Good/bad apples and good barrels: the interactive effect of religiosity and ethics institutionalization on ethical decision-making

Samia Tariq[1] · Tariq Hameed Alvi[2] · Munazza Saeed[3] · Ahmad Qammar[2] · Yonggui Wang[4]

Abstract

Despite the increasing interest in ethics institutionalization in organizations, the current understanding of its direct and contextual effect on ethical decision-making is limited. To address this knowledge gap, the current study, building on the Hunt & Vitell theory of ethical decision making and interactionist perspective, provides new insights on the influence of religiosity, an individual-level construct, and ethics institutionalization, an organizational-level construct, stimulating further research and discussion in this under-explored area. To accomplish this goal, using a census approach, it conducts a time-lagged survey to solicit responses from members of the Management Association of Pakistan, a professional and representative body of management professionals. The data was analyzed using partial least square-structural equation modeling (PLS-SEM). The results indicate that ethical judgment positively mediates the relationship between intrinsic religiosity and ethical intention. Additionally, implicit ethics institutionalization moderates the direct relationship between extrinsic religiosity and ethical judgment and the indirect relationship between extrinsic religiosity and ethical intention (via ethical judgment). This study broadens the comprehension of the interplay between religiosity, ethics institutionalization, and ethical decision-making within a management context. As such, the findings of this research inform the salience of the contextual influence of how ethics are institutionalized.

Keywords Ethical decision making · Ethics institutionalization · Intrinsic religiosity · Extrinsic religiosity · Hunt-Vitell theory of ethics · Interactionist perspective

✉ Tariq Hameed Alvi
alvi.research@gmail.com; tariqalvi@fccollege.edu.pk

Samia Tariq
samia.ias@pu.edu.pk

Munazza Saeed
munaza.sa@gmail.com

Ahmad Qammar
aqammar@cuilahore.edu.pk

Yonggui Wang
ygwang@zjsu.edu.cn

1 Institute of Administrative Sciences, University of the Punjab, Lahore, Pakistan

2 School of Management, Forman Christian College (A Chartered University), Lahore, Pakistan

3 FAST School of Management, National University of Computer and Emerging Sciences, Lahore Campus, Lahore, Pakistan

4 Zhejiang GongShang University, Hangzhou, China

Introduction

Ethics "ascertain the rules and standards that govern the moral behaviour of individuals" (Chakrabarti & Chatterjea, 2020, p. 16), while ethical decision-making (EDM) "is the process by which individuals use their moral base to determine whether a certain issue is right or wrong" (Carlson et al., 2002, p. 16). While extant research has examined several influential factors (Craft, 2013), the interplay between religiosity, ethics institutionalization, and ethical decision-making (EDM) remains under-explored (c.f. Vitell et al., 2015 investigated the link between ethics institutionalization and EDM). In the current study, we conceptualize religiosity as having two dimensions, intrinsic and extrinsic, in agreement with religiosity conceptualization by Allport and Ross (1967). Intrinsically religious managers' values and beliefs come from their religion, whereas those high in extrinsic religiosity *use* religion for their utilitarian gains (Allport & Ross, 1967; Tariq et al., 2019). Ethics institutionalization refers to the degree to which an organization explicitly and implicitly incorporates

ethics into its decision-making processes (Singhapakdi & Vitell, 2007). The focus on the formal codification of ethical behavior makes them explicit, whereas implicit ethics institutionalization denotes an organizational environment where ethical conduct is implicitly recognized as vital to the firm's operations (Singhapakdi et al., 2010). Despite the salience of ethics institutionalization to foster ethical conduct, astonishingly little research has endeavored to investigate its relationship with EDM (For exception, see, e.g., Vitell et al., 2015). Much of the existing research has endeavored to study the effects of religiosity and ethics institutionalization on EDM in isolation. For instance, while one stream of research investigated the relationship between religiosity and EDM (e.g., Singhapakdi et al., 2013; Tariq et al., 2019), the other studied the influence of ethics institutionalization on EDM, albeit sparingly (e.g., Vitell et al., 2015). This limits our understanding of their interactive effects on EDM. This lack represents a significant theoretical gap that needs to be addressed, as the need to investigate this relationship is pertinent.

This understanding is pertinent for the latter, i.e., ethics institutionalization, as recent market reports highlight numerous ethical lapses in management decisions across industries, which can harm corporate reputation, stakeholder trust, and financial stability. Specifically, as per a recent survey by the Ethics and Compliance Initiative (ECI), 65% of employees surveyed in 42 countries reported they had observed misconduct in their organization (Ethics & Compliance Initiative, 2023). Concurrently, there is a growing societal demand for responsible business conduct (OECD, 2023). Despite understanding theoretically how religiosity and institutionalized ethics can influence EDM, organizations often find it challenging to apply these insights in their day-to-day operations, particularly in diverse environments where multiple religious beliefs coexist or where varying standards of institutionalized ethics may apply. Addressing these practical gaps is imperative as well. In an era prioritizing corporate social responsibility and ethical accountability, businesses leveraging the interplay of religiosity and institutional ethics in their decision-making can benefit from improved reputation, stakeholder relations, and investor and society confidence.

In today's globalized world, where organizations comprise individuals of diverse religious backgrounds, and ethical standards are ever-evolving, this diversity may influence managers' ethical decisions. A thorough investigation into this dynamic could provide essential insights for academic research and practical applications. For scholars, it can open new avenues for research and theoretical development, potentially offering a nuanced understanding of EDM processes in diverse organizational contexts. For organizational leaders, this research provides valuable insights into how religiosity and ethics institutionalization influence ethical decisions, empowering them to develop more effective management strategies and ethical guidelines.

To address the theoretical and practical gaps, building on the Hunt and Vitell theory of EDM (Hunt & Vitell, 1986, 2006), the current research develops an integrated conceptual framework (Fig. 1), which examines (1) the influence of both dimensions of religiosity, i.e., intrinsic and extrinsic religiosity, on ethical intention through ethical judgment, and (2) ethics institutionalization as a pertinent contextual factor impinging on this relationship. Ethical judgment refers to the "perceived degree of ethicalness of a particular action for solving an ethical problem" (Singhapakdi et al., 2013, p. 2). The ethical intention is defined as "an individual's readiness or willingness to engage in a particular action" (Kish-Gephart et al., 2010, p. 2). Building upon the proposed framework (Fig. 1), the current research answers the following questions: (1) How does religiosity influence EDM? (2) What is the contingent effect of ethics institutionalization on the link between religiosity and EDM?

