitally important as they will allow us to understand the antecedents of non-willful moral failure. In this dissertation, however, I focus on the outcomes of the experience rather than the antecedents thereof.

It is particularly important to study the phenomenon of non-willful moral failure in the context of business organizations; managers and executives are especially likely to have this experience. They have and share responsibilities towards multiple different stakeholders, and the mandate to wield resources (Freeman, 1984; Badaracco, 1993). A survey conducted with corporate executives indicated that, of the ethical issues that they have to deal with at work, decisions involving competing moral commitments were (a) most prevalent and (b) most difficult. Lab experiments show these decisions often amount in trade-offs (Zhang et al., 2018).

Given that decision-makers in organizational settings are likely to have this experience, it is important to understand the conditions under which positive outcomes may be associated with it. Simply put, non-willful moral failure means that even leaders

who who aim to do and be good will occasionally act in ways that lead others to view and experience them as transgressors. Because individuals are typically motivated to think of themselves as morally good (Aquino & Reed, 2002), perceiving yourself as a transgressor and being perceived as such by others can be a highly aversive, cognitive dissonance and shame inducing experience (Festinger, 1957; Gausel & Leach, 2011; Gausel, Leach, Vignoles, & Brown, 2012.). Leaders who experience non-willful moral failure are at risk of alleviating their psychological discomfort through blame-shifting and avoiding engagement with the consequences of their decisions. This, in turn, is likely to amount to ineffective attempts at repair and reconciliation. In short: non-willful moral failure does not *necessarily* lead to pro-social, reparative effort and attempts to learn from the failure, and can thus exacerbate the negative consequences of the action (or inaction) originally associated with the failure.

With this dissertation, I undertake the study of three different positive outcomes, each in the context of a certain type of non-willful moral failure: (1) Relationship repair in the context of interpersonal transgressions; (2) Learning behaviors in the context of managerial decisions with negative consequences for others; (3) Avoiding a trade-off in the context of a choice involving conflicting interests of diverse stakeholders.

In the first paper, I investigate the antecedents of individuals' efforts to repair relationships after interpersonal transgressions. In two online studies, I show that transgressors who believe that personality can change over time (Dweck, 2006; Dweck et al. 1995) do more to repair their damaged relationships. This research makes a unique contribution to our understanding of individual differences in reparative efforts, as it is

the first to show the effect of a growth mindset on reparative effort while controlling for the effect of guilt-proneness (Tangney, 1991; Tangney & Dearing, 2003).

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PAPER 1: RELATIONSHIP REPAIR AFTER INTERPERSONAL TRANSGRESSIONS

INTRODUCTION & LITERATURE REVIEW

Despite wanting to be and do good, the experience of failing people we care about is a common human experience. We sometimes disappoint the expectations of those that rely on us, we harm their interests, or we neglect to take care of them. Recognizing such instances of transgression, and taking the appropriate steps to repair the relationship, is an integral part of forging lasting ties.

In general, adults and even very young children do exhibit attempts to fix their mistakes after having harmed another person's interests (Vaish, Carpenter & Tomasello, 2016). However, people do not exhibit this reparative tendency equally. When all participants in a study are made to experience the same transgression, some people are more likely to approach their victim in an attempt to fix their mistake, while others tend to withdraw from the situation and avoid the victim (Tangney, 1991; Tangney, Wagner & Gramzow, 1992). Children as young as two years of age also show such differences after transgressing: some children tend to avoid the victim, while others tend to approach the victim and exhibit attempts to make amends (Barrett, Zahn-Waxler & Cole, 1993; Drummond, Hammond, Satlof-Bedrick, Waugh & Brownell, 2017).

Since individual well being and group functioning depend on our ability to build and maintain long-lasting relationships with other individuals (Gintis, 2003; Tomasello, 2016; Waldinger, Cohen, Schulz, & Crowell, 2015), it is important to understand what

drives people to repair relationships after having transgressed. We thus ask: What explains differences in people's efforts to repair relationships after an interpersonal transgression has occurred?

The Moral Emotions: Shame and Guilt

One way in which researchers have tried to explain individual differences in reparative efforts is through looking at the difference between the moral emotions of shame and guilt. Although emotions in general have evolved to help us regulate social relations effectively (see Horberg, Oveis & Keltner, 2011 for a review; Keltner & Haidt, 2001; Greene, 2014), shame and guilt are particularly relevant to situations that are experienced as being high in moral salience. Moral emotions involve self-evaluation (Tangney, Stuewig & Mashek, 2007a) and function to regulate interpersonal behavior, such that the individual behaves in moral and socially acceptable ways (Muris & Meesters, 2014). Shame and guilt are commonly thought to differ in terms of their focus and the behaviors that they motivate following a transgression. Guilt is thought to involve negative feelings about a specific action, whereas shame is thought to involve negative feelings about the core or global self (Drummond et al., 2016; Lewis, 1971; Mascolo & Fischer, 2007; Olthof, Ferguson, Bloemers & Deij, 2004; Tangney, 1991). Additionally, experiencing guilt motivates forgiveness-seeking, while experiencing shame does not (Riek, Luna, & Schnabelrauch, 2013). Past research also shows that the individual tendency to experience guilt (rather than shame) is a more powerful driver of reparative effort (Tangney & Dearing, 2003). Thus, compared with a tendency to

experience shame, a tendency to experience guilt is generally viewed as more adaptive position (Tangney, Stuewig & Mashek, 2007b; Ferguson, Stegge & Damhuis, 1991).

More recently, however, researchers have argued that under some circumstances, shame can also drive transgressors' constructive attempts to approach victims and make amends. A recent meta-analysis showed that both guilt and shame predict reparative effort, but guilt does so consistently whereas shame does so in an inconsistent manner (Leach & Cidam, 2015). For instance, experiencing self-reported feelings of shame predict prosocial behavior towards victims when it is separated out from self-reported feelings of rejection and inferiority (Gausel, Leach, Vignoles & Brown, 2012; Gausel & Leach, 2011) and when the transgressor perceives an opportunity to repair their mistake (Leach & Cidam, 2015). This point is also supported by a study on inmate recidivism, showing that in the absence of a tendency to externalize blame, the tendency to experience shame does indeed inhibit recidivism (Tangney, Stuewig & Martinez, 2014).

Thus, variation in individual tendencies towards guilt or shame cannot fully account for variation in transgressor reparative efforts. To say that relative tendencies towards guilt and shame underlie differential reparative efforts is, at best, a valid but incomplete understanding of what motivates repair and, at worst, a statement that risks promoting misguided efforts to curb the experience of shame. If feelings of both shame and guilt can spur transgressor reparative efforts, then it is important that attempts to understand variation in transgressor reparative efforts look beyond moral emotional tendencies to other sources of individual variation.

Mindset and a Learning Orientation towards Relationship Building

We propose that, since an interpersonal transgression may be experienced as a mistake in the sense of a failure of ability or effort, it may be fruitful to study reparative efforts by looking at the literature on individual learning. A critical factor underlying the motivation to learn is an individual's mindset (Dweck, 1999; 2006) - their lay theory about aspects of themselves, such as intelligence, moral character and personality. A growth mindset (the belief that traits are malleable) is associated with setting learning goals and perceiving failure as an opportunity to learn or improve. A fixed mindset (the belief that traits are not malleable) is associated with setting performance goals and avoiding failure (Dweck & Leggett, 1988). This kind of belief about the self serves as a lay theory through which an individual constructs their (social) reality (Dweck et al., 1995). In addition, a person's mindset is sensitive to and thus liable to be influenced by cues in the social environment, such as whether feedback is given in terms of ability or effort (Smiley & Dweck, 1994). A person's mindset is also domain-dependent (Dweck et al. 1995). An individual may be, say, growth-minded when it comes to intelligence or professional abilities, and fixed-minded when it comes to personality traits.

The positive effect of a growth mindset of intelligence has been demonstrated in several areas, such as complex problem-solving (Bandura & Wood, 1989), negotiations and other business decisions (Kray & Haselhuhn, 2007; Heslin, Latham, & VandeWalle, 2005), and adaptation to unfamiliar social environments (Blackwell, Trzeńniewski, & Dweck, 2007). However, since we are specifically interested in the context of

interpersonal transgressions, it is most appropriate here to consider the past work on mindset of personality (see also Schumann & Dweck, 2014; Kammrath & Dweck 2006).

Research on mindset of personality in the context of interpersonal or moral transgressions has focused largely on the nature of judgments by third-party observers (see Dweck, Chiu & Hong, 1995). For example, the belief that moral character is immutable (a fixed mindset), as opposed to changeable (a growth mindset), is more likely to make people punitive towards criminal offenders (Tam et al., 2013). Similarly, 4th- and 5th-graders who believed that personality is fixed, as compared to those who believed it is malleable, felt more strongly about punishing liars and cheaters (Erdley & Dweck, 1993). This result is logically consistent with other findings indicating that compared with a growth mindset, a fixed mindset leads to stronger stereotype and other value judgments (Heyman and Dweck, 1998; Levy and Dweck, 1999).

A few investigations have broken with the predominant third-party observer perspective to focus instead on the victim's perspective. For example, adolescent victims were less likely to seek revenge when they were growth-minded compared to when they were fixed-minded (Yeager, Trzeńniewski, Nokelainen, & Dweck, 2011). There is also a positive correlation between a victim's mindset and the extent to which they are willing to directly address their dissatisfaction with their partner. Growth-minded victims are more likely than fixed-minded victims to exhibit "voice" and other constructive conflict behaviors (Kammrath & Dweck, 2006).

To date, however, hardly any research has addressed the *transgressor's* mindset of personality and its effect on behavior after a moral transgression. One notable

exception is a set of studies showing a link between transgressor mindset and the likelihood of accepting responsibility for a transgression *post hoc* (Schumann & Dweck, 2014). Schumann and Dweck found that participants with a growth mindset were more likely to accept responsibility for imagined transgressions and that this link was causal such that experimentally inducing a growth mindset increased participants' likelihood of accepting responsibility for imagined transgressions. The researchers also theorized that this effect was driven by the fact that growth-minded people are more likely to experience the transgression as an opportunity to learn about themselves and their relationship, and that they therefore experience their offense as less threatening to their self-identity. This would, in turn, enable them to explicitly accept responsibility for the transgression. Indeed, in their final study, they found that self-reported willingness to learn about the self and about the relationship with the victim statistically mediated the relationship between transgressor mindset and acceptance of responsibility. Taken together, these results indicate that a transgressor's mindset of personality influences their verbal behaviors - and specifically how likely they are to accept responsibility for the mistake.

Our aim in the current studies is to expand and deepen our current understanding of the relation between a transgressor's mindset and their attempts to repair their relationship after a transgression. Firstly, we build on and extend past work (Schumann & Dweck, 2014) by testing whether mindset predicts a broader range of reparative efforts, or attempts to make amends, including offers to take care of the victim, offers to "make it up" to them, or statements that are indicative of the motivation for the relationship to

continue. It is important to determine whether mindset predicts a range of approach or amendment-seeking behaviors, since verbal acceptance of responsibility for the mistake may not be sufficient to repair a relationship after a transgression has taken place.

Effective relationship repair likely depends on the transgressor promising to behave differently in future and/or communicating to victim that they want to fix the mistake and that they care for them. We build on past findings to propose that a growth mindset of personality will work through a learning orientation towards the relationship and the self to promote a broad range of transgressor reparative efforts. We predict that growth-minded individuals would exhibit a greater degree of reparative efforts than fixed minded individuals.

Secondly, we aim to investigate the relationship between transgressor mindset and reparative effort while controlling for other variables that can also affect reparative effort, namely the relative tendency to experience guilt (guilt-proneness) vs. shame (shame-proneness). Interestingly, there are theoretical reasons to believe that a growth mindset may relate to guilt-proneness whereas a fixed mindset may relate to shame-proneness. The same kind of appraisal that causes feelings of guilt (namely, attributing an event to unstable, malleable, and controllable features of the self), is also associated with having a growth mindset. Conversely, the kind of appraisal that causes feelings of shame (attributing an event to stable, fixed, and uncontrollable features of the self) is associated with a fixed mindset (Dweck et al., 1995; Tracy & Robins, 2004; 2006). As a result, scholars have suggested that the effect of growth-mindedness on responsibility acceptance may have something to do with the experience of guilt

(Schumann & Dweck, 2014). However, past research has not taken into account mindset and guilt-proneness simultaneously and has thus not clarified whether mindset of personality plays an independent role in motivating relationship repair, or whether it does so through guilt- versus shame-proneness. Teasing these processes apart is thus a second goal of the current work.

RESEARCH OVERVIEW

We conducted two online studies with the aim of exploring the relationship between mindset of personality and (1) a broad range of post-transgression reparative efforts, and (2) guilt-proneness and shame-proneness. Study 1 was designed to yield correlational findings, whereas Study 2 involved experimentally manipulating mindset to assess its potential causal impact on reparative efforts as well as its relation to guilt- and shame-proneness.

Study 1

Method

Participants. We recruited a total of 209 participants using Amazon Mechanical Turk (Paolacci, Chandler, & Ipeirotsis, 2010; Paolacci & Chandler, 2014). Ten participants were excluded from the analysis because they failed attention checks that were built into the survey (e.g. “Please slide this bar to 4”). This left us with a final sample of 199 adults (108 women; M age = 37.2 years, SD = 11.9 years, range: 18–74 years). Participants were informed that we were conducting a study on how people

respond in specific social situations. Seventy eight percent of the participants indicated that they were from North America, 16% from South Asia or South East Asia, and the remaining from East Asia, the Middle East, and Europe. Each participant received \$0.50 for their participation in the study.

Materials and procedure. Participants were first asked to indicate their gender, region of nationality, and year of birth. They were then asked to read through six brief scenarios that form part of the Test of Self-Conscious Affect 3 (TOSCA-3) (Tangney & Dearing, 2003). The TOSCA-3 scenarios were designed to measure an individual's relative tendency (or proneness) towards guilt and shame. The scenarios were: (1) "You make plans to meet a friend for lunch. At 5 o'clock you realize you stood your friend up"; (2) "While playing around, you throw a ball and it hits your friend in the face"; (3) "You are driving down the road, and you hit a small animal"; (4) "You walk out of an exam thinking you did extremely well. Then you find out you did poorly"; (5) "While out with a group of friends, you make fun of a friend who's not there"; (6) "You make a big mistake on an important project at work. People were depending on you, and your boss criticizes you." Note that scenarios 3 and 4 do not involve interpersonal transgressions.

