

Leader Ethical Decision-Making in Organizations: Strategies for Sensemaking

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Abstract Organizational leaders face environmental challenges and pressures that put them under ethical risk. Navigating this ethical risk is demanding given the dynamics of contemporary organizations. Traditional models of ethical decision-making (EDM) are an inadequate framework for understanding how leaders respond to ethical dilemmas under conditions of uncertainty and equivocality. Sensemaking models more accurately illustrate leader EDM and account for individual, social, and environmental constraints. Using the sensemaking approach as a foundation, previous EDM models are revised and extended to comprise a conceptual model of leader EDM. Moreover, the underlying factors in the model are highlighted—constraints and strategies. Four trainable, compensatory strategies (emotion regulation, self-reflection, forecasting, and information integration) are proposed and described that aid leaders in navigating ethical dilemmas in organizations. Empirical examinations demonstrate that tactical application of the strategies may aid leaders in making sense of complex and ambiguous ethical dilemmas and promote ethical behavior. Compensatory tactics such as these should be central to organizational ethics initiatives at the leader level.

Keywords Cognitive strategies · Ethical behavior · Ethical decision-making · Leadership · Sensemaking

Corporate and financial misconduct amidst the recent world financial crises, such as the predatory subprime lending practices of Ameriquest, Goldman Sachs, and IndyMac Bank, have left few wondering whether ethics in leadership should be of greater focus moving forward (Muolo and Padilla 2010; Paletta and Enrich 2008). Government and public officials including the Securities and Exchange Commission and The United States Senate have questioned organizational leaders over their dubious and, seemingly, misguided decision-making (Pulliam et al. 2010; Securities and Exchange Commission 2010). They wonder how such gross misconduct could occur even when organizational policies and guidelines exist to safeguard against unethical practices. Is it because today's leaders have less integrity and are prone to behave unethically? Under the rationalist or moral reasoning approach to leader ethical decision-making (EDM) such a conclusion might be accepted. EDM theories grounded in moral reasoning arguments posit that leaders first recognize ethical problems and then apply their moral code or principles to ethical situations (e.g., Jones 1991; Kohlberg 1981, 1984; Rest 1986)—suggesting that leaders today are either ignorant of the ethical dilemmas present in complex organizations or that leaders possess values or internal codes of conduct that are “less ethical.” The limitation of this theoretical approach, as demonstrated by Sonenshein (2007), is that ethical awareness is grossly misunderstood and under simplified. Moreover, intuitive processes are not recognized or integrated. Sonenshein and others have provided an alternative framework, one grounded in sensemaking, which lays a foundation for attributing constraining factors to leader EDM and for proposing compensating strategies. Rather than suggest ethical misconduct occurs because leaders today possess less ethical values, ethical misconduct may stem from the difficulties leaders have with

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accurately making sense of the dynamic business environment or other cognitive limitations.

Sensemaking is the complex cognitive process engaged in when one is faced with complex and high-risk situations (Drazin et al. 1999; Weick 1995). Individual and social factors appreciably influence sensemaking as environmental complexity increases. Given that contemporary organizations are defined by less structure and are generally more fluid and transitional (Barkema et al. 2002; Schneider and Somers 2006; Uhl-Bien et al. 2007), current leaders may be more prone to unethical behavior because they face ethical dilemmas that are simply more difficult to navigate. Sonenshein's (2007) model addresses the pervasiveness of organizational uncertainty and equivocality and the processes through which individuals manage these conditions. Throughout this paper we argue that leader EDM is better understood through a sensemaking perspective, which incorporates how leaders uniquely construct and make sense of ethical issues amidst complex environments. We also argue that leaders are under exceptional ethical risk that requires accurate sensemaking for EDM to be effectively executed.