By answering the research questions, this study advances our understanding of the interactive effects of individual, i.e., religiosity, and organizational factors, such as ethics

Fig. 1 The conceptual model
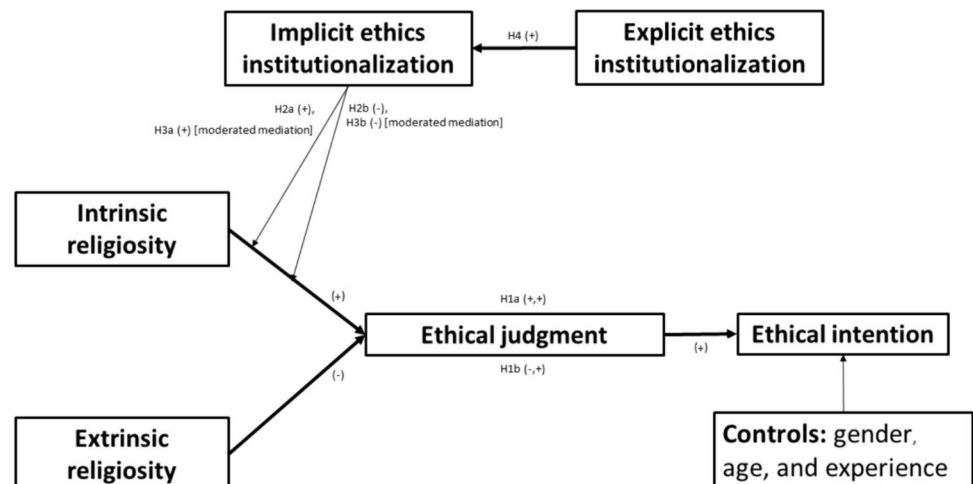
institutionalization, on EDM. To this end, it contributes to the EDM literature. First, its finding that ethical judgment mediates the relationship between intrinsic religiosity and ethical intention helps the researchers better understand the relationship between religiosity and ethical intention. Second, unearthing this mediating mechanism challenges the traditional dominant perspective of religiosity directly influencing ethical intention. Third, the finding of no evidence to support the moderating effect of implicit ethics institutionalization on the relationship between intrinsic religiosity and ethical judgment, nor the indirect relationship between intrinsic religiosity and ethical intention via ethical judgment, informs the EDM literature that intrinsically religious managers are *good apples* in the organizational context. Their strong moral compass, derived from their deep-seated religious convictions, makes them less susceptible to external influences that might compromise ethical standards. Fourth, it finds implicit ethics institutionalization to pronounce the otherwise non-significant negative effect of extrinsic religiosity on ethical judgment and, consequently, ethical intention. Moreover, this moderating influence improves the ethical judgment of extrinsically religious managers and their consequent ethical behavior, reflected in their improved ethical intentions. This way, it suggests that implicit ethics institutionalization can mitigate the detrimental effects of extrinsic religiosity on EDM. Finally, it confirms existing evidence of the positive influence of explicit ethics institutionalization on implicit ethics institutionalization (Marta et al., 2013; Singhapakdi et al., 2010; Singhapakdi & Vitell, 2007).

Theory and hypotheses

The H-V theory of EDM

There are a multitude of EDM theories that guide research in the substantive domain of EDM. Among them, one key theory proposed by Hunt and Vitell (1986, 2006) is the general theory of ethics, a.k.a. H-V theory. It is the most widely used theoretical perspective in EDM in general, offering a comprehensive framework that guides research in the substantive domain of EDM (Ferrell & Ferrell, 2024). As a theoretical lens, it has been used in consumer ethics (Hassan et al., 2022), marketing ethics (Schlegelmilch & Öberseder, 2010), and business ethics (e.g., Tariq et al., 2019). The theory is different from other EDM theories in many ways: (1) it is more comprehensive in that it takes into account both the teleological (a utilitarian standpoint) and deontological (a strict universal truth perspective) evaluations; (2) it takes care of multiple factors—i.e., personal, professional, managerial, and cultural—influencing these evaluations and

consequently the ethical judgment, intention, and the behavior; (3) it can be employed both in the professional/managerial, teaching, and research contexts; (4) it has been used in a variety of contexts (Hassan et al., 2022; Schlegelmilch & Öberseder, 2010; e.g., Tariq et al., 2019); and (5) it provides a means to integrate diverse approaches of ethics found in moral philosophy (Hunt & Vitell, 2006). These reasons make it a pertinent theory to investigate EDM.

The H-V theory outlines a comprehensive framework for EDM. It is primarily a descriptive theory and aims to describe and explain how individuals make ethical decisions in EDM contexts. The EDM process begins with recognizing an ethical problem and is influenced by personal characteristics and professional and managerial contexts to undertake (un)ethical decisions. Decision-makers evaluate alternatives through deontological (rules-based) and teleological (consequences-based) perspectives, forming ethical judgments and subsequent intentions and behaviors. The feedback from these actions, influenced by the actual consequences, informs future ethical decisions, highlighting EDM's dynamic and multidimensional nature.

Though not explicitly stated by the H-V theory (Hunt & Vitell, 2006), we extend this theory in the present study by integrating personal and situational factors to influence perceived ethical problems, alternatives, and consequences. Among the factors affecting EDM, religion forms an integral part of both the cultural environment and personal characteristics. Thus, religion can influence EDM by informing both the deontological and teleological evaluations, albeit with a focus on deontological norms (Hunt & Vitell, 2006). The present study investigates the effect of both dimensions of religiosity, intrinsic and extrinsic, on EDM due to the multidimensional nature of the religiosity construct (Allport & Ross, 1967). We posit that intrinsic religiosity can play a role in forming deontological norms, whereas extrinsic religiosity can form teleological norms. Likewise, institutionalized ethics, as part of the organizational environment, can influence EDM by helping decision-makers recognize ethical issues by providing a framework for identifying and categorizing ethical dilemmas, ensuring code compliance, and highlighting the consequences of unethical actions, impacting teleological evaluations.

The mediating role of ethical judgment

Religiosity, which refers to an individual's belief in God and the extent to which they adhere to the guidance set forth by God (McDaniel & Burnett, 1990), is an important personal characteristic and part of the cultural environment in the H-V theory (Hunt & Vitell, 2006). It influences one's ethical judgment and the consequent ethical intention. The H-V theory posits that religiosity influences ethical judgment

directly or indirectly through deontological evaluations. In our research, we posit that religiosity can help managers form their implicit personal moral codes grounded in deontological norms. Specifically, managers who are high in intrinsic religiosity can have high deontological norms due to their primary motivation to follow the religion. Consequently, they can form ethical judgments. In contrast, those with high extrinsic religiosity, due to their utilitarian focus and their tendency to *use* religion for personal gains, can have unethical judgment. This approach of taking religiosity as the predictor of ethical judgment is consistent with the H-V theory. (Hunt & Vitell, 2006; Tariq et al., 2019).