Shame and guilt. To measure relative tendency towards guilt and shame, after each scenario, we presented participants with the shame ($\alpha = .63$) and guilt ($\alpha = .68$) subscale items that correspond to the specific scenario (Tangney & Dearing, 2003). The items required that participants use a scale from 1 ("not likely") to 5 ("very likely") to indicate how likely they would be to react in each of two ways described, with one reaction pertaining to shame (e.g. "You would think: 'I'm inconsiderate.'"), and the other

pertaining to guilt (e.g. “You’d think you should make it up to your friend as soon as possible.”). Thus, in total, each participant responded to six items aimed at capturing their guilt-proneness, and six items aimed at capturing their shame-proneness. Responses to the guilt and shame items were averaged across the six scenarios so as to achieve an average guilt proneness and an average shame proneness score out of 5.

In addition to the TOSCA-3 guilt and shame subscale items, after each scenario, we also presented participants with a forced choice between feeling more like a “bad person” or more like they “did a bad thing”. This item was intended to measure the tendency towards guilt (“bad thing”) vs. shame (“bad person”) in a simplified, binary way. Each “bad person” response was assigned a score of 1 and each “bad thing” response was assigned a 0. We averaged the participants’ responses across the six bad person/bad thing forced-choice questions. The average forced-choice score could thus range between 0 and 1, with higher scores indicating a tendency towards “bad thing” (i.e., guilt).

Reparative effort. Finally, after three of the six scenarios, we asked participants to write two to three sentences about what they would say to the victim(s) after the incident described in the scenario (adapted from Schumann & Dweck, 2014). We limited our measurement of reparative effort to three out of the six scenarios both for the sake of brevity, and for the sake of focussing on harm caused unintentionally, namely scenarios number 1, 2 and 6. Of the six scenarios used to measure guilt- and shame-proneness, scenarios 1, 2 & 6 could plausibly induce the experience of non-willful moral failure on the part of the transgressor. Following data collection, these responses were coded for:

(A) whether participants apologized (score of 1) or did not apologize (score of 0); (B) whether they explicitly accepted responsibility for the transgression (1), refrained from referring to responsibility altogether (0), or attempted to shun responsibility (-1); and (C) whether they showed the motivation to engage with or approach the victim after the transgression and in the future (1), or not (0). The following responses are examples of instances that were coded as “approaching the victim after the transgression and/ or in the future”: “Please let me make it up to you. Let's go grab dinner right now!”, “I would make sure I go up to them, check them out, and ask if they were alright” and “I know you were counting on me, and I regret disappointing you. It won't happen again as I will have Amy double check my work.”

We averaged the apology, responsibility, and approach scores across the three scenarios, and then added the three averages together to achieve a reparative effort score out of 3 for each participant. Higher scores on this measure reflect greater reparative effort and lower scores reflect lower reparative effort. The first round of coding was done by the first author. A second, independent coder coded 25% of the data. Cohen’s kappa scores indicated high interrater reliability for all three sub-variables: .98 for the apology, .83 for responsibility acceptance and .82 for approaching the victim.

Mindset of personality. After participants responded to all of the scenario-related questions, we presented them with the 3-item Mindset of Personality scale ($\alpha = .86$) (Dweck et al., 1995). Participants were asked to indicate the extent to which they agreed or disagreed with three statements, using a scale of 1 (strongly agree) to 6 (strongly disagree). The statements are: (1) *Everyone is a certain kind of person and there is not*

much that can be done to really change that; (2) People can do things differently, but the important parts of who they are can't really be changed; (3) The kind of person someone is is something very basic about them and it can't be changed very much. Only a small number of statements is necessary because of the simplicity of the mindset construct (Dweck et al., 1995). Statements are formulated from the perspective of a fixed-minded individual because previous work indicates that growth minded statements are too appealing to disagree with. The scores on the three individual items were averaged to obtain a measure of mindset for each participant, with higher scores reflecting more growth-mindedness.

At the end of the survey participants were provided with directions to claim their payment.

Results

On average, participants reported that a shame response ($M = 3.28$ out of 5, $SD = .76$), as well as a guilt response would be likely ($M = 4.28$ out of 5, $SD = .57$). According to Pearson's test for correlation, shame- and guilt-proneness were positively associated with each other ($r = .3, p < .01$). The average forced choice measure indicated that participants were much more inclined to feel like they did a bad thing, as opposed to feeling like they were a bad person ($M = .82, SD = .2$). Participants tended towards the upper end of the mindset scale ($M = 3.7$ out of 6, $SD = 1.2$). In general, participants exhibited considerable degrees of reparative effort after the imagined interpersonal transgressions. The average score for reparative effort was 1.92 out of a potential 3 ($SD = .68$).

As predicted, Pearson's correlation between mindset of personality and reparative effort across three scenarios was positive ($r = .19, p < .01$). Similarly, guilt-proneness ($r = .23, p = .01$), but not shame-proneness ($r = .04, p = .55$), was positively associated with reparative effort.

Given this result that both guilt-proneness and mindset of personality related positively to reparative effort, it is striking that there was no statistically significant association between mindset of personality and guilt-proneness ($r = .11, p = .13$).

Our exploration of a simplified, binary measure of a tendency towards guilt vs. shame yielded ambiguous results. The measure was validated by its negative association with shame-proneness ($r = -.32, p < .001$), however, it showed no association with guilt-proneness ($r = .04, p = .55$). Higher growth mindset scores were somewhat predictive of the tendency to feel more like one did a bad thing rather than that one was a bad person ($r = .141, p < .05$). This result serves to support the prediction that mindset may relate to a relative tendency towards guilt vs. shame. Yet, this simplified measure of a tendency towards guilt versus shame bore no relation to the degree of reparative effort exhibited ($r = .01, p = .86$).

We did see gender effects in terms of some of the main variables. We conducted a one-way analysis of variance (ANOVA) test, with gender as the fixed factor, and the various main variables as the dependent variables. Women experienced significantly more shame ($M = 3.45, SD = .77$) than men ($M = 3.1, SD = .7, p < .001$). Women also exhibited marginally higher degrees of reparative effort ($M = 2.0, SD = .69$) than men ($M = 1.82, SD = .67, p < .06$).

Discussion

The results of Study 1 support the prediction that transgressor mindset relates positively to a broad range of reparative efforts, including offering apology, accepting responsibility and approaching, or engaging the victim after a transgression. This extends the findings of previous work (Schumann & Dweck, 2014), which focussed on acceptance of responsibility exclusively, to suggest that the more growth-minded the individual the more effort they are likely to expend in trying to repair a relationship after a transgression.

The results lend partial support to the proposition that mindset relates to guilt versus shame-proneness. Mindset of personality did not correlate with guilt- and shame-proneness as measured by the guilt- and shame subscales of the TOSCA-3 (Tangney & Dearing, 2003). Yet, mindset did relate positively to responses to the “bad person” vs “bad thing” question, such that more growth minded individuals were more likely to indicate that they did a bad thing.

Since mindset was measured and not manipulated, we cannot interpret these results as suggesting that mindset causes greater attempts at repair. We therefore conducted a second study to test for this possibility. In Study 2, we experimentally induced a fixed versus a growth mindset and assessed whether these inductions caused differences in participants’ reparative efforts.

Study 2

Method

Participants. We again used Amazon Mechanical Turk to recruit participants. A total of 294 participants completed the study. From this group we excluded 7 participants' data due to their having failed at least one attention check. A further 19 were excluded because they failed the manipulation check (see below). The final sample consisted of 268 participants (142 women; M age = 38.4 years, SD = 11.75 years, range: 19 – 84 years). Similar to Study 1, the large majority of participants indicated that they were of North American nationality (85%). Participants were paid \$1.00 for completing the study.

Materials and procedure. Again, we first asked participants to provide us with demographic information as in Study 1. We then conducted the mindset induction, using a method commonly used in the research on mindset of personality (see e.g. Chiu et al. 1997; Rattan & Dweck, 2010; Schumann & Dweck, 2014). Participants were randomly assigned to read one of two articles, ostensibly as part of a pilot test. One article advocated the idea that personality does change over time ($n = 139$), and the other advocated the opposite idea ($n = 129$). Both articles included references to scientific research. The cover story was strengthened by asking participants to provide feedback on the difficulty level of the vocabulary in the article. To check that the manipulation was effective, we asked participants to describe the main idea of the article in one sentence (see Schumann & Dweck, 2014). Here, we looked at whether they stated that personality can or cannot change over time.

We then collected data on guilt and shame proneness, as well as on reparative effort, using the same materials and following the same procedure as in Study 1.

Results

On average, shame-proneness ($\alpha = .76$), guilt-proneness ($\alpha = .69$), forced choice scores and reparative efforts scores were strikingly similar to scores reported in Study 1. Participants reported that they would be likely to experience shame ($M = 3.22$ out of 5, $SD = .9$), and that they would be very likely to experience guilt ($M = 4.35$ out of 5, $SD = .59$). The average forced-choice score ($M = .8$ out of 1, $SD = .21$) indicated that participants were more likely to feel that they did a bad thing than to feel like they were a bad person. On average, participants exhibited relatively high degrees of reparative effort ($M = 1.74$, $SD = .6$), although this mean score is lower than the one reported for Study 1.

We found the same pattern of correlations as in Study 1. Guilt-proneness ($r = .25$, $p < .001$), but not shame-proneness ($r = .11$, $p = .08$), was positively associated with reparative effort. Shame-proneness and guilt-proneness showed a positive correlation ($r = .39$, $p < .001$). Again, the forced choice measure correlated negatively with the shame-proneness scores ($r = -.36$, $p < .001$), and bore no significant relation to guilt-proneness scores ($r = .09$, $p = .13$).

To test our prediction, we conducted a one-way ANOVA with experimental condition as the fixed factor and reparative effort as the dependent variable. As predicted, we found a main effect of mindset on reparative effort ($p < .05$), with growth-minded individuals exhibiting a higher degree of reparative effort ($M = 1.82$, $SD = .55$) than fixed-minded individuals ($M = 1.66$, $SD = .64$). A second ANOVA with mindset as the

fixed factor, and shame-proneness ($p = .73$), guilt-proneness ($p = .66$) and “bad person” vs. “bad thing” scores ($p = .63$) as the dependent variables, revealed no effect of mindset on any of the three emotion measures.

Finally, we conducted an ANCOVA to examine whether the main effect of mindset would still be significant if guilt-proneness were entered into the model as a covariate. Indeed, we found that mindset still predicted reparative effort ($p < .05$, $h^2 = .02$) when controlling for the effect of guilt-proneness on reparative effort ($p < .001$, $h^2 = .06$).

Discussion

The results of Study 2 present further evidence for the positive association between transgressor mindset of personality and a range of reparative efforts. In addition, since mindset was experimentally manipulated, Study 2 results indicate that a growth mindset of personality causes transgressors to do more to repair their relationships after a transgression.

Similar to Study 1 findings, the results of Study 2 do not support the possibility that mindset impacts reparative effort through a potential relationship to guilt-proneness. Indeed, we found the same set of relationships as in Study 1: while both mindset of personality and guilt-proneness related positively to reparative effort, mindset and guilt-proneness were not significantly associated with each other. In particular, the results of the analysis of covariance, which tested for the effect of mindset while controlling for the effect of guilt-proneness, suggest that mindset and guilt-proneness may influence reparative effort independently.

General Discussion

Transgressors vary in their attempts to repair relationships. Although tendencies to experience guilt versus shame play some role in motivating reparative efforts after a transgression, it is not yet clear what causes some individuals to exhibit greater reparative attempts than others. In two online studies, we found that variation in terms of mindset of personality predicts variation in transgressors' reparative effort, and that these reparative efforts extend beyond merely accepting responsibility for the transgressions (see Schumann & Dweck, 2014).

In Study 1, a greater degree of transgressor growth-mindedness was associated with a greater degree of transgressor reparative effort. In Study 2, in comparison with participants in the fixed mindset condition, participants in the growth mindset condition did more to to repair their relationships post transgression.

In both Study 1 and 2, we found no evidence to suggest that a growth mindset may be related to guilt-proneness. That is, although both guilt-proneness and mindset of personality related positively to a range of reparative efforts, mindset and guilt-proneness were not associated. As far as we are aware, these data are the first to suggest that mindset of personality influences reparative behaviors in a way that is independent of guilt-proneness. This is surprising since the same kind of appraisal that causes feelings of guilt, namely attributing an event to unstable (malleable) features of the self (Tracy & Robins, 2004; 2006), is also associated with having a growth mindset (Dweck et al. 1995). Similarly, we found no relationship between mindset and shame. This is equally surprising, since, by the same token, the kind of appraisal that causes feelings of shame,

namely attributing an event to stable and uncontrollable features of the self (Tracy & Robins, 2004; 2006) is associated with a fixed mindset. We found no evidence to suggest a mapping of guilt-proneness to growth-mindedness and shame-proneness to fixed-mindedness.

We also found no association between shame-proneness and reparative effort. This lack of association, in conjunction with the positive association between guilt and reparative effort, is in line with past findings that guilt is a more adaptive emotion than shame (see Tangney & Dearing, 2003; Tangney et al., 2007b). However, the lack of association between shame and reparative effort hints at the possibility that guilt and shame are not simply on opposite ends of a spectrum of reparative or prosocial behavior but rather that these two emotions might serve distinct functions. This idea is consistent with recent findings showing that whereas guilt is consistently related to reparative behavior, the relation between shame and reparative behavior is inconsistent and conditional. The related but distinct functions of shame and guilt is an important area for future research.

We found that the average forced-choice measure, where we asked participants to indicate whether they would feel more like they were a bad person or more like they did a bad thing, had no relationship with guilt-proneness. However, as is theoretically consistent (Lewis, 1971; Mascolo & Fischer, 2007), people who reported more instances of feeling like they were a bad person exhibit higher levels of shame-proneness. This offers some validation for our simplified measure of a relative tendency towards guilt versus shame.

Our studies are limited by the fact that the TOSCA-3 consists of relatively minor, or slight transgressions. Mindset's relationship to reparative action might not hold in the context of severe transgressions. On the other hand, in the context of victim "voice" approaches, experiencing stronger emotions meant that differences between growth-minded and fixed-minded individuals became even more pronounced (Kammrath & Dweck, 2006: study 2). The nature of the transgressions may also be the driver behind the high degree of reparative effort overall.

Furthermore, we used imagined scenarios exclusively. Though we recognize this as a limitation, we emphasize that using imagined scenarios ensures a higher degree of control over the dependent variable outcomes. Follow-up studies could include the use of scenarios that are historically accurate and specific to each participant, so as to bolster the evidence.

