

# Insights from Social Identity Theory on Managers' Ethical and Legal Judgments

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## Abstract

The need to fill three gaps in ethics research in a business context sparked the current study. First, the distinction between the concepts of “ethical” and “legal” needs to be incorporated into theory building and empiricism. Second, a unifying theory is needed that can explain the variables that influence managers to emphasize ethics and legality in their judgments. Third, empirical evidence is needed to confirm the predictive power of the unifying theory, the discernable influence of personal and contextual variables, and the importance of the issue under consideration to the managers in determining their emphasis on ethical and legal values in reaching their judgments.

Focused on these needs, the current research combined social identity theory with empirical findings from business ethics research. This theory building initiative framed hypotheses-driven research to investigate the influences on managers' emphasis on ethical and legal values in making business judgments. An empirical research study was then conducted involving 252 practicing managers who judged 12 newsworthy business issues. The study collected data on the managers' individual factors, groups that might influence the managers' judgments, and the importance that the managers place on ethics and legality.

The research findings contribute to theory development 1.) By successfully utilizing a blended extension of social identity and issue-contingent theories to understand managers' judgments, 2.) By identifying of managers' individual factors that are associated with their emphasis on ethics and legality, and 3.) By providing evidence on the relationships among the perceived importance of an issue and the emphases managers place on ethical and legal values in reaching their judgments. The findings contribute to improving business practice by identifying variables that strongly influence managers' ethical and legal judgments.