The mixed findings on the relationship between religiosity and ethical intention (Singhapakdi et al., 2000a, 2000b; Singhapakdi et al., 2000a, 2000b, 2013; Vitell & Muncy, 2005) prompted Tariq et al. (2019) to investigate ethical judgment to mediate the relationship between the two. Guided by H-V theory, evidence of ethical judgment as a mediator (Tariq et al., 2019), and the need to delineate the relationship (Weaver & Agle, 2002), the current study also proposes ethical judgment to mediate the relationship positively and negatively between intrinsic religiosity, extrinsic religiosity, and ethical intention, respectively. Using the H-V theory, we argue that religiosity, either intrinsic or extrinsic, acting as a moral compass, can help managers form their own implicit personal moral codes, which guide them in forming their ethical judgment and, consequently, ethical intention. However, both dimensions can act differently. Due to its focus on acting on and following the religion (Allport & Ross, 1967), intrinsic religiosity can foster ethical judgment. Consequently, intrinsically religious managers can form ethical judgments guided by their religion's induced high deontological norms. Consistent with H-V and the other EDM theories and the conclusive evidence of ethical judgment as the most significant predictor of ethical intention (Craft, 2013; Schwartz, 2016), ethical judgment can directly influence ethical intention. Taking both arguments together, i.e., from intrinsic religiosity to ethical judgment and the overarching theoretical and empirical support for the ethical judgment-intention link, we propose that intrinsic religiosity is likely to influence ethical intention through ethical judgment. Thus, the following hypothesis is proposed,

H1a: Managers' ethical judgment positively mediates the relationship between their intrinsic religiosity and ethical intention.

In contrast, owing to extrinsic religiosity's emphasis on the utilitarian perspective of *using* religion (Allport & Ross, 1967) by not making religious principles part of their identity (Vitell et al., 2011), those high in extrinsic religiosity can

likely undertake teleological evaluations of the ethical situation to serve themselves, further their business, or get social approval. Their deontological norms will be less likely to be informed by their religion. Thus, compared to those high in intrinsic religiosity, extrinsically religious managers can form a lower level of ethical judgment, which can deter ethical intention (see discussion leading to H1a). It is important to note that while the H-V theory does not explicitly differentiate between intrinsic religiosity and extrinsic religiosity, Hunt and Vitell (2006) call for using the multi-dimensional scales of religiosity, e.g., one developed by Allport and Ross (1967). Due to the extrinsic religiosity's focus on *using* religion as a source of comfort, self-justification, status, and social support, we posit that extrinsically religious managers will be more likely to form teleological evaluations rather than deontological ones (Hunt & Vitell, 2006). As a result, compared to intrinsically religious managers, their ethical judgment will be lower. At the same time, the deteriorated ethical judgment will give rise to decreased ethical intention as all the EDM theories and almost all empirical evidence point towards (Craft, 2013; Schwartz, 2016). Taken together, we propose the following hypothesis,

H1b: Ethical judgment negatively mediates the relationship between extrinsic religiosity and ethical intention such that managers high in extrinsic religiosity are likely to form low ethical judgments in decision situations having ethical content, which in turn influences managers' behavioral intentions to act less ethically.

Moderating role of ethics institutionalization

There is a multitude of conceptualizations regarding institutionalization mechanisms adopted by organizations to encourage ethical behavior (Kaptein, 2020), often referred to as ethics and compliance programs (Ethics & Compliance Initiative, 2023) and ethics infrastructure (Weber & Gerde, 2009). This includes ethical culture (Kaptein, 2008), ethical work climate (Victor & Cullen, 1988; Victor et al., 2012), and ethics institutionalization (Singhapakdi et al., 2010; Singhapakdi & Vitell, 2007; Tseng, 2019; Vitell et al., 2015). Extant research has identified the relationship between institutionalization mechanisms of ethics and EDM. For instance, individuals exposed to high ethical culture or climate display moral imagination (Moberg & Caldwell, 2007), form ethical judgment (Kaptein, 2020; Otaye-Ebede et al., 2020), and easily identify ethical issues (Kuntz et al., 2013). On the other hand, ethics institutionalization incorporates many organizational factors having ethical content, not included in ethical culture or climate, such as ethics audits, ethics training programs, and ethics committees to avoid unethical

decision-making. These components are called explicit ethics institutionalization (Singhapakdi & Vitell, 2007). Like ethical culture or climate, implicit ethics institutionalization is ingrained organizational practices having ethical content, such as fostering a strong ethical work environment, promoting ethical leadership, and encouraging open communication about ethical issues (Singhapakdi & Vitell, 2007).

Explicit ethics institutionalization fosters implicit ethics institutionalization among marketing practitioners (Lee et al., 2018; Vitell et al., 2015) and trust in the manager and the company among novice salespeople in life insurance (Tseng & Chung, 2017). Despite the evidence that implicit ethics institutionalization influences ethical judgment (Scott J. Vitell et al., 2015), teleological evaluation (Tseng, 2020), ethical selling (Tseng, 2019), academic cheating (Popoola et al., 2017), intricacies of the impact of ethics institutionalization on EDM in management is largely scarce [For exception, see (Vitell et al., 2015)]. This is potentially due to ethics institutionalization as an organizational practice, which potentially plays the role of a contingent factor in the relationship between individual-level factors and EDM. Taking such an interactionist perspective of researching ethics, i.e., the interaction of individual and situational moderators (Trevino, 1986; Treviño et al., 2014) is paramount if we want to develop the EDM literature further.

To elaborate on the interactionist perspective, it is essential to delve deeper into how individual-level factors, such as religiosity, interact with organizational practices like ethics institutionalization to influence EDM. Religiosity, encompassing both intrinsic and extrinsic dimensions, serves as a significant personal characteristic affecting ethical perceptions and behaviors (Hunt & Vitell, 2006). Intrinsic religiosity refers to internalized beliefs and personal commitment to religious principles, while extrinsic religiosity pertains to the outward expression of religious practices for social or personal gain. When ethics institutionalization is robust, with clear ethical codes and effective enforcement mechanisms, it can amplify the positive effects of intrinsic religiosity on EDM by aligning personal values with organizational norms. Conversely, it can mitigate the potential discrepancies caused by extrinsic religiosity, ensuring that ethical behavior is consistently maintained. This interactionist approach, drawing from Trevino (1986) model, highlights the key role of situational moderators in shaping the ethical landscape within organizations. By examining the interplay between individual religiosity and ethics institutionalization, this research can provide a better understanding of how organizational practices can enhance or hinder EDM.