Another limitation is that we do yet have empirical evidence as to the mechanism involved in mindset's effect on reparative behavior. Our findings suggest that the respective moral emotions guilt and shame are not mediating the effect of mindset on reparative behavior. We have postulated that it may be that growth-minded individuals are more likely to adopt a learning orientation when it comes to interpersonal transgressions. This proposition needs to be tested for empirical validity, possibly by way of manipulating a learning orientation towards (a) relationships in general and (b) a learning orientation with respects to interpersonal transgressions, specifically.

**PAPER 2: LEARNING IN THE CONTEXT OF MANAGERIAL DECISIONS
WITH NEGATIVE CONSEQUENCES FOR OTHERS**

INTRODUCTION

In the wake of fraud and the global financial crisis, more attention is being paid to enhancing ethical practice in business organizations (Ashforth, Gioia, Robinson & Treviño, 2008). The literature on ethical expertise (Dreyfus & Dreyfus, 1991; Wicks & Glezen, 1998; Dane & Sonenshein, 2015) is an emerging body of work that is particularly relevant to the question of how decision-making in business settings can become more ethical over time; or how moral progress can be made (Jesse Prinz, 2007). To date, this literature has focussed on who (e.g. Wicks & Glezen, 1998) and what (e.g. Dreyfus & Dreyfus, 1991) counts as “expert”. Hardly any attention has been paid to the question of how individuals acquire, or develop ethical expertise.

Within the literature on ethical decision-making in organizations (Tenbrunsel & Smith-Crowe, 2008; O’Fallon & Butterfield, 2005), many scholars have tried to establish whether experience in management makes individuals more or less likely to do the right thing (see e.g. Cole & Smith, 1996; Larkin, 2000; Weeks, Moore, McKinney & Longenecker, 1999; Cohen, Pant & Sharp, 2001; Roozen, Pelsmacker & Bostyn, 2001; Elm & Nichols, 1993; Reiss & Mitra, 1998). That is, scholars have asked: Does experience help to develop expertise? Inconsistent findings within this body of work has led some scholars to conclude that the operationalization of “experience” in empirical work is problematic in as far as it has been inconsistent (Dane & Sonenshein, 2015). We

add that the quantity of experience has been favored in past studies, whereas the particular quality, or qualities of experience has largely been neglected as a determining factor when it comes to developing ethical expertise. From a theoretical perspective (Dane & Sonenshein, 2015), it has been suggested that whether expertise is developed through any single experience with a moral problem, depends on (a) whether an individual reflects on that experience with the aim of distilling lessons and insights (Bandura, 2001; Schön, 1983; Moon 2004) and (b) whether they receive high quality social feedback on the decision (Hannah, Avolio & May, 2011; Sonenshein, 2007; Hogarth, 2001).

With the aim of extending our understanding on the qualities of an experience that are conducive to learning, we investigate the possibility that features of the decision outcome can encourage learning behaviors. Specifically, we ask whether the consequences of a decision will influence the degree to which decision-makers exhibit willingness to reflect on the decision. To the best of our knowledge, no empirical work has addressed this question.

Literature on failure in organizational settings and the negativity bias in individual psychology suggests that engagement information is influenced by the valence of the stimuli (Dahlin et al. 2018). Information that is perceived to have a negative valence, as opposed to a positive valence, typically engenders higher levels of engagement (Baumeister, Bratslavsky, Finkenauer, & Vohs., 2001; Vaish, Grossman & Woodward, 2008). This prompts us to ask whether a decision with negative, as opposed to positive

consequences for others would be more likely to induce learning behaviors such as post-hoc reflection.

It has been theorized that whether individuals reflect on their experiences with ethical decisions largely depends on individual traits, such as moral identity and moral awareness (Dane & Sonenshein, 2015). As a secondary and exploratory question, we also aim to investigate the impact of a potentially relevant individual trait that has not yet been theorized or tested, namely mindset of moral character (Dweck et al. 1995). In the domains of personality and intelligence, it has been shown that a growth-mindset is associated with the ability and motivation to learn from failure (Dweck, 2006). Hence, we wanted to explore whether the hypothesized effect of negative consequences on expertise development might be more pronounced in the case of growth-minded individuals.

We pursue this question with a vignette-based experimental design. In two studies, we manipulated the valence of a particular decision's consequences for others, and then tested for the degree to which decision-makers were likely to engage in post hoc reflection (Study 1 & 2). Our results show that negative consequences are more likely to lead to post-hoc reflection, but only within the relatively growth-minded subset of our sample. That is, we see an interaction effect between a person's mindset of moral character, and the valence of the consequences for others. Overall, results suggest that growth-minded individuals are more sensitive to the valence of their decisions' consequences for others.

These studies are an important contribution to the literature on ethical expertise and ethical decision-making in general, since they are the first to investigate a specific

feature of a decision-making experience (consequences for others) as a potential driver of expertise development. Although the potential for failure to promote learning has been documented in other fields within management (Dahlin et al. 2018), it has not yet been studied in the context of decisions with highly ethical salience. The findings are counterintuitive in that they indicate harmful consequences of a target individual's actions and decisions may have positive downstream effects on that same individual's ethical expertise.

First, we review the extant literature on ethical expertise, then we present our research question, designs and findings. Finally, we outline next steps.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

The concept of expertise (for reviews see Ericsson, Charness Feltovich & Hoffman, 2006; Sonnentag, 2000) portrays an individual's skill as existing along a continuum, ranging from being a novice to being an expert. A substantial part of the literature on expertise focuses on how we might recognize expertise, and distinguish experts from novices (see e.g. Narvaez & Lapsley, 2005; Dane, Rockmann & Pratt, 2012). Generally speaking, experts are understood to have more complex understanding of their specific domain, compared to novices, both in terms of conceptual associations and skilled action (Sternberg 1998, 1999).

Ethical expertise has been studied in multiple disciplines. From a philosophical phenomenological angle, expertise is understood as repeated, rule-informed practice (Dreyfus & Dreyfus, 1991). Virtue ethicists have portrayed (specific) virtues as the

embodiment of ethical expertise (see e.g. Stichter, 2007; Reed, 2013). This approach is similar to some psychological approaches within management thinking, which portray ethical competence as a result of specific personality traits, self-reported values and one's level of motivation to be a moral, or good person (Pohling, Bzdok, Eigenstetter, Stumpf & Strobel, 2016; Hannah et al., 2011). Within the field of Business Ethics, it has also been argued that professional ethicists are perceived as experts (Wicks & Glezen, 1998), whether or not these individuals would choose such a label, and notwithstanding the fact that moral philosophers do not perform better at decision-making tasks compared to a general population sample.

With the exception of the phenomenological approach, all of these contributions speak to the overarching questions, “Who are the experts when it comes to ethical decision-making?” and “What counts as expertise when it comes to ethical decision-making?” We align the present investigation with a third overarching question that has received comparatively little attention: “How do individuals develop expertise when it comes to ethical decision-making?” More specifically, our aim is to build understanding of the antecedents of behaviors that facilitate *the acquisition, or development* of ethical decision-making expertise in business organizations.

We utilize a conceptualization of ethical expertise that allows us to prioritize the question of development over the question of what counts as expertise, namely that ethical expertise is “the degree to which one is knowledgeable about and skilled at applying moral values within a given work context” (Dane & Sonenshein, 2015: 75). In adopting this definition, we do not commit to the idea of any single value necessarily

contributing more to expertise than any other. The values that are relevant will depend on the specific social and organizational context (Krebs & Denton, 2005). This definition is also broad enough to allow for multiple human capacities to be potentially relevant to the skilled application of moral values (Narvaez, 2010). In other words, conceptually, ethical expertise could potentially rely on intuitive judgments (Haidt, 2012), reasoning (Kohlberg, 1981; Treviño, 1986), emotional responses (Prinz, 2007; Greene & Haidt, 2002, Greene, Sommerville, Nystrom, Darley, & Cohen, 2001) and relational dynamics (Gilligan, 1993).

Expertise in ethical decision-making is understood to be developed through experience with solving ethical problems in work contexts (Hannah et al. 2011; Dane & Sonenshein, 2015). Extant empirical work on the nature of the relationship between experience and ethical decision-making, however, is inconclusive. Findings on both the presence and direction of the relationship are inconsistent. It has been suggested that this is due to inconsistent operationalization of “experience” (Dane & Sonenshein, 2015). Age (Elm & Nichols, 1993), organizational tenure (Weeks et al., 1999; Cohen et al., 2001) and education (Cole & Smith, 1996; Cohen et al., 2001) have all been used as proxies for “experience”. A more in depth survey of these papers revealed that none of the studies listed have attempted to establish causation.

We argue that, apart from inconsistent operationalization and research designs that have not yet prioritized causality, extant literature on the development of ethical expertise has clearly emphasized aggregation, or the quantity of experience, over specific qualities of experience. A review of the extant research on effective learning in

educational settings (Bransford, Brown & Cocking, 1999) underscores precisely the fact that the quality, or nature of the experience matters for whether learning takes place. Over decades, education scholars have identified features of experience that make for effective learning (Hirsh-Pasek, Zosh, Golinkoff, Gray, Robb & Kaufman, 2015): Active, instead of passive involvement; Engagement with material that is undistracted by elements that are irrelevant to the task, or domain; Social interaction that is supportive of the new material; Meaningfulness, in the sense of relating to other aspects of the individual's life; A clear learning goal. These conclusions caution strongly against the assumption that just any experience, or time spent on task, will be conducive to the development of expertise.

Indeed, within literature on organizational behavior, it has been shown that time spent engaging in a certain activity, or trying to solve a particular problem is not equal to getting better at that same activity, or type of problem (e.g. Kahneman & Klein, 2009). Active, repeated engagement (Ericsson & Charness, 1994), accurate and rapid feedback (Dane & Pratt, 2007), and a high degree of reflection (Daudelin, 1999) have all been shown to matter for the development of expertise in other domains within management. A recent theoretical account (Dane & Sonenshein, 2015) of how individuals develop ethical expertise avers that two factors need to be combined with experience in solving ethical problems: (1) High quality social feedback; (2) A high degree of reflection on experience. The first factor refers to the idea that some individuals' feedback on the target individual's experience may be more conducive to learning than others. Specifically, individuals who (a) themselves have expertise in solving moral problems in the relevant context, and those who (b) are genuinely concerned with helping the target

individual are more likely to give high quality feedback. The second factor refers to the fact that it is necessary to actively look for lessons imbedded in an experience post hoc (Schon, 1983). It has been suggested that psychological processes underpinning reflection are generally conducive to learning (Baumeister & Masicampo, 2010). This may be particularly true for the domain of ethical decision-making, given the complex interaction between the values of different stakeholders. It has been theorized that the strength of a person's moral identity (Aquino & Reed, 2002) and their inclination towards moral attentiveness, or awareness (Reynolds, 2006; 2008) may affect whether or not they reflect on ethically salient experiences.

In summary, in the domain of ethical decision-making, there is strong theoretical and empirical reasons to conclude that "experience" needs to be studied in a more fine-grained way if we are to understand its relationship to expertise. It has been theorized that reflection and the availability of high quality feedback will determine whether experience amounts to expertise, and these factors has thus far been understood to be a product of individual traits: certain kinds of people tend to reflect on their experience in solving ethical problems, and certain kinds of people are able to provide them with high quality feedback.

We suggest that the consequences of a particular decision may also influence whether a decision-maker is likely to learn from their experience. We thus propose that, in addition to individual differences, features of the specific situation could also determine whether individuals engage in behaviors associated with learning (Treviño,

1986). To the best of our knowledge, this possibility has neither been theorized, nor investigated empirically.

In other domains within management thinking, such as project management, product recalls and health care judgments, it has been suggested that both at the team and individual levels people are likely to learn from experiences that are viewed as failures (for a review see Dahlin et al., 2018). It is understood that the experience of failure is conducive to learning because, compared to stimuli with a positive valence, stimuli with a negative valence are associated with higher levels of cognitive engagement (for a review see Baumeister et al. 2001; Ito, Larsen, Smith & Cacioppo, 1998). Negative, or unpleasant events (goals being blocked; difficulty faced in relationships and projects) are attended to longer and thought about more. Typically, people spend more energy trying to understand the causes and exploring the meaning of bad events. There is also evidence to suggest that, from a very young age, our responses to negative emotions is stronger than our responses to positive emotions (Vaish et al. 2008), and that in organizational settings, negative emotions are associated with motivation to learn (Zhao, 2011).

The research on counterfactual thinking (Roese, 1994; 1997; Epstude & Roese, 2008) provide a particularly strong platform from which to argue that the consequences of a decision will matter for whether a person learns from that decision. This work suggests that individuals are likely to engage in reflection on what they might have done differently when the consequences of their actions are clearly negative. Specifically, there is empirical evidence that counterfactual thinking about what could have been done

(as opposed what might have been avoided) to have reached a better outcome fulfills the function of future improvement (Roese, 1994).

Taken jointly, the literatures on learning from failure, negativity bias and counterfactual thinking suggest that when an individual perceives their decision to have had negative consequences, they are more likely to learn from that decision because they are more likely to reflect on it.

Since we are concerned with *ethical* expertise, we argue that consequences *for others* is of crucial importance in an individual's evaluation of the outcome of their decisions. Work within moral psychology has documented the widespread prevalence of harm caused to others as being judged negatively (Haidt, 2012). Pulling together the research on (a) how the valence of information influences cognition, (b) how reflection serves learning and (c) how individuals judge harm caused to others negatively, we hypothesize that:

Hypothesis 1: If a decision-maker perceives their decision as having had negative consequences for others, compared to positive consequences for others, they will be more likely to reflect on the decision.

In organizational settings, well-intentioned managers may find themselves in a position where they *have* to harm specific others, either for the greater good or for the sake of a different set of others (Molinsky & Margolis, 2005; Margolis & Molinsky, 2008). This suggests that a decision can have consequences for others that are both positive and negative. Given this phenomenon, we also wanted to test for whether a

combination of negatively and positively valenced information would be more likely to induce learning behaviors, compared to purely positively valenced information.

Exploratory Hypothesis 2: If a decision-maker perceives their decision as having had mixed consequences for others, compared to positive consequences for others, they will be more likely to reflect on the decision.

Theorizing based on negativity bias research needs to account for the fact that information pertaining to the self-concept constitutes a special category (Baumeister et al. 2001). Individuals are typically strongly motivated to build and preserve a favourable self concept (Sedikides, 1993). This is also, and perhaps particularly true when it comes to attributes associated with being a “good” or “moral” person (Aquino & Reed, 2002). It is therefore possible that, rather than being motivated to cognitively engage information pertaining to the negative consequences of one’s decisions for others, individuals may instead be motivated to avoid such information if they experience it as threatening their positive self-concept. Thus, a person whose self-concept is *not* threatened by having caused others harm, is more likely to engage with the consequences of their decision, than those individuals’ whose self-concept is threatened by having caused harm.