When managers see institutionalized ethics in their focal organizations, they can develop revised, personal moral codes that are more explicit and morally informed.

Specifically, we argue that implicit ethics institutionalization is more salient in informing the personal moral codes than the more formal explicit ethics institutionalization, as the former is likely to influence personal moral codes more than the latter. This argument is in line with existing evidence that points to implicit institutionalized ethics being more effective than explicit ones (Jose & Thibodeaux, 1999).

The discussion leading to H1a argued, using the H-V theory of EDM, that intrinsic religiosity's dictated personal moral compass forms ethical judgment and consequent intention to behave ethically. Here, we propose that implicit ethics institutionalization, as a situational factor (Trevino, 1986; Treviño et al., 2014) and as informal norms in the organizational environment (Hunt & Vitell, 2006), interact with intrinsic religiosity to accentuate the positive outcomes of intrinsic religiosity. Thus, when implicit ethics institutionalization is in place, their interaction heightens managers' ethical judgment. Hence, we propose the following hypothesis,

H2a: The contextual influence of implicit ethics institutionalization, as perceived by the management professionals as existing in their referent organizations, positively moderates the positive relationship between their intrinsic religiosity and ethical judgment.

In contrast, the discussion leading to H1b argued that a weak personal moral compass prescribed by extrinsic religiosity forms deficient ethical judgment and consequent intention. As an informal norms component of the organizational environment in the H-V theory of EDM (Hunt & Vitell, 2006), implicit ethics institutionalization can interact with extrinsic religiosity to alleviate the negative consequences of extrinsic religiosity, i.e., deteriorated ethical judgment and intention. Hence, when explicit ethics are institutionalized in the referent organization, the interaction of implicit ethics institutionalization and extrinsic religiosity can improve the managers' deteriorated ethical judgment. Thus, we suggest the following hypothesis,

H2b: The contextual influence of implicit ethics institutionalization as perceived by the management professionals as existing in their referent organizations, negatively moderates the negative relationship between their extrinsic religiosity and ethical judgment.

Moderated mediation

As proposed earlier in H1a, intrinsic religiosity positively influences managers' ethical judgment, which, as a result, stimulates ethical intention. To clarify, the influence of

religiosity on managers' ethical intentions is transmitted through their ethical judgment. In addition, building on H-V theory (Hunt & Vitell, 2006), we propose ethics institutionalization as part of the organizational environment factor to interact with the religion element of the personal characteristics factor to foster EDM. As discussed earlier, some empirical evidence also points to implicit ethics institutionalization's positive influence on ethical judgment (Vitell et al., 2015). In the same vein, implicit ethics, when institutionalized, can further the managers' already improved ethical judgment owing to their intrinsic religiosity, which, as a result, can form their ethical intention. Consequently, we argue that the indirect positive relationship between intrinsic religiosity and ethical intention, through ethical judgment, is strong when implicit ethics institutionalization is high (vs. low). To be precise, it is argued that the high (vs. low) implicit ethics institutionalization can strengthen the indirect (via ethical judgment) relationship of intrinsic religiosity with ethical intention. From a statistical perspective, this represents a moderated-mediation case (Hayes, 2022), through which implicit ethics institutionalization interacts with managers' intrinsic religiosity to indirectly affect their ethical intention (through ethical judgment). Thus, we propose the following hypothesis,

H3a: The contextual influence of implicit ethics institutionalization as perceived by the management professionals as existing in their referent organizations, moderates the indirect (through ethical judgment) relationship between their intrinsic religiosity and ethical intention such that the relationship strengthens when implicit ethics institutionalization is high (vs. low).

Likewise, as proposed in H1b, extrinsic religiosity negatively influences managers' ethical judgment, which, in turn, impedes ethical intention. Building on the H-V theory (Hunt & Vitell, 2006), the discussion leading to H2b proposes the moderating role of implicit ethics institutionalization to mitigate the detrimental effects of extrinsic religiosity, i.e., ethical judgment improves in the presence of high implicit ethics institutionalization. Consequently, improved ethical judgment can enhance the otherwise deteriorated ethical intention. Thus, we argue that the indirect negative relationship between extrinsic religiosity and ethical intention, through ethical judgment, weakens when implicit ethics institutionalization is high (vs. low). Thus, we present the following hypothesis,

H3b: The contextual influence of implicit ethics institutionalization as perceived by the management professionals as existing in their referent organizations, moderates the indirect (through ethical judgment) negative relationship between their extrinsic religiosity and ethical intention such that the relationship weakens when implicit ethics institutionalization is high (vs. low).

The influence of implicit ethics institutionalization on explicit one

As discussed earlier, explicit ethics institutionalization refers to the codification of ethical behavior in terms of codes of ethics, policy manuals, orientation programs, and ethics committees, whereas implicit ethics institutionalization indicates a work climate in which ethical behavior is understood by employees and is critical in the makeup and functioning of the organization (Lee et al., 2018). Both dimensions of ethics institutionalization reinforce each other and can create a coherent ethical framework for the organization. From the perspective of the H-V theory (Hunt & Vitell, 2006), explicit ethics institutionalization, as *formal norms* and *code enforcement* elements of the organizational environment factor in the theory, provides the formal rules and guidelines that define the ethical standards and expectations for the employees. As an *informal norms* element of the organizational environment, implicit ethics institutionalization can create a supportive and conducive environment that encourages and rewards ethical behavior. To create such an environment, an important precursor is the formal rules and guidelines to foster ethical behavior. Thus, from this perspective, explicit ethics, when institutionalized, can lead to implicit ethics institutionalization. Further, existing empirical evidence points to explicit ethics institutionalization as a pertinent predictor of an implicit one (Marta et al., 2013; Singhapakdi et al., 2010; Singhapakdi & Vitell, 2007). Thus, based on both the theoretical rationale and empirical evidence, we hypothesize,

H4: The contextual influence of explicit ethics institutionalization as perceived by the management professionals as existing in their referent organizations, positively influences implicit ethics institutionalization.

Methodology

Sample and procedure

The present research employed a time-lagged survey design to collect data on management professionals in Pakistan. Since the Management Association of Pakistan (MAP) represents management professionals in Pakistan, it was chosen as a sample frame rather than going for convenience

sampling. At the time of data collection, it has 206 active members, each belonging to a different organization nationwide. The data were collected using the census approach, meaning questionnaires were sent to all 206 members of MAP. This ensured that the sample was representative of the population of management professionals in Pakistan. To secure the respondents' participation, they were provided with essential information such as the study's goals, benefits, and the voluntary nature of the participation, as well as pledges of anonymity in a cover letter.