In light of the results presented in Paper 1 of this dissertation, and theorizing on mindset more generally (Dweck, 2006), we aimed also explore how a person’s mindset in regards moral character might affect learning behaviors after a decision that had negative consequences for others. Similar to mindset of intelligence and personality, mindset of moral character refers to an individual’s lay theory of moral character as being

malleable (a growth mindset), or stable (a fixed mindset) (Dweck et al., 1995). We have already made the case for why perceiving one's decision as having had harmful, or negative consequences for others is akin to the experience of failure. Literature on mindset suggests that people vary in terms of whether they experience failure as an opportunity to learn (Dweck, 2006; Dweck & Leggett, 1988). Growth-minded individuals are inclined to approach errors, or failure as opportunities to learn, whereas fixed-minded individuals are inclined to avoid error and failure in order to protect their self-concept. We thus wanted to explore the following relationship:

Exploratory Hypothesis 3: Given the perception that their decision had negative consequences for others, individuals with a growth mindset of moral character will be more likely to reflect on their decision than those with a fixed mindset of moral character.

Our three hypotheses suggest that we expect to find a main effect of the valence of consequences for others, such that negative consequences (and a mix of negative and positive consequences) are more likely to lead to reflection, and hence development of ethical expertise. Within the condition of negative consequences for others, growth-minded individuals will “outperform” fixed-minded individuals in terms of the likelihood to reflect on the decision.

METHODS

Research Overview

We conducted two online studies with the primary aim of testing for whether, in the context of a particular decision, consequences for others would predict the decision-maker's likelihood of engaging in learning behaviors. In both studies, we presented participants with a vignette which centers on a difficult managerial decision. We also presented them with five different options and, to imbue them with a sense of having made a choice, asked them to indicate what they would be most likely to do. Subsequently, we manipulated their perception of whether this decision ended up having positive, negative or mixed consequences for others.

As a secondary aim, we wanted to focus on participants in the experimental condition involving negative consequences for others. Specifically, we wanted to explore whether, in this condition, growth-minded individuals would be more likely than fixed-minded individuals to engage in learning behaviors.

In both studies, we captured natural variance in people's mindsets by using an established measure for mindset of moral character (Dweck et al., 1995). That is, we tested for causation in the case of consequences, but only for correlation in the case of mindset of moral character.

Study 1

Method

Participants. We recruited a total of 251 participants using Amazon Mechanical Turk (Paolacci, Chandler, & Ipeirotis, 2010; Paolacci & Chandler, 2014). Participants were randomly allocated to one of three conditions: Negative Consequences, $n = 80$;

Positive Consequences, $n = 87$; Mixed Consequences, $n = 84$. Forty-three participants were excluded from the analysis, due to having failed at least one of four attention and memory checks that were built into the survey (e.g. “Please slide this bar to 3”). This left us with a final sample of 208 participants (130 women, 75 male, 3 gender non-binary; M age = 32.1 years, SD age = 9.8 years; 85.6% United States home country; only 8.7% indicated that they had no college education). The distribution of final sample across the various experimental conditions looked as follows: Negative Consequences, $n = 66$; Positive Consequences, $n = 74$; Mixed Consequences, $n = 68$. The final sample was similar to the initial sample in terms of age and gender distribution, as well as level of education.

Participants were informed that we were conducting a study on how people make tough decisions. Each participant received \$1.00 for their participation in the study.

Materials and procedure. Participants were first asked to provide their consent for participation. Thereafter, they were presented with a vignette involving a “right vs. right” decision, i.e. a decision in which different versions of “the right thing to do” come into conflict with each other (adapted from Badaracco, 1997). We used a vignette in which there was no single, or clear right thing to do. This served three distinct purposes: (1) It needed to be plausible that the decision could have consequences that were positive, negative and mixed; (2) The ethical salience of the decision needed to be obvious to the participants; (3) Similar to the scenarios we selected for Paper 1, we wanted the vignette to sketch a situation that could plausibly induce an experience of non-willful moral failure.

In the instructions preceding the vignette, we asked participants to imagine themselves in the position of the head of marketing at a firm that distributes computer hardware. The vignette describes a tough situation faced by the focal individual. They are asked by one of their direct reports, a team lead, to take action with respects to another employee's lack of productivity in the context of a pressing deadline. The situation is ethically salient due to the fact that the relatively "unproductive" employee is both (a) new to the company and (b) known to be a single mother. The manager is thus faced with having to serve the interests of the team, the team lead and of the particular employee in question. The vignette ends with a sentence priming ethical intent (Treviño, 1986), and awareness (Reynolds, 2006): "Clearly, you are in a very tough position. You want to do the right thing..." The exact wording of the vignette can be seen in Appendix A.

After reading the vignette, participants were presented with memory checks, and then, on a separate page, presented with five options and asked which they would be most likely to do. The instructions stated that there was no right or wrong answer. These options were developed based on participant responses in a pilot version of the study, where we presented participants with the same scenario, and then asked them to write a paragraph on how they would approach the situation.

Experimental manipulation. After having been imbued with a sense of having made a choice, participants were randomly allocated to one of three experimental conditions: Negative Consequences; Positive Consequences; Mixed Consequences. The manipulation for the Positive and Negative conditions consisted of the following prompt: *"Now imagine that, some days after having made your decision, you see that it ended up*

causing harm [good] rather than good [harm]. Overall, it had negative [positive] consequences, even for those parties that stood the best chance [worst chance] to benefit from your choice. On the next page, please tell us what you imagine these negative consequences to be. (Take your best, reasoned guess.)” For the Mixed condition, the prompt was: *“Now imagine that, some days after having made your decision, you see that it ended up causing both harm and good. Overall, your choice had positive and negative consequences. It benefited some while harming others.*

On the next page, please tell us what you imagine these positive and negative consequences to be. (Take your best, reasoned guess.)”

On a separate page, participants were then asked to imagine what the consequences of their specific choice might have been for the different parties involved. The purpose of these questions was to strengthen experimental manipulation, by making the valence of the consequences more vivid in the participant’s mind. We specifically manipulated valence in an abstract way, as opposed to presenting participants with concrete consequences, because that would introduce the potential for the participant to interpret the consequences differently. The way we introduced the manipulation relies on a participant’s own interpretation of what would constitute “harm” (negative consequences) and “benefit” (positive consequences).

Learning behaviors. Since the theorizing on ethical expertise, the empirical work on counterfactual thinking, and the literature on learning from failure in business settings all emphasize the role of reflecting on experience, we presented participants with an ecologically valid opportunity for structured reflecting. Participants were presented with

a prompt indicating that a colleague at the same level as them in the organization wrote them an email, offering them the opportunity to do a “5 Whys” analysis (Ohno, 1988) of the decision and its consequences together (see Appendix B for the exact wording of the prompt). “5 Whys” is a technique used in practice to enhance understanding of the causal chains driving certain (unfavorable) outcomes. To avoid social desirability effects, we also told participants to imagine that they already had an appointment scheduled at the same time that the colleague was offering to do the 5 Whys analysis with them. We then presented participants with a sliding scale question about how likely they would be to accept the colleague’s offer to do the 5 Whys analysis. The scale ranged from 1 (highly likely to decline offer and stick to previous commitment) to 7 (highly likely to reschedule previous commitment and accept 5 Whys offer).

Perceptions of opportunity to learn. We also included 3 items (adapted from Haimovitz & Dweck, 2016) to tap participants’ perceptions of whether the decision and its consequences will develop their expertise (Cronbach’s $\alpha = .84$). The items were presented with the instructions to rate level of agreement, from strongly disagree (1) to strongly agree (6). *This decision and its consequences present a good opportunity to learn; This decision is likely to have a positive effect on my managerial competence; My experience with this decision makes me more motivated to put effort into future decisions.*

Mindset of moral character. After participants responded to all of the vignette-related questions, we presented them with the three-item Mindset of Moral Character scale ($\alpha = .9$) (Dweck et al., 1995). Participants were asked to indicate the

extent to which they agreed or disagreed with three statements, using a scale of 1 (strongly agree) to 6 (strongly disagree).

At the end of the survey, participants were asked to respond to some demographic questions, and were then provided with directions to claim their payment.

Results

On average participants reported perceiving the decision and its consequences as an opportunity to learn and develop their expertise ($M = 4.6$ out of 6, $SD = 1.0$). Yet, participants reported that they would only be moderately likely to reflect on the decision and its consequences ($M = 3.37$ out of 7, $SD = 1.76$). These two variables correlated positively and significantly.

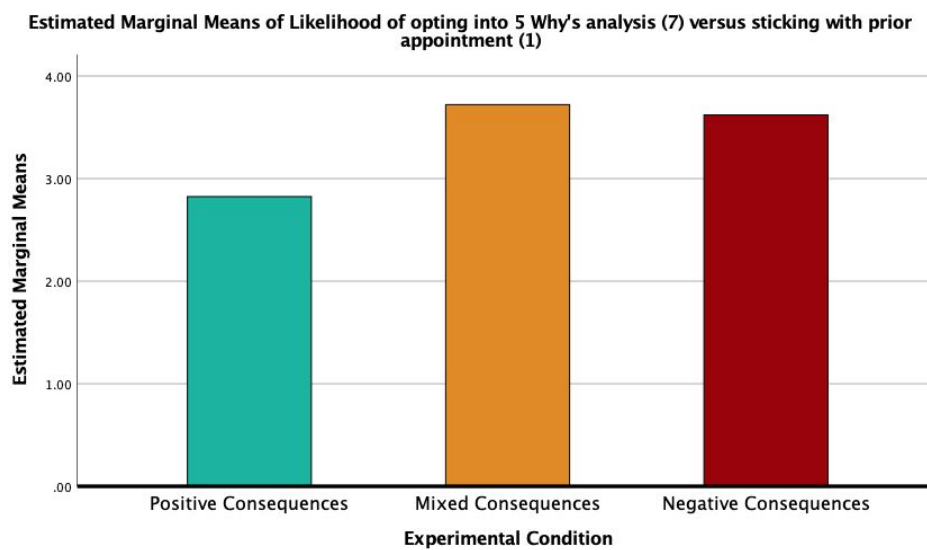
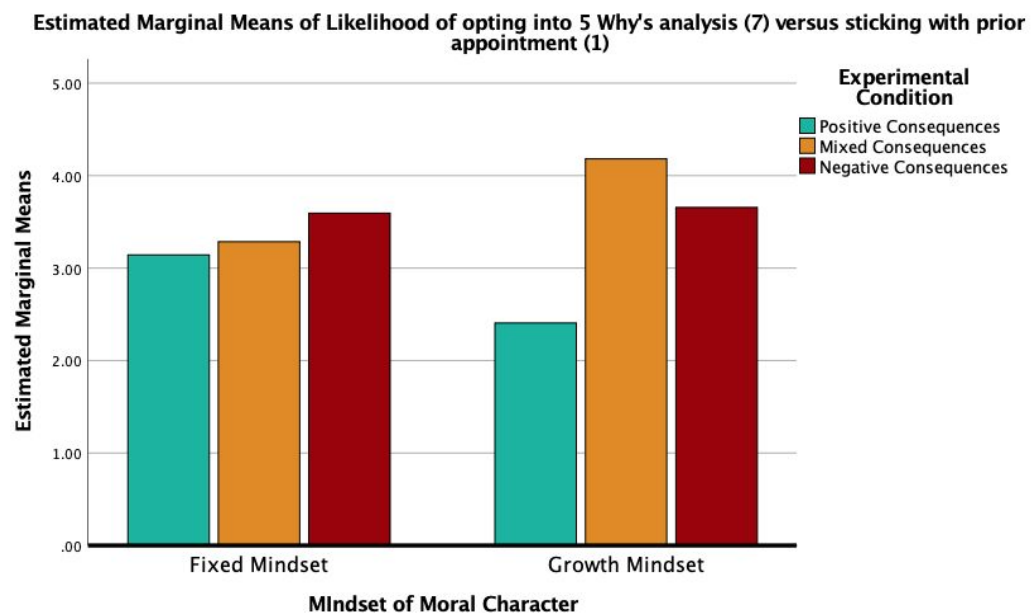
In a one-way ANOVA, as predicted, the valence of the consequences for others did predict the likelihood to reflect on the decision ($F = 5.8, p = .003$). We conducted Bonferroni post-hoc tests, since this is the most conservative test in the case of multiple comparisons, and these tests revealed that the mixed consequences group reported higher likelihood to reflect on the decision than the positive consequence group (M difference = .9, $p = .01$). The negative consequences group were also significantly more likely to reflect on the decision than the positive consequences group, M difference = .8, $p = .02$. There was no significant difference between the negative and mixed consequences groups. Interestingly, the manipulation had no effect on perceptions of the decision and its consequences being an opportunity to learn and develop expertise.

We transformed the mindset of moral character variable into a dichotomous variable, so that we could compare individuals in the negative consequences condition

based on whether they believe moral character is malleable. We thus allocated participants to a relatively growth minded group or a relatively fixed minded group, based on two criteria: (1) whether a participant's average score was higher (growth mindset) or lower (fixed mindset) than the median score, which was 4 out of 6; (2) if a participant's average score was 4 exactly, we allocated them to the fixed mindset group, so as to achieve the best possible balance between the fixed-minded ($n = 114$) and growth-minded groups ($n = 94$).

We then entered the consequence manipulation and dichotomized mindset of moral character as fixed factors into a general linear model, and the likelihood to reflect on the decision as the dependent variable. The interaction between the valence of consequences and mindset significantly predicted the likelihood of reflecting on the decision ($F = 4.04, p = .019$). This indicated that there were grounds to compare mean scores across the six cells in the two (mindset) by three (valence of consequences) design. Bonferroni post-hoc tests revealed that, counter to our prediction, there was no significant difference between the mean scores of the negative consequences/ growth-minded cell and the negative consequences/ fixed-minded cell. There was a significant difference between the mixed consequences/ growth-minded cell and the positive consequences/ growth-minded cell (M difference = 1.78 out of 7, $p = .004$). There was also a marginally significant mean difference between the negative consequences/ growth-minded cell and the positive consequences/ growth-minded cell (M difference = 1.23, $p = .07$).

See Figure 1 for the main effect of consequences, and Figure 2 for the interaction effect.

Figure 1*Figure 2*

Discussion

The results of the first ANOVA do support Hypothesis 1 and Exploratory Hypothesis 2. The perceived valence of a specific decision's consequences for others is likely to affect whether a decision-maker reflects on that experience. Specifically, the evidence points towards the hypothesized negativity bias: participants who perceived there to be some negative consequences, regardless of whether they were mixed with positive consequences, were more likely to reflect on the decision than those participants who perceived only positive consequences.