To address common method variance bias (CMV) and to ensure temporal order for causality, the data were gathered in three phases with a time lag of 3 weeks. In the first phase, at time (*t1*), 206 mail questionnaires were distributed, and respondents were requested to report their responses about their religiosity and ethics institutionalization in their focal organizations. Each participant was allotted a distinctive code so that responses could be tallied with their later response in the subsequent phases. After the first phase, 192 management professionals responded (a response rate of about 93%). In the second phase, at time (*t2*), 192 questionnaires were distributed, consisting of a business scenario and an item of ethical judgment. At the end of this phase, 173 questionnaires were received with approximately 90% response rate. In the third phase, i.e., at time (*t3*), 173 questionnaires comprising a business scenario and an ethical intention item were distributed. Out of 173, 154 questionnaires were received back, 4 of which were incomplete, and thus were dropped. As a result, 150 valid questionnaires, with a response rate of about 87%, were used for the final analysis. There were no questions about the participants' confidential information. The sample characteristics are shown in Table 1.

Instrumentation

All the constructs were measured by adapting pre-developed measurement scales on a seven-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree). Intrinsic religiosity and extrinsic religiosity were measured using the 7-item scales initially developed by Allport and Ross (1967) and adapted by Tariq et al. (2019) for a religious context. The sample items for intrinsic and extrinsic religiosity are "I try to live all aspects of my life according

Table 1 Sample characteristics (*N* = 150)

Demographic	Percentage/mean
Gender	
Male	79%
Female	21%
Age	32 years
Experience	5 years
Qualification (years of schooling)	16 years

to my religious beliefs." and "What religion offers me the most is comfort in times of trouble/sorrow.", respectively. The 18-item ethics institutionalization scale (Singhapakdi et al., 2010; Singhapakdi & Vitell, 2007) measures both its implicit and explicit dimensions. The example implicit and explicit ethics institutionalization items are "Top management believes that ethical behavior, not just legal compliance, is paramount to the success of the organization." and "Top management evaluates the ethics training programs on a regular basis.", respectively.

To measure ethical judgment and ethical intention, a business ethics scenario and the action/decision taken by the manager were adopted from Anusorn Singhapakdi et al. (2013). The Appendix contains the scenario and the action taken by the manager. Both were presented to study participants, as is customary in EDM research (Dubinsky & Loken, 1989; Fritzsche & Becker, 1983). After reading the scenario and the manager's decision, participants were asked to express their degree of agreement with the manager's action in the scenario. The ethical judgment and intention were measured using the single-item scales. "I consider the action taken to be ethical" and "I would be likely to take the same action in this situation." are items for ethical judgment and intention, respectively.

Analysis and results

Data analysis procedure

Due to the complexity of the proposed framework (Hair et al., 2011), the current study employs PLS-SEM to analyze the hypothesized relationships. In PLS-SEM, the sample size should exceed ten times the maximum number of paths influencing an endogenous variable (Hair et al., 2011). The maximum number of arrows was seven, pointing at ethical intention comprising two independent variables (intrinsic and extrinsic religiosity), one mediating variable (ethical judgment), and four arrows of a moderator (implicit ethics institutionalization). The final sample size of 150 exceeds 70, essential for analysis. To check for the non-response bias, the authors found no substantial variance in early and late responses.

Measurement model

Generally, the testing of PLS models occurs in two stages. First, the assessment of the measurement model takes place to evaluate the validity and reliability of the constructs. For this, the current study scrutinizes the convergent validity using factor loadings and average variance extracted (AVE). Table 2 indicates that factor loadings and AVEs exceed 0.50 except

for implicit ethics institutionalization (AVE = 0.476, factor loading of item 3 = 0.452); hence, convergent validity exists (Bagozzi & Yi, 1988). To assess divergent validity, we compared the square root of AVE with the relevant correlational construct. As such, Table 3 shows the values of the square root of AVE to exceed the values of the pertinent construct's correlations (Fornell & Larcker, 1981); thus, divergent validity exists. To achieve sufficient reliability, the composite reliability (CR) and Cronbach's α values must exceed 0.70 (Hair et al., 2019; Nunnally & Bernstein, 1994). Table 2 also illustrates that CR and Cronbach's α values exceed or equal 0.825. This ensures the reliability of the scales.

While we tackled the issue of CMV by collecting data at three points in time, i.e., at $t1$, $t2$, and $t3$, we statistically checked for CMV and multicollinearity. For this, we employed a full collinearity variance inflation factor (VIF).

Table 2 shows that the values of full collinearity VIF are in the acceptable range, i.e., < 3.3, confirming the data does not have CMV and multicollinearity (Kock & Lynn, 2012). According to Kock and Lynn (2012), full collinearity VIF is a traditional and potentially better method to test CMV and multicollinearity (Lindell & Whitney, 2001).

Table 3 contains the variables means, standard deviations, and correlations. The low and medium correlations reveal relationships among them, allowing for further analysis.

Structural model

Before testing the hypotheses, we checked for model fit and quality indices provided by WarpPLS to ensure the structural model's fit with the data (Table 4). The indices include average path coefficient (APC), average R-squared

Table 2 Validity and reliability

Item	Intrinsic religiosity	Extrinsic religiosity	Implicit ethics institutionalization	Explicit ethics institutionalization	Ethical judgment	Ethical intention	SE
Intrinsic religiosity							
intrinsic_1	0.730				-	-	0.069
intrinsic_3	0.723				-	-	0.070
intrinsic_4	0.801				-	-	0.068
intrinsic_5	0.858				-	-	0.067
intrinsic_6	0.720				-	-	0.070
Extrinsic religiosity							
extrinsic_1		0.786			-	-	0.069
extrinsic_2		0.816			-	-	0.068
extrinsic_3		0.886			-	-	0.067
extrinsic_4		0.906			-	-	0.067
Implicit ethics institutionalization							
implicit_1			0.668		-	-	0.070
implicit_2			0.783		-	-	0.069
implicit_3			0.452		-	-	0.074
implicit_5			0.763		-	-	0.069
implicit_8			0.777		-	-	0.069
implicit_9			0.809		-	-	0.068
implicit_10			0.545		-	-	0.072
implicit_11			0.637		-	-	0.071
Explicit ethics institutionalization							
explicit_1				0.791	-	-	
explicit_2				0.566	-	-	
explicit_3				0.747	-	-	
explicit_4				0.797	-	-	
explicit_5				0.858	-	-	
explicit_6				0.844	-	-	
explicit_7				0.575	-	-	
AVE	0.590	0.723	0.476	0.560	-	-	-
Cronbach's α	0.825	0.871	0.835	0.864	-	-	-
Composite reliability (CR)	0.878	0.912	0.876	0.897	-	-	-
R^2	-	-	0.366	-	0.071	0.531	-
Adj. R^2	-	-	0.361	-	0.046	0.519	-
Full Col. VIF	2.466	2.336	1.946	1.726	2.024	2.173	-