The results did not, however, support Exploratory Hypothesis 3. We expected to see that the main effect of valence would be enhanced for relatively growth-minded individuals as compared with fixed minded individuals. What we saw instead was that the main effect of valence does not exist within the fixed-minded group. The growth-minded individuals in the sample are largely responsible for driving the effect of valence.

Study 2

Our aim with study 2 was to replicate the main findings from Study 1, that is, to test whether mindset interacts with the valence of consequences to predict likelihood of reflecting on the decision. Since theorizing on the development of ethical expertise also emphasizes the role of high quality feedback, we included a measure of participants' feedback-seeking behavior to explore whether this, too, would be affected by the experimental manipulation.

Method

Participants. We recruited a total of 332 participants, again using Amazon Mechanical Turk. As in the case of Study 1, participants were randomly allocated to one of three conditions: Negative Consequences, $n = 109$; Positive Consequences, $n = 115$; Mixed Consequences, $n = 108$. One hundred and six participants were excluded from the analysis, due to having failed at least one of three attention and memory checks. The final sample thus consisted of $N = 226$ (58% male). 69% of the participants in the final sample indicated USA as home country, and a further 28% indicated India as home country. Only 7.5% indicated that they had *no* form of college education. The distribution of participants among experimental conditions was: Positive consequences $n = 82$; Negative consequences $n = 71$; Mixed consequences $n = 73$. Similar to Study 1, our final sample for Study 2 did resemble the initial sample in terms of demographics (gender, age, home country and level of education).

Materials and procedure. We followed the same basic procedure as in Study 1: We presented participants with the same vignette¹ and choice options. Subsequently, we administered a very similar consequence manipulation², and - again - as a way to measure whether they would reflect on the decision, asked participants how likely they would be to opt into a colleague's offer to conduct a 5 Why analysis with them³. Before

¹ We adapted the wording slightly, so as to streamline the study. See the two versions of the vignette directly above/ below each other in Addendum A. Underlined sections appear only in the first version of the vignette.

² Again, we adapted our wording slightly. The two versions of the manipulation are included in Addendum B.

³ See both version of the reflection prompts in Addendum C.

concluding the survey with payment instructions, we presented participants with individual difference scales and demographic questions.

Learning Behaviors. We operationalized reflection in the same way as in Study 1, i.e. by presenting participants with a prompt detailing a colleague's offer to help analyze the decision and its consequences, using the 5 Why's technique.

Since high quality feedback is another variable that has been theorized to impact the development of ethical expertise (Dane & Sonenshein, 2015), we included two items adapted from seminal work on self-reported feedback-seeking behavior (VandeWalle, Ganesan, Challagalla & Brown, 2000). The instructions and the items looked as follows: "On a scale from 1 (very unwilling) to 7 (very willing), in order to find out how competently you approached and executed the decision, how willing would you be to do the following... (1) "Seek information from colleagues at your level on how they think you performed?"; (2) Seek feedback from your superior in the organization on how they think you performed?" We averaged participants' responses across the two items ($\alpha = .751, r = .6, p = .00$)

Perceptions of learning opportunity. We used the same three items as in Study 1. Given that the scores on these items hang together well ($\alpha = .8$), we obtained a final score by averaging participants' responses across the three items.

Mindset of moral character. We used the same three items as in Study 1, averaged and reverse coded ($\alpha > .9$).

Results

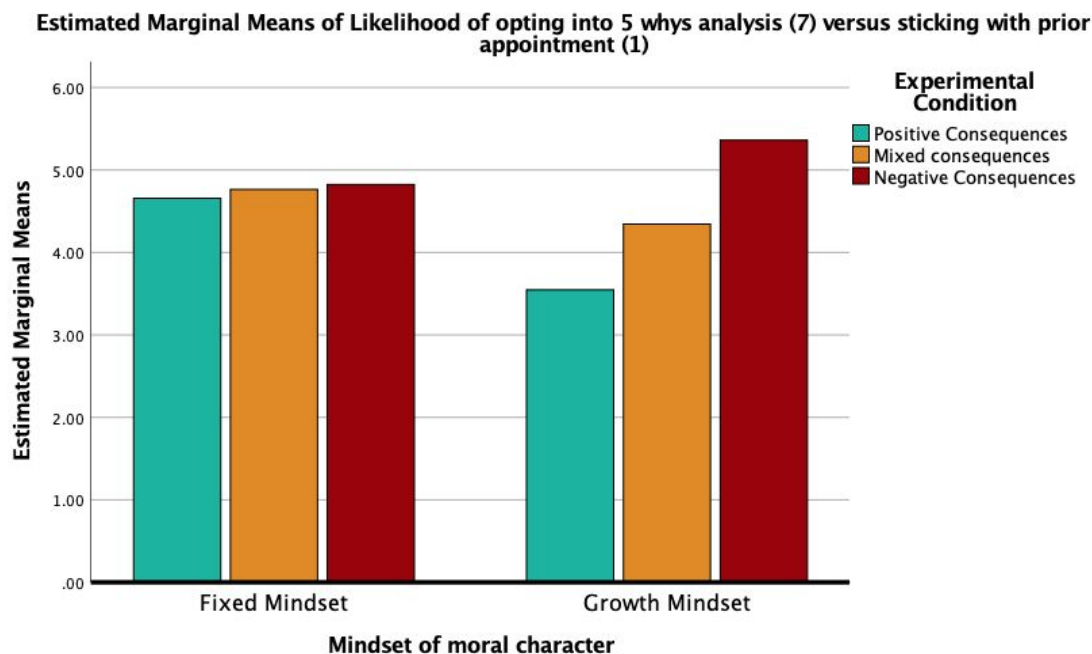
On average, participants again reported perceiving the decision and its consequences as an opportunity to learn and develop expertise ($M = 4.7$ out of 6, $SD = .89$). Compared to Study 1 ($M = 3.37$ out of 7, $SD = 1.76$), the average likelihood of opting into the colleague's 5 Whys offer was also high ($M = 4.5$ out of 7, $SD = 1.76$), and on average people indicated that they would be likely to seek feedback on the decision ($M = 3.87$ out of 5, $SD = .84$).

As was the case in Study 1, the perception of the decision as an opportunity to learn correlated with participants' likelihood to reflect on the decision ($r = .288, p = 0.00$). Feedback-seeking correlated highly with both (a) perceptions of the decision being an opportunity to learn ($r = .53, p = 0.00$) and (b) the likelihood of reflecting on the decision ($r = .48, p = 0.00$). Mindset of moral character only correlated with perceiving the decision as an opportunity to learn ($r = .14, p = 0.36$).

To test the predicted interaction effect, we entered both the manipulated consequences and a dichotomized mindset variable as fixed factors into a general linear model aimed at predicting likelihood of reflecting on the decision. We dichotomized mindset in the same way as in Study 1: (1) first we divided participants based on where their mindset score fell relative to the median score (3.33); (2) Then we allocated the participants that scored at the median on the basis of what would lead to equally sized fixed and growth-minded groups. In this case, those scoring 3.3 were allocated to the growth-minded group. We were left with a growth-minded group of $n = 115$ and a fixed minded group of $n = 110$.

As in the case of Study 1, the interaction between the consequence manipulation and mindset was a significant predictor of the likelihood to reflect on the decision ($F = 4.5, p = .012$). Bonferroni post tests were again conducted to test for differences between the six cell means. As in the case of Study 1, the positive consequences/ growth-minded participants were significantly less likely to reflect on the decision than the negative consequences/ growth-minded (M difference = 1.82 out of 7, $p = .00$). In this data, there were also significant differences between the participants in the positive consequences/ growth-minded cell, and all three cells with fixed-minded participants, with the positive consequences/ growth-minded participants being less likely to reflect on the decision (See Figure 3 for a depiction of this interaction effect).

In a one-way ANOVA, we also tested whether the valence of consequences would predict feedback-seeking behavior. Counter to our prediction, the manipulation had no effect on feedback-seeking scores.

Figure 3*Discussion*

Similar to Study 1, we do see partial support for a negativity bias in how consequences for others affect a decision-maker's learning behaviors. When it comes to whether participants reflected on the decision, negative consequences were more likely to prompt reflection than positive consequences, but this held only for the growth-minded individuals in the sample. In study 2's results, however, it becomes more clear that it might not only be that the negative consequences drives the likelihood to reflect *up* but that positive consequences could be driving the likelihood to reflect *down*. This becomes evident given the significant differences between growth-minded participants who perceived positive consequences and fixed-minded participants who received any version of the consequence manipulation.

DISCUSSION

The results of two online experiments support the hypothesis that the valence of a decision's consequences for others, matters for whether that decision-maker is likely to reflect on the decision post hoc. Specifically, the results show that a combination of negative and positive (study 1), and negative consequences (study 1 & study 2) were more likely to prompt reflection than positive consequences. However, when mindset of moral character is also taken into account, it is revealed that the significant differences in reflecting on negative vs. positive consequences are driven by the growth-minded individuals in the sample.

Interestingly, Study 2 data indicated negative, significant differences between the growth mindset/ positive consequences cell, and all three cells with fixed-minded individuals. This result suggests at least two interesting possibilities: (a) The growth-minded participants may vary significantly as a function of the valence of consequences, not merely because negative consequences raises the interest in reflection, but because positive consequences decreases a growth-minded person's likelihood to reflect; (b) It may be that growth-minded participants and fixed-minded participants are motivated by different factors when it comes to willingness to reflect on their decisions. Our data indicate that fixed-minded individuals are, on average, no less likely to reflect than growth-minded individuals. In fact, under some conditions they exhibit greater willingness to reflect than growth-minded individuals. Given extant research on fixed vs. growth-minded motivations (Dweck, 2006), it may be that fixed-minded individuals

engage in “public” reflection not because they are motivated to learn from their decision, but because they are susceptible to social desirability effects, while growth-minded individuals are less likely to be susceptible to this.

PAPER 3: AVOIDING FAILURE IN THE CONTEXT OF A CHOICE THAT PRESENTS A TRADE-OFF BETWEEN STAKEHOLDER INTERESTS

INTRODUCTION

The Stakeholder Theory of the firm has become a centerpiece of business ethics, as well as management thinking in general (Freeman, 1984; Brenner & Cochran, 1991; Donaldson & Preston 1995; Freeman, Wicks, & Parmar, 2004; and Phillips, Freeman, & Wicks, 2003). At its core, a stakeholder approach to management stands for the idea that a business is constituted by relationships with multiple different groups and individuals (Jones & Wicks, 1999). Therefore, it is incumbent upon managers to create value for a variety of stakeholders, in addition to creating value for shareholders (Freeman, 1984; Clarkson, 1995; Donaldson & Preston, 1995). Managing for stakeholders thus implies an increased scope for doing good through business, however, critics and proponents agree that this approach to management introduces the potential for conflicts between the interests of diverse stakeholders.

Indeed, a central question within stakeholder theorizing is what to make of situations wherein managers perceive conflict between diverse stakeholder interests (Sundaram & Inkpen, 2004; Freeman et al., 2004). The majority of extant literature builds on the assumption that perceiving conflicting stakeholder interests culminates in the focal manager making a trade-off, or a choice between two alternative courses of action, each of which benefits one group of stakeholders over another. To illustrate the

prevalence of this assumption, see the following statement by stakeholder theorists, Jones, Phelps & Bigley (2007: 141): "Decision making with respect to stakeholder relationships can be fraught with *tension*. *Trade-offs* between firm interests and stakeholder interests, as well as those *between or among the interests of different stakeholders*, inherently involve the *allocation of benefits and burdens* among human beings..." This excerpt not only showcases the strong association between "tension", or conflict, and "trade-offs", but also attests to a focus on a particular context, namely the kind where the resources managers can wield to satisfy stakeholder interests, are fixed. The upshot is that important theoretical and empirical progress has been made toward understanding how managers prioritize certain stakeholders over others (Mitchell, Agle & Wood, 1995; Agle, Mitchell & Sonnenfeld, 1999), or divide the available resources between the stakeholders in an attempt to "balance" their interests (Reynolds, Schultz & Hekman, 2006).

Conceptually, it has been suggested that conflicting stakeholder interests could stimulate the creation of additional value (Freeman, 2010). According to this line of thought, the very fact that stakeholder interests are perceived as conflicting may fuel managerial efforts to creatively enhance the pool of available resources, so that a trade-off may be avoided and all stakeholder interests may be satisfied. This idea is very important to stakeholder theory; if treating other stakeholders well and devoting resources to these relationships does *not* benefit shareholders, a stakeholder approach to management makes little business sense. Thus, stakeholder theory's contribution to management literature and practice hinges on whether it is practically possible for

managers to, at times, creatively enhance the pool of resources to their disposal. Yet, this possibility has received hardly any theoretical exposition in management literature.

Our aim with this paper is to investigate the possibility that perceiving conflicting stakeholder interests *need not necessarily* culminate in trade-off decisions, and can instead lead to the creation of additional value such that trade-offs are avoided. Specifically, we ask “When faced with a choice between serving one stakeholder over another, what are the psychological conditions under which managers will work creatively to avoid a trade-off?” Depending on the context, making trade-offs between stakeholder interests may be a common, useful and normatively appropriate practice. Our specific aim is to elucidate the individual-level, or psychological variables that render alternatives to trade-offs possible.

In following this approach, we respond to a call for empirically testable theorizing on individual-level managerial decision-making in the context of stakeholder relationships (Reynolds et al., 2006; Jones, 1995). Despite managers being central agents in stakeholder thinking (Freeman, 1984), the work and methods of the field of Psychology have rarely been used to enrich stakeholder thinking (Reynolds et al., 2006).

We aver that, in the context of a choice involving conflicting stakeholder interests, it is important to distinguish between (a) managerial *perceptions* of conflicting interests, and (b) managerial *felt* conflict about what to do. Our model assumes that conflict between diverse stakeholder interests is perceived, and starts with degree to which this perception induces felt conflict. Drawing from the literature on cognitive dissonance (Festinger, 1957; Hinojosa, Gardner, Walker, Coglisier, C., & Gullifor, 2017;

Kammeyer-Mueller, Simon & Rich, 2012; Tetlock, Peterson & Lerner, 1996), we argue that feeling conflicted about a choice involving conflicting stakeholder interests constitutes inconsistent cognitions, and thus produces psychological discomfort. The degree of conflict felt by the manager will determine whether they engage in simple or complex reasoning to alleviate said discomfort.

We also propose that each of these two types of reasoning is likely to correspond with one of two broad types of decision outcomes: trade-offs, or integrative novelty. We coin the term “integrative novelty” to refer to alternatives for action that (a) are different from original alternatives baked into the choice set, and (b) allow managers to serve both stakeholders’ interests simultaneously. We propose that simple reasoning is more likely to lead to trade-offs, whereas complex reasoning is more likely to lead to integrative novelty, especially when the target manager also perceives cues for creative problem-solving (Madjar, Greenberg & Chen, 2011; Amabile & Pratt, 2016, Amabile, 1996).

Our model offers stakeholder theorists a basis on which to test managers’ affective and cognitive responses to conflicting stakeholder interests. It is an important first step to understanding individual managers’ experience of being faced with conflicting stakeholder interests. As such, it responds directly to a call for investigating “the underlying mechanisms that managers use to bring [stakeholder] interests together and how can they do it better” (Freeman et al., 2010: 288).

Secondly, we contribute to extant theorizing on creativity in organizations by looking at conflicting stakeholder interests as a novel context for creative

problem-solving. Relatively little is known about the mechanisms behind creative problem-solving in context of problems that are highly ethically salient (Moran, Cropley, & Kaufman, 2014; for an exception, see Zhang et al., 2018). Where ethics and creativity have been studied alongside each other, the focus has been on how creative thinking can be conducive to dishonesty (Gino & Ariely, 2010; Gino & Wiltermuth, 2014). Our theorizing aims to elucidate some of the conditions under which creative problem-solving is necessary for achieving outcomes that affect different groups positively.

We start by demarcating the central phenomenon of perceiving conflicting stakeholder interests. We then review the stakeholder literature to take stock of the field's current understanding of choices in which the interests of diverse stakeholders come into conflict. Subsequently, we present, deliberate and discuss our model. Finally, we summarize our contributions to theory and practice.

MANAGERIAL PERCEPTIONS OF CONFLICTING STAKEHOLDER INTERESTS IN STAKEHOLDER THEORIZING

A key part of stakeholder thinking is the idea that a business organization is constituted by multiple, different relationships (Jones & Wicks, 1999). Understanding the firm in this way, means that managers effectively opt into an enhanced set of ethical concerns, because their responsibility is not limited to creating value exclusively for shareholders (Freeman, 1984; Harris & Freeman, 2008; Wicks, 1996). This is simultaneously a strength of the stakeholder thinking because it enhances the scope for

doing good through business, and a potential weakness if managers are not able to act effectively when conflicts between the interests of diverse stakeholders are perceived.

Perceiving Conflicting Stakeholder Interests: Conceptual Delineation

The term “stakeholder” refers to “any group or individual who can affect or is affected by the achievement of the firm’s objectives” (Freeman, 1984). Because this definition encourages the inclusion of a vast number of groups and individuals, categorization such as customers, employees, competitors, suppliers, government entities is used (Freeman, Martin & Parmar, 2007; Freeman, Harrison & Wicks, 2007).

However, for our purpose of conceptualizing the phenomenon of perceiving conflicting stakeholder interests, it is not necessary that multiple different categories of stakeholders be involved. It is merely necessary that a target manager perceives multiple different groups, or individuals, with conflicting interests, whether they clearly fit into multiple different stakeholder categories or not. “Stakeholder interests” refer to what the relevant stakeholder seeks to gain from the situation. Interests could also be expressed as objectives, or values (Gregory & Keeney, 1992; Siebert & Keeney, 2015).

Our theorizing is aimed at situations in which a target manager perceives a choice between two alternatives, each of which benefits one group of stakeholders over another. That is, the conflict between diverse stakeholders’ interests is perceived in the context of a specific choice. As an example, consider the following vignette used in a lab experiment (Reynolds et al., 2006):

Beta-Omega (a large petrochemical company) had an offshore oil well in northern Alaska and they wanted to build a \$1M on-shore apartment complex to house

those employees (and their families). They knew that such a complex would drastically reduce employee travel expenses and would improve morale, but the government was opposed to the idea from the beginning. The government had indisputable proof that the apartment complex would cause irreparable damage to that particular ecosystem, and so they were pleading with Beta-Omega not to build the complex.

In this example, employees' interests are perceived to be in conflict with the local government's interests, in the context of a choice between whether or not to build an apartment complex in a specific location.

Our way of conceptualizing managerial perceptions of conflicting stakeholder interests could be seen as existing at the intersection of the concepts "stakeholder management" and "right vs. right dilemmas". Right vs. right dilemmas are decisions in which different values or principles come into with each other; i.e. a target decision-maker perceives that to act on one value would be detrimental to the other value (Badaracco & Useem 1993; Badaracco, 1997; Palmer 2012; Zhang et al., 2018).

Perceiving a right vs. right dilemma and perceiving conflicting stakeholder interests are related, but distinct. The two become overlapping phenomena under the following conditions: (a) When a person is faced a right vs. right dilemma in their capacity as a manager - that is, they are expected to deal with the conflicting stakeholder interests *because* of their managerial role and/ or responsibilities; (b) When the particular right vs. right dilemma involves two or more stakeholders.

Extant Approaches to Dealing with Conflicting Stakeholder Interests

The question around what to do with conflicting stakeholder interests has generated a longstanding debate among stakeholder scholars (see eg. Sundaram & Inkpen, 2004; Freeman, Wicks & Parmar, 2004). One response has been to claim that the stakeholder approach to management introduces “confusion” (Sundaram & Inkpen, 2004) and that to have multiple objectives, i.e. serving the interests of multiple different groups, is equivalent to having no objective (Jensen, 2002). This line of work suggests reducing the different interests of the different stakeholders onto a single value axis (Jensen, 2002; Hosseini & Brenner, 1992). Through this method, the manager is left with picking the greater of two goods, regardless of who benefits, exactly. This utilitarian approach is powerful, since it effectively discourages the manager from *feeling* conflicted about what to do, after having perceived the conflict between stakeholder interests. If the appropriate calculations are applied in the correct way, the target manager need only select the option which yields the greatest gain from an objective point of view. In essence, the perceived conflict between stakeholder interests is removed (at least from the manager’s perception), and therefore a judgment can be made. This approach neglects to take into account that managers are not entirely rational calculating agents (Simon, 1991) and that they may be *motivated* to satisfy the interests of multiple stakeholders (Sonenshein, 2016) and hence have ambiguous goals (March, 1978).

A second response has taken better account of both bounded rationality, if not the motivation to tend to multiple stakeholders’ interests. Specifically, this approach seeks to understand how managers structure stakeholder relationships hierarchically. It is

suggested that stakeholders vary in their level of salience to the firm, which, in turn, is determined by varying levels of legitimacy, urgency and power (Mitchell, Agle & Wood, 1997; Agle, Mitchell & Sonnenfeld, 1999). All three of these factors determine “the degree to which managers give priority to competing stakeholder claims” (Mitchell et al., 1997: 878). The strength in this line of research is that it builds scholarly understanding of which information managers will rely on in making trade-offs between diverse stakeholder interests. Additionally, this line of research takes seriously the idea that perceived conflicts between stakeholder interests lead to trade-off decisions. Stakeholder interests are not reduced to exist on a single value axis. However, similar to the first line of work, this vein of research has not addressed the case of (a) managers being motivated to serve both stakeholders’ interests, and (b) stakeholders being perceived to be more or less *equally* salient. Under such conditions, trade-off decisions, and even the anticipation thereof becomes psychologically costly. In summary, although this approach accounts for managers’ *making* trade-offs by relying on certain kinds of information, it does not account for the *psychological experience* of making and anticipating trade-offs.

Trade-offs between stakeholder interests is understood, predominantly, as a strategic phenomenon, rather than a psychological phenomenon.

A third approach to perceiving conflicting stakeholder interests, may be to “balance” the allocation of resources to the manager’s disposal between the two (or more) parties involved (Reynolds et al., 2006). That is, managers will allocate some part of their resources and actions to one group, or individual, while allocating the rest to the other group, or individual. Neither one of the stakeholders’ interests are thus fully

satisfied, but both are satisfied to some degree. One lab experiment has found that managers are more likely to balance their allocation of resources, as opposed to making a trade-off, when resources are perceived to be divisible (Reynolds et al., 2006; study 1). It has also been suggested that, when resources are not easily divisible, managers will try to balance their allocation of resources across multiple decisions, i.e. Stakeholder A benefits *vis-a-vis* Stakeholder B in one decision, but then this relationship is reversed in a subsequent decision involving the same two stakeholders (Reynolds et al., 2006; study 1). This lab experiment constitutes clear and important progress towards understanding some of the factors that enable managers to try and avoid a “complete trade-off”: fully satisfying the interests of one stakeholder in at the expense of another stakeholder. However, it does not investigate the experience of being motivated to satisfy multiple stakeholders in the first place, nor does it consider situations in which it is not clear that there will be a subsequent decision involving the same stakeholders.

In looking at these three current approaches of collapsing interests onto a single value access, making trade-offs based on prioritizing, and balancing stakeholder interests, two themes stand out.

(1) They all operate on the assumption that a target manager has a fixed amount of resources to draw from in their attempts to serve stakeholder interests. This is striking in light of a fourth line of thinking, which is prescriptive in nature, and calls for managers to find ways to create joint value (Freeman, Harrison, Wicks, 2007; Porter & Kramer, 2006), thereby avoiding trade-offs between stakeholders. Within this line of thinking, it has been suggested that “values conflicts” could be treated as opportunities for “value

creation” (Freeman, 2010), and that there is a dearth of research on “the underlying mechanisms that managers use to bring interest together and how can they do it better” (Freeman et al., 2010: 288). This idea is of critical importance to stakeholder theory because it elevates stakeholder thinking beyond dividing a fixed pie of resources, to increasing the size of the pie that is available (Tanalo & Priem, 2016). Yet, when and how managers respond to conflicting stakeholder interests by creatively enhancing the pool of resources, has not been investigated theoretically, or empirically.

(2) The extant approaches discussed here largely treat conflicting stakeholder interests as a strategic phenomenon, and has paid scant attention to the actual experience of being faced with such conflicts as a manager (see also Reynolds et al., 2006).

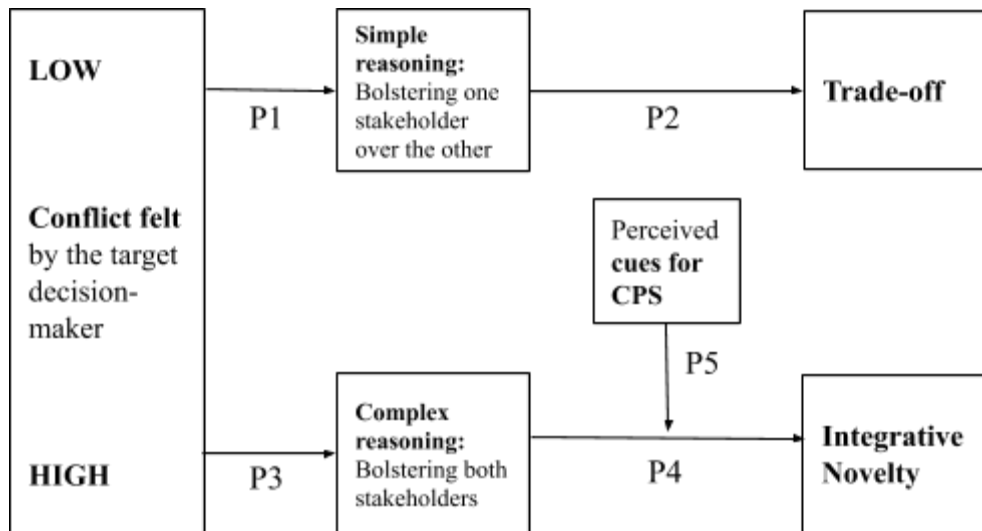
We draw from the literatures on cognitive dissonance (Festinger, 1957; Hinojosa, Gardner, Walker, Coglisier, C., & Gullifor, 2017; Kammeyer-Mueller, Simon & Rich, 2012; Tetlock, Peterson & Lerner, 1996), and creative problem-solving in organizations (Madjar, Greenberg & Chen, 2011; Amabile & Pratt, 2016, Amabile, 1996) to develop theory which addresses both the dearth of psychologically rich models in stakeholder thinking, and the lack of research on how managers can create additional value in the face of conflicting stakeholder interests. We ask, “When faced with a choice between serving one stakeholder over another, what are the psychological conditions under which managers will work creatively to avoid a trade-off?”

We aver that a psychological approach to studying how managers deal with conflicting stakeholder interests is especially important if the aim of the investigation is to understand how managers generate alternatives to trade-off decisions. In our

theorizing, we will show that attempting to “enhance the pie” in the context of conflicting stakeholder interests, as opposed to just distributing extant resources, is cognitively costly. Understanding the mechanisms involved in this effort is an important part of understanding when and how stakeholder management will stimulate value creation.

TRADE-OFFS VS. INTEGRATIVE NOVELTY

Our model (depicted in Figure 1) applies to the context of a choice involving conflicting stakeholder interests. It explains how and why managers who feel conflicted when faced with such a choice will either end up making a trade-off decision, or produce an integratively novel solution that allows them to serve both stakeholders’ interests and avoid a trade-off. Our starting point is the manager that (a) perceives the conflicting stakeholder interests in the choice they have to make; and (b) feels conflicted about what to do.

Figure 1

We argue that, in the context of a choice between serving the conflicting interests of two diverse stakeholders, feeling conflicted about which choice to exercise amounts to a manager experiencing inconsistency in their own cognitions, or mental representations (Elliot & Devine, 1994; Festinger, 1957). To feel conflicted implies that the target manager wants to serve the interests of Stakeholder A, as well as the interests of Stakeholder B. They hold the goal to serve Stakeholder A, as well as the goal to serve Stakeholder B. As the manager considers which of two alternatives to choose, and since these alternatives imply trading off one set of stakeholder interests against the other, the manager cannot but imagine exercising a choice, and subsequently engaging in actions that are inconsistent with one of their goals. As they consider catering to the needs of Stakeholder B, which is consistent with one of their goals they are simultaneously

imaging *not* catering to the needs of Stakeholder A, which is inconsistent with another one of their motivations.

Research on cognitive dissonance has shown that experiencing inconsistencies between one's own cognitions, or mental representations, is likely to induce psychological discomfort. As this discomfort is an aversive experience, individuals are highly motivated to remove inconsistency in their cognitions so that their discomfort may be alleviated (Festinger, 1957; Elliot & Devine, 1994; Hinojosa et al., 2017). As an example, an individual might change their attitude so as to distance themselves from one of the cognitions involved in the inconsistency (Elliot & Devine, 1994).