(1) $p < 0.001$ for all factor loadings; (2) Ethical judgment and ethical intention were measured using a scenario employing one item each

Table 3 Correlations and descriptive statistics

Construct	Mean	SD	1	2	3	4	5	6	7	8	9	10
1. Intrinsic religiosity	5.328	1.029	**0.768**									
2. Extrinsic religiosity	5.542	1.152	0.744***	**0.850**								
3. Ethical judgment	4.550	1.744	0.028	0.007	-							
4. Ethical intention	4.630	1.709	-0.099	-0.093	0.685***	-						
5. Implicit ethics institutionalization	4.459	1.077	0.419***	0.406***	-0.107	-0.221**	**0.690**					
6. Explicit ethics institutionalization	3.902	0.945	0.196*	0.207*	-0.092	-0.142	0.571***	**0.748**				
7. Gender	-	-	-0.003	0.049	-0.226**	-0.180*	-0.093	-0.036	-			
8. Age	31.983	6.743	0.048	-0.023	0.095	0.218**	-0.079	-0.046	0.066	-		
9. Experience	5.039	4.667	-0.072	-0.087	0.094	0.277***	-0.067	-0.012	-0.008	0.571***	-	
10. Qualification	15.990	1.164	0.321***	0.265***	0.004	-0.063	0.234**	0.039	-0.148	-0.227**	-0.136	-

***$p < 0.001$, **$p < 0.01$, *$p < 0.05$; Square roots of average variances extracted (AVEs) are shown on diagonal

Table 4 Model fit and quality indices

Index	Value	Criteria
Average path coefficient (APC)	0.237, $p = 0.001$	$p < 0.05$
Average R-squared (ARS)	0.323, $p < 0.001$	$p < 0.05$
Average adjusted R-squared (AARS)	0.309, $p < 0.001$	$p < 0.05$
Average block VIF (AVIF)	1.178	Acceptable if $< = 5$, ideally $< = 3.3$
Average full collinearity VIF (AFVIF)	1.944	Acceptable if $< = 5$, ideally $< = 3.3$
Tenenhaus GoF (GoF)	0.524	small $> = 0.1$, medium $> = 0.25$, large $> = 0.36$
Sympson's paradox ratio (SPR)	0.778	Acceptable if $> = 0.7$, ideally $= 1$

(ARS), average adjusted R-squared (AARS), average block variance inflation factor (AVIF), average full collinearity variance inflation factor (AFVIF), and the Tenenhaus' GoF (Tenenhaus et al., 2005). Their values reveal the structural model's fit with the data (see Table 4). This allows for the testing of the hypotheses. Additionally, we employed the heterotrait-monotrait (HTMT) test to ensure discriminant validity (Henseler, 2016). Table 5 reveals that the HTMT scores for all the constructs were below 0.90, establishing discriminant validity for the scales.

Key findings

Table 6 and Fig. 2 presents the results of the hypotheses. As gender, age, and experience were strongly correlated with ethical intention, we controlled them in the structural model. The tested hypotheses include the two mediating, two moderating, and two moderated-mediated hypotheses. Among the indirect relationships, mediation results support one of the mediating hypotheses, i.e., H1a. Specifically, ethical judgment positively mediates the relationship between intrinsic religiosity and ethical intention ($\beta = 0.124$, $p = 0.014$). However, the results didn't support H1b ($\beta = -0.055$, $p = 0.17$). For the moderating effects, the only relationships implicit ethics institutionalization could moderate were: (1) the direct relationship between extrinsic religiosity and ethical judgment ($\beta = -0.253$, $p < 0.001$), supporting H2b (see Fig. 3, Table 6); and (2) the indirect relationship between extrinsic religiosity and ethical intention through ethical judgment ($\beta = -0.162$, $p = 0.003$). The results didn't support the rest of the hypotheses, i.e., H1b, H2a, and H3a (see Table 6). As Fig. 2 shows, gender was non-significant among the control variables. Age was a marginally significant predictor of ethical intention ($\beta = 0.113$, $p = 0.08$), whereas experience significantly determines ethical intention ($\beta = 0.162$, $p = 0.02$).

Table 5 Heterotrait–Monotrait ratios (HTMT)

	Intrinsic religiosity	Extrinsic religiosity	Implicit ethics institutionalization	Explicit ethics institutionalization
Intrinsic religiosity	-			
Extrinsic religiosity	0.868 (0.738, 0.999)	-		
Implicit ethics institutionalization	0.491 (0.372, 0.611)	0.469 (0.349, 0.588)	-	
Explicit ethics institutionalization	0.262 (0.148, 0.376)	0.259 (0.145, 0.373)	0.698 (0.572, 0.824)	-

Good if < 0.90, best if < 0.85; Parentheses contain the 90%confidence interval (good if 1 is excluded)

Discussion

In line with relatively recent evidence (Tariq et al., 2019), the current study confirmed the positive mediating role of ethical judgment in the relationship between intrinsic religiosity and the managers' ethical intention. In contrast to the same evidence, it didn't find the mediating effect of ethical judgment between extrinsic religiosity and ethical intention. This is important to note that Tariq et al. (2019), using the same sample, found ethical judgment to positively and fully mediate the relationship between extrinsic religiosity and ethical intention, contrary to their contention of a negative mediation effect. This discrepancy could be due to measurement errors, changes in sample characteristics over time, model specification, or statistical power. Time and contextual factors might also have played a role. Prima Facie, Tariq et al. (2019) (1) used a single point-in-time cross-sectional design, (2) employed four business ethics scenarios, (3) aggregated ethical judgment and intention score corresponding to each scenario into their respective indices, and (4) utilized linear-regression-based PROCESS macro for the data analysis. On the other hand, the current study (1) employed a time-lagged design, (2) used only one scenario to gauge ethical judgment and intention, and (3) made use of non-linear PLS-SEM-based WarpPLS to analyze the data. Additionally, the current study's contrasting results are not entirely unexpected, as existing research has reported somewhat mixed findings on the relationship between religiosity and EDM (Lehnert et al., 2015; Parboteeah et al., 2008). For example, both S J Vitell et al. (2005) and S.J. Vitell and Muncy (2005) found no evidence for the influence of extrinsic religiosity on consumer ethical beliefs. Similarly, in ethical consumption context, there was no mediating role of ethical judgment between extrinsic religiosity and consumer loyalty intentions (Dinh et al., 2022). Moreover, unexamined moderating variables (e.g., religious commitment, moral disengagement, and moral identity) might explain why ethical judgment did not mediate the relationship in the current study. Thus, future research should delineate this relationship with appropriate mediators and moderators.