The kind of psychological discomfort experienced in wanting to serve diverse stakeholders' competing interests could be thought of as structurally similar to the psychological discomfort caused by one's personal values come into conflict with each other (Tetlock et al., 1996; Tetlock, 1986; Hanselmann & Tanner, 2008). In both cases, the individual experiences wanting to act on two motivations that are rendered inconsistent with each other by a particular choice context. The pending trade-off between two alternatives that are both preferred by the individual brings about psychological discomfort.

Empirical work on personal values conflicts has shown that individuals engage in two broad strategies for alleviating the discomfort induced by cognitive dissonance, namely simple cognitive strategies and complex cognitive strategies. Whether an individual engages in one or the other is determined by the *degree* of felt conflict they are experiencing. When the competing values involved in a choice are both equally

important to the individual, they will experience a high degree of felt conflict. On the other hand, if it is possible to rank one value as being of greater importance than the other, the individual will experience lower degrees of felt conflict (for a review see Tetlock et al., 1993).

In a similar vein, we suggest that, a manager could experience felt conflict to varying degrees. For example, if a manager identifies with both stakeholders involved, but identifies more strongly with one of the two stakeholders, they are likely to feel only somewhat conflicted. However, if they identify equally with both stakeholders, they are likely to experience high degrees of felt conflict. Thus, the question is not simply *whether* a manager feels conflicted when perceiving conflicting stakeholder interests in a particular choice context, but *how* conflicted they feel.

Empirically, low felt conflict has been associated with simple cognitive strategies for alleviating psychological discomfort, such as “spreading the alternatives” (Tetlock et al., 1993; Gawronski, 2012): a strategy whereby an individual reasons in such a way that one of the two values is bolstered, and the other is undermined as not being of real relevance in the particular situation. Thus, “spreading the alternatives” removes cognitive inconsistency because it enables (temporary) disengagement with one of the values.

In the context of conflicting stakeholder interests, it is plausible that “spreading the alternatives” could take the form of one stakeholder interests being reasoned about as more important to the organization than that of the other group of stakeholders. More concretely, as one example, experiencing a low degree of felt conflict, could lead to a manager reverting to shareholder maximization as a rule for making decisions. In other

words, we propose that:

Proposition 1: The lower the felt conflict experienced by the target decision-maker, the more likely that alleviation for psychological discomfort will be achieved through reasoning that bolsters only one of the two stakeholders' interests (simple reasoning).

Reasoning that bolsters one stakeholder's interests while diminishing the other stakeholder's interests will allow a manager to disengage from their motivation to serve the latter stakeholder's interests, and thus make it easier to justify trading-off between the diverse stakeholders' interests. We thus propose that:

Proposition 2: When a target decision-maker engages in simple reasoning about a decision involving conflicting stakeholder interests, the decision outcome is likely to be a trade-off between stakeholder interests.

Conversely, high degrees of felt conflict has been shown to lead to the adoption of complex cognitive strategies for alleviating psychological discomfort. Originally, the complex thinking that enables a person to reason positively about both sides of a personal values conflict was thought of as a trait-like cognitive style exhibited by only some individuals. However, recent efforts have suggested that integratively complex thinking is a specific kind of information processing that can be induced by situational and motivational factors (Schroder et al., 1967, Streufert and Streufert, 1978, and Tetlock 1979; 1983a; 1985), including the experience of a values conflict. That individuals are capable of integratively complex thinking, regardless their dominant cognitive style

(Tetlock et al., 1989; Tetlock et al. 1996), permitted they care about both values enough to induce high degrees of felt conflict. Complex strategies essentially allow a person to remove cognitive inconsistency, and alleviate discomfort, not by disengaging with one of the two values, but by changing the perception that they need necessarily compete in the particular choice context.

Corollarily, managers who experience high degrees of felt conflict, are likely to remove cognitive inconsistency through integratively complex thinking. This kind of thinking will produce reasoning that (a) bolsters the importance of both stakeholders' interests, and (b) aims at integrating the stakeholders' interests in such a way that they need no longer compete. Thus, we propose that:

Proposition 3: The higher the felt conflict experienced by the target decision-maker, the more likely that alleviation for psychological discomfort will be achieved through reasoning that bolsters both of the stakeholders' interests, and integrates these interests (complex reasoning).

Empirical studies on individual creativity have shown there to be a positive relationship between thinking from multiple distinct, and even competing perspectives, and performance in creative problem-solving. For example, in one set of studies (Miron-Spektor, Gino & Argote, 2011), the experimental manipulation of paradoxical frames lead to creative fluency and originality in solving unrelated creative insight problems. Paradoxical frames are “mental templates that individuals use to embrace seemingly contradictory statements or dimensions of a task or situation” (p. 1). The effect

of paradoxical frames on creative problem-solving was found to be mediated by two drivers: (1) the degree of conflict felt in adopting the paradoxical frame; (2) an individual's ability to take multiple perspectives and connect, or integrate them (study 4).

We suggest that, in the context of perceiving conflicting stakeholder interests, engaging in reasoning that bolsters the importance of both stakeholders' interests is akin to thinking from multiple, conflicting perspectives. Thus, this kind of reasoning will stimulate the decision-maker's creative problem-solving ability. We also suggest that coming up with alternatives for action that are different from the opposing alternatives baked into the choice situation, is a form of novelty. As such, it requires creative problem-solving. We use the term integrative novelty to refer to a decision outcome which involves an alternative that was not part of the original choice set, and integrates stakeholder interests such that they are no longer incompatible.

We propose that:

Proposition 4: When a target decision-maker engages in complex reasoning about a decision involving conflicting stakeholder interests, the decision outcome is likely to be integratively novel.

Factors that strengthen the relationship between complex reasoning and integrative novelty

In addition to simple and complex reasoning, decision makers must perceive the context as one where creative problem-solving is applicable. In the lab studies that we cite as showing proof for a relationship between thinking from multiple (conflicting)

perspectives and creative problem-solving, the experimental design, or the tasks used by the researchers prompts creative problem-solving on the part of the participants.

Effectively, the participants in the lab studies are *cued* to engage in creative problem-solving, e.g. in the case of the alternative uses task (Guilford, 1950), participants are instructed to come up with as many possible different uses for a brick. Similarly, we suggest that, in the context of a choice involving conflicting stakeholder interests, managers who perceive cues that elude them to the applicability of creative problem-solving will be more likely to achieve integrative novelty. That is, when the target decision-maker interprets, or makes sense of the choice situation as one that requires creativity (Ford, 1996; 2000), complex reasoning is more likely to lead to integrative novelty.

Past work on when employees are likely to engage in creative versus routine performance (Madjar, Greenberg & Chen, 2011), argues that perceptions around the availability of resources for creativity will act as a cue (Amabile, Conti, Coon, Lazenby & Herron, 1996; Damanpur, 1991). Resources that have been shown to be relevant to creativity include time, expertise, autonomy and financial means (Amabile et al., 1996). If these resources are not perceived to be available, individuals may not see the situation as one in which creative problem-solving is appropriate, and hence will not be motivated to work towards integrative novelty.

Another cue for creative problem-solving is the language managers use to frame problems. There is evidence to suggest that a choice that is structured as a dilemma leads individuals to ask the question, “what should I do?”, as opposed to the question, “what

could I do?” (Zhang, Gino & Margolis, 2018). This is particularly likely to happen in the case of choices that are experienced to be highly ethically, or morally salient. Past empirical efforts have shown that adopting a could-mindset, as opposed to a should mindset, is more likely to lead up to individuals creating alternatives that effectively resolve dilemmas (Zhang et al. 2018). We thus propose that:

Proposition 5: The relationship between complex reasoning and integrative novelty will be strengthened if the individual decision-maker perceives cues to engage in creative problem-solving.

DISCUSSION AND IMPLICATIONS

The question of how to deal with conflicting stakeholder interests is at the center of a long-standing debate within stakeholder thinking (Sundaram & Inkpen, 2004; Freeman et al., 2004). Most of the extant empirical research that touches on this question has worked from the assumption that conflicting stakeholder interests present managers with a trade-off decision. Hence, progress has been made towards understanding *how* managers prioritize certain stakeholders over others. As an alternative to the trade-off assumption, it has been suggested - conceptually - that managers who perceive conflicting stakeholder interests may use that very conflict to spur additional value creation, such that trade-offs between stakeholder interests are avoided. However, hardly any work has addressed this alternative to the trade-off assumption with the aim of establishing the nature and bounds of its psychological feasibility.

To an extent, the value of stakeholder approaches to management practice and thinking, hinges on whether managers can, in fact, turn conflicting stakeholder interests into situations, and outcomes that benefit all of the stakeholders involved. If adopting a stakeholder approach to management simply implies *acknowledging* that one stakeholder is benefitting at the cost of another, and if empirical research focuses disproportionately on *how* decision-makers make these trade-offs, stakeholder thinking's potentially unique contribution to management practice and theorizing remains underdeveloped. To date, there has been a dearth of empirical research and testable theory on whether and when trade-offs between stakeholders are likely, and when they are not. Theorizing about stakeholder relationships should include rigorous investigation of when and how perceived conflicts between diverse stakeholder interests spurs the creation of additional value, instead of leading to trade-offs.

In this paper, we make progress toward this end by studying managerial perception of conflicting stakeholder interests from a psychological angle. We focused on situations in which managers experience having to make a choice between two alternatives, each of which serves a particular stakeholder group over another. We suggest that such choice situations could culminate in one of two broad types of outcomes: trade-off or integrative novelty. We defined integrative novelty as one or more alternatives for action that was not part of the original choice set, and which allows for both groups of stakeholders' interests to be served.

We proposed that whether a trade-off is made, or integrative novelty is pursued, starts with the degree to which managers *feel* conflicted about what to do. The degree to

which a target manager internalizes conflict they perceive, and feels conflicted about which alternative to pick, will determine how they reason about the decision. This is because different degrees of felt conflict have been associated with different strategies for alleviating the psychological discomfort. In the case of low felt conflict, discomfort can be alleviated through simple reasoning: reasoning that bolsters only one of the two stakeholders involved, such that the motivation, or goal to serve the second stakeholder is diminished. Simple reasoning is thus likely to lead to trade-offs.

Feeling high degrees of conflict, on the other hand, will promote discomfort alleviation through complex reasoning: reasoning that affirms the interests of both stakeholders involved, and attempts to integrate these interests. When complex reasoning takes places in the context of perceiving cues for creative problem-solving, the outcome is likely to be integrative novelty.

This model contributes to our understanding of the conditions under which we can reasonably, and morally, expect of managers to avoid trade-offs through integrative novelty. Extant thinking on conflicting stakeholder interests can be seen as existing within two streams: those who assume trade-offs (Mitchell, Agle & Wood, 1995; Agle, Mitchell & Sonnenfeld, 1999; Reynolds et al. 2006) and those who insist they are not necessary if organizational decision-makers can find ways to create additional value (Freeman et al., 2004; Freeman, 2010). The bulk of empirical work on conflicting interests falls within the first stream. To the best of our knowledge, our theorizing constitutes the first attempt at spurring empirical work within the second stream. Empirical work within this stream matters a great deal, not only because the value of

stakeholder approach to management hinges on the possibility of “increasing the pie”, but because the value of normative or prescriptive claims depend on human capabilities.

Secondly, the model allows stakeholder theorists to ask better, more fine-grained questions in the wake of trade-offs. In a situation where, theoretically, there was the possibility for a trade-off to be avoided, is important to understand why a trade-off was made. Our model suggests that there are two main drivers behind trade-off decisions, which can be observed by third-parties: (1) Simple thinking, or thinking about the choice that affirms the importance of one of the stakeholders involved over the other; (2) A dearth of cues that the choice situation is one where creative problem-solving is applicable. Depending on which of these factors contribute to the trade-off, efforts at avoiding trade-offs in future may differ.

Thirdly, imbedded in the model is the start of a method for creating value when stakeholder interests are perceived to conflict. As a set of prescriptions, the model cautions managers against dispelling psychological discomfort with simple, less costly strategies, like “spreading the alternatives”. It suggests that companies could benefit from training managers and executives to adopt ways of thinking that induce felt conflict in a way that normalizes it (see e.g. Miron-Spektor et al., 2011). It also cautions that engaging in complex, integrative thinking and thereby removing the idea that the stakeholders’ interests need necessarily conflict, is not sufficient in producing integrative novelty. It suggests that practitioners and scholars should look into the factors that prevent managers from seeing a choice involving conflicting stakeholder interests as an appropriate situation for creative problem-solving.

Finally, the model we developed expands our understanding of the relationship between ethics and creativity. In research that looks at creativity as an independent variable and ethical decision-making as the dependent variable, most extant work has focussed on decisions involving a clear right and wrong answer. Typically, these research designs features an ethical behavior being pitted against a more narrowly self-regarding behavior. For example, in one study, researchers found that experimentally manipulating creativity increases the degree to which participants misrepresent information. This takes place in the context of it being hard to misrepresent and there being material incentive to do so (Gino & Ariely, 2012, Study 3). Other researchers have found a positive relationship between creativity and ethically-relevant motivations, when the causation is reversed. Grant and Berry (2011) found that wanting to benefit others through your work (having a prosocial motivation) interacts with intrinsic motivation to enhance creative performance in the workplace.

Our contribution to this literature is distinct in that it addresses choice situations in which multiple groups or values are relevant to the same decision. I.e. there is no clear ethical or unethical course of action. Rather, the decision pitches two version of the right, or ethical thing to do against each other. It integrates ethical outcomes with creativity research in ways not previously studied (for an exception see Zhang et al., 20018).

Practical Implications

The model suggest three levers through which managers and executives can work towards avoiding trade-offs between diverse stakeholders' interests: felt conflict;

complex reasoning and cues for creative problem-solving.

Practically, our theorizing suggests that business organizations and their stakeholders might benefit from the adverse psychological experience of felt conflict. Organizations may invest in practices that increase felt conflict on the part of relevant decision-makers, bearing in mind that this is psychologically costly. Indeed, it may be that organizations only benefit from developing individual leaders' capacity for felt conflict, if they can do so in a way that normalizes felt conflict. Training managers in the use of paradoxical frames (Miron-Spektor et al., 2011) is one way of achieving this.

Another lever would be to counter the forces that make for simple reasoning about stakeholder interests, or to at least be weary that such thinking may prematurely halt the process towards integrative novelty.

Finally, practitioners can take stock of whether, in their organization, employees perceive cues for creative problem-solving, and they could work towards building the relative prevalence or absence of such cues. For example, (premature) evaluations of resource scarcity might short-circuit the process leading up to integrative novelty. This has implications for communication practices around stakeholder trade-offs. Frequent verbal reminders of resource scarcity are likely to prevent individual decision-makers from engaging in creative problem-solving altogether.

Taken together, managers could also use our theory as a process model for dealing with choices that involve conflicting stakeholder interests. Managers could engage themselves and others in discussion around why a particular choice induces felt conflict, while taking care to reason explicitly from the perspective of both stakeholders

involved. They could also reason explicitly about why it would benefit the company to benefit both stakeholders. Practitioners can then use these explications in one of several processes that have been well established as leading to novel outcomes, such as design thinking (Liedtka & Ogilvie, 2011).

Future Research Directions

Most immediately and directly, research is required to validate the model we present here. Other researchers have studied the level of felt conflict in choice situations by simply asking participants to report how conflicted they feel (see e.g. Miron-Spektor et al., 2011). In laboratory settings, there is also the potential for this variable to be measured through a target decision-maker's level of physiological arousal, which can be measured through galvanic skin response (Greco, Valenza & Scilingo, 2016). Simple vs. complex reasoning can be measured by coding for integrative complexity (Baker-Brown, Ballard, Bluck, de Vries, Suedfeld, & Tetlock, 1990). The perception of cues for creative problem-solving could be manipulated in lab settings (Amabile et al., 1996). In the field, the specific resources and verbal cues that act as most impactful cues for creative problem-solving may vary from one organizational setting to the next. This then constitutes a research area in and of itself: What are the most salient cues for creative problem-solving in the context of conflicting stakeholder interests, or decisions that are high in ethical salience in general?

One important question centers on the relative strength of these three levers in practice. For example, is it the case that cues for creative problem-solving will be strong enough to drive decision-makers towards integrative novelty, or do they need to feel

sufficiently conflicted for the costs involved in creative problem-solving to be deemed as justified?

Future research could also address each of the three levers in isolation. In this model, we have looked at these levers at the individual level. However, an individual manager's degree of felt conflict, reasoning about the decision, and perceptions around cues for creativity could depend heavily on (a) their interactions with others and (b) the organizational culture.

Future questions on managerial felt conflict

At the individual level, we know very little about the qualitative experience of felt conflict in relation to a choice. For example, what are the physiological manifestations of high degrees of felt conflict? When managers experience conflict, whom are they most likely to consult, or seek advice from, and how does this affect their reasoning about the problem?

Is there natural variation in individual managers' capacity to experience felt conflict, and what is this variation a function of? One possibility is that a manager's cognitive style may determine their capacity of felt conflict. Our model suggests that the degree to which managers feel conflicted will determine whether their reasoning is more simple or complex. Could it also be that an individual manager's inclination towards complex thinking predisposes them positively to feel conflicted in the first place? What are the conditions under which managers will perceive conflict between diverse stakeholders' interests, yet feel no conflict at all?

At the interpersonal level, when multiple managers or executives are faced with

making a choice involving conflicting stakeholder interests, what are the ways in which they express felt conflict in a group setting? When does one decision-maker's expression of felt conflict enhance felt conflict in others?

Intervention studies could look at how felt conflict be induced in stakeholder trade-off contexts. Perspective-taking may be one way of doing this.

Future questions on simple vs. complex reasoning

Future research could look into factors that encourage and discourage complex reasoning about conflicting stakeholders in a group setting. Previous research in the domain of political decision-making has indicated that accountability matters for the kind of reasoning leaders exhibit (Tetlock, 1983b; Tetlock, 1985). That is, if decision-makers perceive a chance to be blamed for bolstering one of the two stakeholders in their group discussions, they might not engage in complex reasoning publically.

Future questions on cues for creative problem-solving

Given that stakeholder trade-offs have not yet been explored as opportunities for engaging in creative problem-solving (for an exception, see Zhang et al., 2018), a number of questions remain unanswered. Which combination of the known resources for creative problem-solving, i.e time, expertise, autonomy and financial means, is most influential in making complex reasoning progress towards integrative novelty? Secondly, in the context of group decision-making, how might some individuals convince others to engage in creative problem-solving?

There is some evidence to suggest that psychological safety in teams affect their creative performance (Edmondson, 1999; Mogelof & Edmondson, 2006). It may also be

the case that, in the context of a choice between conflicting stakeholder interests, psychological safety in a group of decision-makers enhances the likelihood of integrative novelty. To this end, the antecedent factors of psychological safety in the context of decisions that are perceived to be highly ethically salient need to be studied.

CONCLUSION

In this paper, we have shown that, although choices involving conflicting stakeholder interests is a central issue within stakeholder thinking, extant empirical research is limited in two important ways: (1) It has mostly assumed that managers have to make trade-offs in the face of conflicting stakeholder interests; (2) It has studied this phenomenon at a strategic level, and has not engaged in understanding the experience and the psychology of being faced with conflicting stakeholder interests.

The model we developed in this paper contributes to stakeholder thinking by addressing both these issues. Instead of assuming either a trade-off, or integrative novelty as a decision-outcome, we elaborated the psychological conditions under which each of these outcomes are more or less likely. We suggested that the higher the conflict felt by a target manager, the more they are likely to engage in complex reasoning. If this reasoning takes place, while also perceiving cues for creative problem-solving, the target manager is likely to generate a decision outcome which (a) involves an alternative that is different from the original choice set, and (b) integrates the stakeholders' interests so that a trade-off is avoided.

This model constitutes an important step towards understanding the psychological

mechanisms that drive managerial efforts to bring diverse stakeholders' interests together.

OVERALL CONCLUSION

In this dissertation, I have introduced and elaborated the concept of non-willful moral failure. I have argued that it is a common, and acutely felt experience that can lead well-intentioned leaders - managers and executives - to engage in anti-social and counterproductive behaviors. It is therefore imperative to understand when positive outcomes will be associated with non-willful moral failure.

In Papers 1 and 2, I have shown that a growth mindset is likely to: (a) Contribute to greater reparative efforts in the context of interpersonal transgressions; (b) Make managers more sensitive to how their decisions affect others, and thus better able to learn from their decisions. In Paper 3, I detailed the psychological conditions under which managers are more likely to *avoid* the experience of non-willful moral failure in the context of a choice involving conflicting stakeholder interests. I argued that the degree of conflict *felt* by the decision-maker will determine whether managers reason in simple or complex ways. This, in turn, will determine whether they make a trade-off or work creatively to integrate stakeholder interests in a novel way.

Overall, this set of projects makes four key contributions. Firstly, it draws attention to non-willful moral failure as a phenomenon that has not yet been studied adequately. Most of the research on ethical decision-making in management literature has focussed on decisions in which self-interested motivations are pitted against a motivation that is clearly ethically superior (for a literature review making this point, see Zhang et al. 2018). That is, scholarship has made a lot of progress towards understanding decisions that may be characterized as pitting right vs. wrong from an objective standpoint. As an

experience, non-willful moral failure is the result of two or more moral commitments being relevant to the same situation, whether the target individual realizes this during a decision-making process, or only after having engaged in the relevant (in)action.

Secondly, Papers 1 & 2 demonstrate the effect of growth mindsets vs. fixed mindsets in situations that are experienced as highly ethically, or morally salient. Growth mindsets have been shown to have positive effects within the sub-fields of job performance (Vandewalle et al., 2001; Vandewalle & Cummings, 1997), and creativity at work (Hirst et al., 2009). However, this work is the first concentrated effort at investigating mindset as it relates to ethics.

In the third instance, this dissertation provides an account of the psychological mechanisms that make it difficult to avoid trade-offs between stakeholders, while also sketching a path for how trade-offs might be avoided. In doing so, it responds to calls for advancing stakeholder thinking through psychology research and methods (Reynolds et al., 2006). It also addresses a direct need for research on how managers are able to bring conflicting stakeholder interests together (Freeman et al., 2010).

Finally, at the core of this dissertation is the suggestion that there may be value in thinking of moral failure as contributing to moral good in the longer run. I also start to delineate the conditions under which this might be possible, namely the experience of non-willful moral failure, coupled with the belief that moral character can change over time. The experience of failure has been associated with the development of competence in other domains (see e.g. Dahlin et al., 2018). However, the idea that this relationship might hold true in the context of ethically salient decisions seems counter-intuitive. We

tend to think of morals as being inherently good. Conversely, ethical or moral failure must be inherently bad. It thus seems strange to suggest that the experience of having wronged others could bring about positive outcomes. Yet, the theorizing and findings in Paper 2 suggest exactly this. My work in this dissertation thus begs the question of how we might study ethics differently - which novel foci may be introduced - if we accept that ethical expertise matures through non-willful moral failure.

ADDENDUM A: Vignette

Study 1:

“Imagine that you are the head of a marketing department at a company that distributes computer parts. You report to one of four vice presidents at headquarters.

Lisa Walters is one of several senior managers that report directly to you. Lisa works very long hours and has no kids.

Kathryn MacNeil, a recently appointed employee, works on Lisa’s team. Kathryn used to be a product manager at IBM. She worked in their marketing department for eight years. Her experience, as well as her outstanding references, made her seem like a great fit for your department. Kathryn is divorced and has full custody of her 6-year-old child.

As you arrive at the office one morning, you receive an email from Lisa. It says that Kathryn is falling behind schedule with work on a big project. Lisa thinks that this is because of Kathryn’s situation at home. This is the second time you’ve received a note from Lisa, expressing her frustration in dealing with Kathryn’s productivity. She wants you to consider pulling Kathryn off the team.

Due to a pending, difficult merger with another company, employees in your department are currently working 10 -12 hour days to meet a pressing two-week deadline. Kathryn seems to be at the office for roughly 9 hours every day. Still, she is not delivering in the same way as the rest of the team.

Pulling Kathryn off of the team could have serious consequences - for Kathryn and for others on the team. The tension between Lisa and Kathryn, in and of itself, is enough to make you take Lisa’s request seriously. Lisa is a competent and loyal

employee, and you know that your decision will also impact her. You know that headquarters have put together a task force to research how the company can support employees' family lives. However, it will take several months before any changes are made to company policy.

Clearly, you are in a very tough position. You want to do the right thing..."

Study 2:

Imagine that you are the head of a marketing department at a company that distributes computer parts. The company is currently going through a difficult merger. As a result of this, many of the teams in your department are working on a project with a tight, two-week deadline.

Lisa Walters is one of the team managers that report directly to you. You receive an e-mail from her in which she expresses her concern about the team's progress. A specific employee on Lisa's team, Kathryn McNeil, seems to be struggling to put in the extra time required of all of the team members, in order to make the deadline.

Kathryn was appointed recently and arrived at the company with valuable prior experience and excellent recommendations. She is divorced and has full custody of her 6-year-old child. Lisa's e-mail details the ways in which Kathryn is falling behind schedule. She suspects that this is because of Kathryn's responsibilities at home. Lisa is worried that Kathryn's insufficient efforts will have implications for the whole team later on. Looking at the numbers attached to the e-mail, you think that Lisa's reasoning is sound.

Lisa asks that you do something about this problem.

You know that headquarters have put together a task force to research how the company can support employees' family lives. However, it will take several months before any changes are made to company policy.

This is a tough call... You want to do the right thing.

ADDENDUM B: Manipulation Material

Study 1:

Positive and Negative Consequences conditions: *“Now imagine that, some days after having made your decision, you see that it ended up causing harm [good] rather than good [harm]. Overall, it had negative [positive] consequences, even for those parties that stood the best chance [worst chance] to benefit from your choice. On the next page, please tell us what you imagine these negative consequences to be. (Take your best, reasoned guess.)”*

Mixed Consequences condition: *“Now imagine that, some days after having made your decision, you see that it ended up causing both harm and good. Overall, your choice had positive and negative consequences. It benefited some while harming others. On the next page, please tell us what you imagine these positive and negative consequences to be. (Take your best, reasoned guess.)”*

Study 2:

Negative consequences: One week later, it seems that your decision had more negative consequences than you expected. Overall, it ended up causing some kind of harm for everyone involved. On the next page, brainstorm a list of what these negative consequences might be.

Positive consequences: One week later, it seems that your decision had more positive consequences than you expected. Overall, it ended up causing some kind of

benefit for everyone involved. On the next page, brainstorm a list of what these positive consequences might be.

Mixed Consequences: Imagine that, some days after having made your decision, you see that it ended up causing both harm and good. Overall, your choice had positive and negative consequences. It benefited some of the people involved while harming others. On the next page, brainstorm a list of what these positive consequences might be.

ADDENDUM C: Prompt for Reflection

Study 1:

Having heard about your decision and its consequences, your colleague sends you an email. He is at the same level as you in another department. He offers to walk you through a "5 Whys" analysis of the outcome of your decision. In the email, he copied the Wikipedia description of what a 5 Whys exercise entails:

“5 Whys is an iterative, interrogative technique used to explore the cause-and-effect relationships underlying a specific outcome. The primary goal of the technique is to determine the root cause of an outcome, by repeating the question "Why?" Each answer forms the basis of the next question. The "5" in the name derives from an anecdotal observation of the number of iterations needed to resolve the problem. Not all problems have a single root cause. If one wishes to uncover multiple root causes, the method must be repeated, asking a different sequence of questions each time. The method provides no hard and fast rules about what lines of questions to explore, or how long to continue the search for additional root causes. Thus, even when the method is closely followed, its value still depends upon the knowledge and persistence of the people involved.”

Your colleague explains that the 5 Whys analysis is typically applied to technical processes and problems. However, he has found it to be valuable in analyzing non-technical decisions and their outcomes. He also points out that you'd be able to use the 5 Whys write-up to get feedback on your decision from other leaders within in the company.

He ends off by saying: “Listen, we’re all under a lot of time pressure with this merger, and there is a lot to do. I’d understand if you don’t have the time to take me up on the offer.” Looking at the calendar invite he attached to the email, you notice that you already have a commitment during the specific time slot. If you took him up on the offer, you’d have to reschedule the other appointment.

Study 2:

Having heard about your decision and its consequences, your colleague sends you an email. He is at the same level as you in another department. He offers to do a "5 Whys" analysis of the decision with you. In the email, he copied the Wikipedia description of what a 5 Whys exercise entails:

“5 Whys is an iterative, interrogative technique used to explore the cause-and-effect relationships underlying a specific outcome. The primary goal of the technique is to determine the root cause of an outcome, by repeating the question "Why?" Each answer forms the basis of the next question. The "5" in the name derives from anecdotal observation of the number of iterations needed to understand complex causal chains. Not all events have a single root cause.”

Your colleague explains that the 5 Whys analysis is typically applied to technical processes and problems. However, he has found it to be valuable in analyzing non-technical decisions. He also points out that you’d be able to use the 5 Whys write-up to get feedback on your decision from other leaders in the company.

Looking at the calendar invite he attached to the email, you notice that you already have a commitment during the specific time slot. If you took him up on the offer, you'd have to reschedule the other appointment.

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