In the current study, the contextual factor of implicit ethics institutionalization made the detrimental effect of extrinsic religiosity on EDM not only pronounced but also mitigated this effect. This shows that extrinsic religiosity in itself cannot exert its detrimental effect on ethical intention (via ethical judgment) or the effect is so small that it is statistically negligible (see Table 6 and Fig. 2 for effect sizes). This finding aligns with the existing literature which suggests that extrinsic religiosity alone may not be a robust predictor of ethical intention. However, when implicit ethics institutionalization was introduced as a moderator, it accentuated and mitigated the detrimental effects of extrinsic religiosity on ethical judgment, significantly impacting ethical intention. Implicit ethics institutionalization, which refers to an organization's ingrained ethical norms and values, plays a critical role in shaping ethical judgment. This moderating effect highlights the importance of the ethical climate in influencing EDM (Schminke et al., 2007; Singhapakdi, 1999; Treviño et al., 1998; Vitell et al., 2015). When strong implicit ethical norms are present, individuals with high

Table 6 Hypotheses results

Paths	B	SE
Direct paths		
Intrinsic religiosity → Ethical judgment	0.194**	0.078
Extrinsic religiosity → Ethical judgment	-0.085	0.080
Ethical judgment → Ethical intention	0.641***	0.071
Explicit ethics institutionalization → Implicit ethics institutionalization (**H4**)	0.605***	0.071
Indirect paths		
Intrinsic religiosity → Ethical judgment → Ethical intention (**H1a**)	0.124*	0.056
Extrinsic religiosity → Ethical judgment → Ethical intention (**H1b**)	-0.055	0.057
Moderated paths		
Intrinsic religiosity x Implicit ethics institutionalization → Ethical judgment (**H2a**)	0.048	0.081
Extrinsic religiosity x Implicit ethics institutionalization → Ethical judgment (**H2b**)	-0.253***	0.077
Moderated mediation paths		
Intrinsic religiosity x Implicit ethics institutionalization → Ethical judgment → Ethical intention (**H3a**)	0.031	0.057
Extrinsic religiosity x Implicit ethics institutionalization → Ethical judgment → Ethical intention (**H3b**)	-0.162**	0.056

(1) ***$p < 0.001$, **$p < 0.01$, *$p < 0.05$, +$p < 0.10$; (2) Sample size (N) =150; (3) Controls: Gender, age, and experience; (4) The total effects, not mentioned, are the same as indirect effects

Fig. 2 Results of hypotheses. *Notes.* Significance levels: $+ p < 0.10$, $*p < 0.05$, $**p < 0.01$, $***p < 0.001$, and n.s. = not significant
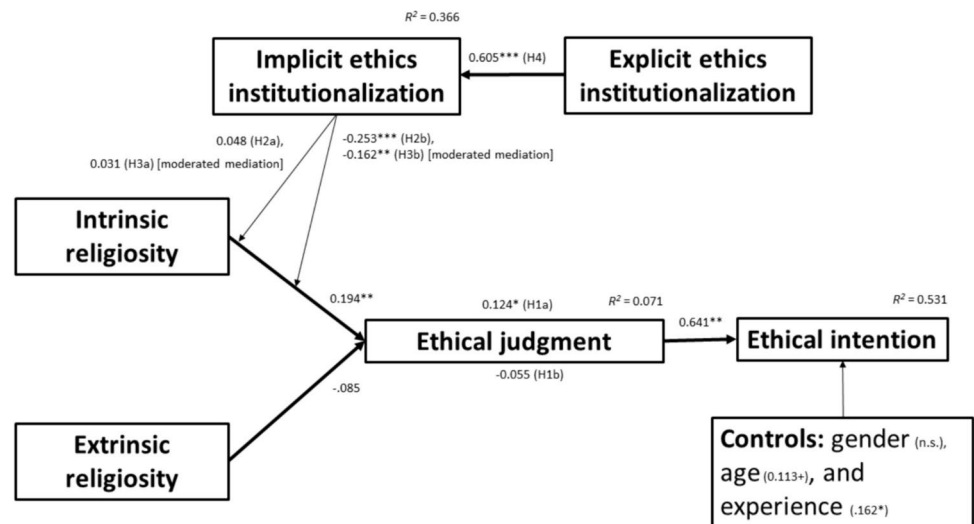
extrinsic religiosity are more likely to align their judgments and intentions with these norms, reducing the potential negative effects of extrinsic religiosity on ethical judgment and, consequently, on ethical intention.
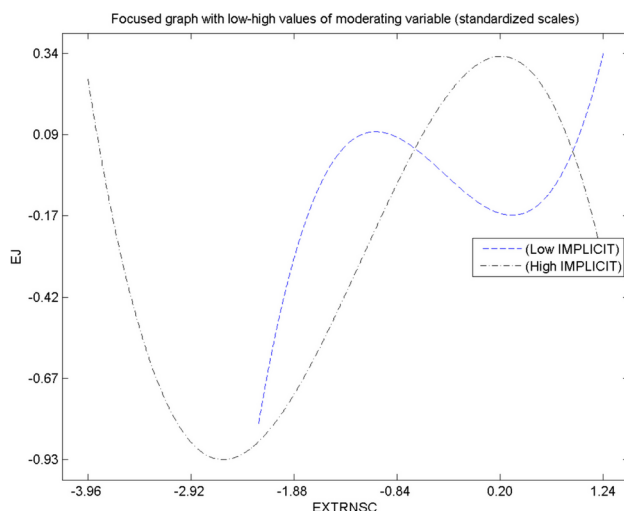
The ability of explicit ethics institutionalization to create an ethical climate reflected in implicit ethics institutionalization is in line with existing research (Marta et al., 2013; Singhapakdi et al., 2010; Singhapakdi & Vitell, 2007). Lastly, among the demographics, only age and experience were marginally significant and significant in influencing ethical intention, respectively. That is, older and experienced managers were more likely to form ethical intentions. This is in line with much of the existing research (Elango et al., 2010; Ferrell et al., 2019).

Through its findings, the present research answers an unresolved question in the existing literature of how institutionalized ethics can interact with the relevant personal characteristics to foster EDM. To address this question,

using the H-V theory and interactionist perspective of ethics (Trevino, 1986), the present research proposes a conceptual model (Fig. 1) to investigate the interactive effect of both dimensions of religiosity and ethics institutionalization on EDM. This way, it offers a fresh perspective on how a contextual factor, like ethics institutionalization, can help foster EDM by interacting with an individual factor, such as religiosity. We hope the current study can pave the way for future research investigating (1) the moderating effect of contextual variables such as ethics institutionalization and (2) how these contextual factors can interact with personal ones in complex ways to influence deontological and teleological evaluations and consequently EDM as the H-V theory and the interactionist perspective suggests. The following sections discuss the implications of the findings for literature and practice.

Theoretical implications

The current study adds to EDM literature in significant ways. Firstly, in line with the H-V theory (Hunt & Vitell, 2006) and a pertinent study (Tariq et al., 2019), it found the mediating role of ethical judgment in the link between intrinsic religiosity and ethical intention. This finding shows that intrinsic religiosity fosters ethical judgment, which, in turn, influences the ethical intention of managers. Secondly, it portrays the significant role of implicit ethics institutionalization as a moderator, making the relationship between extrinsic religiosity and ethical intention (via ethical judgment) pronounced. This finding suggests that the indirect impact of extrinsic religiosity on ethical intention (via ethical judgment) is not straightforward and can be influenced by other factors, such as implicit ethics institutionalization. This underscores the importance of considering multiple interacting factors in understanding EDM as the H-V theory

Fig. 3 Moderating effect of implicit ethics institutionalization

proposes the EDM is influenced by a multitude of contextual, situational, issue-relevant, and personal factors. The current study found the interactive effect of organizational environment (implicit ethics are institutionalized through code enforcement and informal norms) and religion from personal characteristics. While the H-V theory doesn't discuss the factors' interaction, our findings provide a future direction.

Thirdly, its finding that implicit ethics institutionalization can mitigate the detrimental effects of extrinsic religiosity not only on the ethical judgment but also its downstream impact on ethical intention informs the EDM literature that institutionalization of ethics in organizations can ward off the damaging effects of individual factors, such as extrinsic religiosity. For the H-V theory, it shows the importance of the institutionalization of ethics in the organizational environment. Fourthly, the inability of implicit ethics institutionalization to accentuate the positive effects of intrinsic religiosity on EDM, highlights the power of intrinsic religiosity to foster EDM by increasing ethical judgment and consequently the ethical intention. This could potentially be the result of a ceiling effect. That is, individuals with high levels of intrinsic religiosity do not derive additional benefits from implicit institutionalization when making ethical judgments, as their moral campus is their religion. The authors of the H-V theory have also proposed taking a multi-dimensional conceptualization of religiosity to understand better the intricacies of religiosity and EDM (Hunt & Vitell, 2006). Finally, its finding of explicit ethics institutionalization giving rise to implicit ethics institutionalization signifies that formal mechanisms of ethics institutionalization can act as an impetus to create a work environment that considers EDM necessary for the functioning of organizations (Marta et al., 2013; Singhapakdi et al., 2010; Singhapakdi & Vitell, 2007).

Practical implications

This article's expected contributions to business ethics practice are significant and timely due to its practical implications. Firstly, while we do not recommend hiring-managers to hire only employees high in intrinsic religiosity, organizations can easily foster EDM in such managers because of the moral base of their religion. This can also reduce the cost of training to raise their ethical judgment, as we found intrinsically religious managers to be high in their ethical judgments and consequent ethical intentions. Secondly, the current research found evidence that an ethical work climate, as reflected in implicit ethics institutionalization, can mitigate the detrimental effects of extrinsic religiosity on EDM by improving the deteriorated ethical judgments and the subsequent ethical intentions. Thus, organizations

should create a work environment where ethical behavior is the norm, i.e., an environment characterized by implicit ethics institutionalization, since such an environment can mitigate the unethical decisions of *bad apples*. Finally, while organizations institutionalize implicit and explicit forms of ethics, the current study's findings suggest that managers perceive implicit ethics institutionalized when they perceive explicit ethics institutionalization to be in place. In other words, formal ways of institutionalizing ethics, i.e., explicit ethics institutionalization, are paramount to creating an ethical work climate reflected in implicit ethics institutionalization. Thus, organizations should work on both, starting with explicit ones and then implicit ones.

Strengths, limitations, and future directions

The current study has multiple strengths. Firstly, it employs a time-lagged design to solicit responses from managers belonging to multiple functional areas at three points in time. The authors undertook this endeavor to avoid common method variance bias (CMV) and to establish causality with the caveat that even a time-lagged design can't ensure causality. Thus, future studies should undertake longitudinal and experimental designs to establish causality. Secondly, the sample frame was a representative body of management professionals in Pakistan. This ensured that the results obtained were generalizable. Thirdly, taking an interactionist perspective (Trevino, 1986), it endeavors to add to H-V theory (Hunt & Vitell, 2006) that future studies employing this theoretical lens should test the interactive effect of multiple theory elements as done by the current research. Lastly, accentuation and mitigation of the detrimental effects of extrinsic religiosity on EDM in the presence of implicit ethics institutionalization is novel evidence. Future research, therefore, should identify other boundary conditions, such as love of money, nature of ethical dilemma, situational stress, moral identity, and cultural context, both national and organizational.

Despite the strengths, the current study also has certain limitations. Firstly, due to the three-phased time-lagged study, we employed a single business ethics scenario to gauge ethical judgment and intention. Future research should use multiple scenarios. Secondly, the somewhat unexpected results of the inability of ethical judgment to mediate the relationship between extrinsic religiosity necessitate future research to further investigate this relationship, possibly through refined measurements, larger samples, longitudinal studies, and identifying the potential moderators (e.g., love of money, moral identity, perceived social pressure, and the situational factors) impinging on the relationship. Such future investigations are necessary as this statistically non-significant result becomes pronounced in the presence

of implicit ethics institutionalization as a moderator high-lighting the role of a managerially relevant moderator. Such endeavors can delineate this relationship.

Appendix

Scenario

The pricing committee of a large video game marketer suggests that prices be raised 20–30 % during the holiday season and that a highly popular game be kept in short supply.

Action: The vice president of marketing decides that this is a good idea since consumer demand indicates that consumers will be likely to pay the higher prices.

Data availability The data may be made available upon reasonable request.

Declarations

Conflict of interest On behalf of all authors, the corresponding author states that there is no conflict of interest.

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