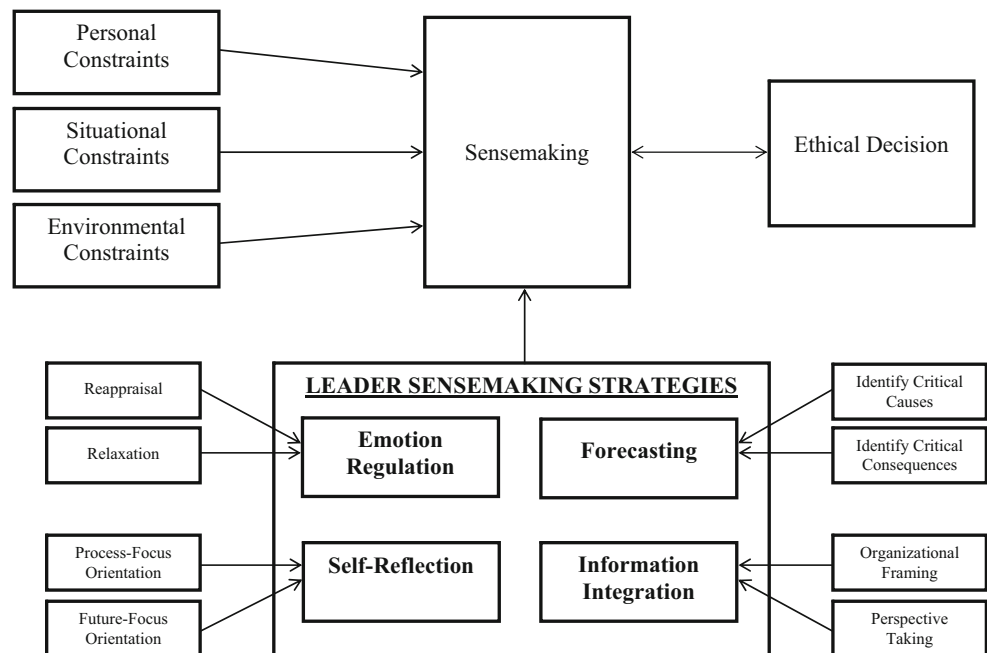
While sensemaking models of EDM (e.g., Mumford et al. 2008; Sonenshein 2007) are instrumental in understanding leader EDM in contemporary organizations, they are, however, limited by a lack of emphasis on or incorporation of compensating tactics that promote accurate sensemaking, and subsequent EDM for leaders. These models also fail to adequately represent leader-specific ethical dilemmas and the unique ethical risks or constraints facing leaders. The purpose behind our model is to elaborate upon unique constraints facing leaders as an introduction to tactics that compensate for these constraints. Thus, the second purpose

of this paper is to describe four cognitive strategies that are thought to improve leaders' ability to effectively make sense of their environments during EDM. These strategies are discussed relative to their influence on the relationship between leader constraints and sensemaking. Moreover, we highlight the tactics that influence strategy effectiveness. Relative to these strategies, we argue that instead of passively relying solely on individual values or moral codes at the leader level, organizations can take a more proactive approach, developing leaders' sensemaking skills which should help them more comprehensively understand ethical issues and lead to more ethical decisions. Although many additional trainable strategies may exist for improving sensemaking, the scope of the current paper is limited to the four strategies depicted in Fig. 1 which have all shown empirical support for improving EDM. Ethical decision as defined by this model recognizes three important dimensions (Stenmark and Mumford 2011). First, it includes a regard for the welfare of others, including intentionally helping and respecting the rights of others (Darke and Chaiken 2005). Second, it includes an awareness of social obligations such as respecting cultural norms and values as well as performing duties appropriate for a given social position (Schweitzer et al. 2005; Ünal et al. 2012). Finally, it involves recognizing personal responsibility (Mumford et al. 2008).

From Rational to Sensemaking Models of EDM

Ethical dilemmas are ill-defined problems that have high-stakes consequences. Navigating ethical dilemmas requires recognition and proper representation of multiple pieces of

Fig. 1 Leader sensemaking model of ethical decision-making



information. It also requires intuitive judgment about potential outcomes. Considering the multifaceted nature of ethical events, researchers have proposed moving beyond rational models to those that address intuitive and interpersonal components of EDM (Detert et al. 2008; Gaudine and Thorne 2001; Haidt 2001; Henik 2008; Mumford et al. 2008; Reynolds 2006; Woiceshyn 2011). These researchers have suggested that a sensemaking perspective better represents how individuals recognize and respond to ethical events in organizations. Moreover, rational models have been criticized for not adequately accounting for the issue-construction processes that are ever-present in EDM and an over-emphasis on moral reasoning as the basis for ethical judgments.

Sonenshein (2007) suggested that individuals may not always apply value-based moral reasoning. Moreover, increasing evidence shows that individuals often rely upon intuitions or are influenced by non-conscious processes in EDM (Haidt 2001; Woiceshyn 2011), and that moral reasoning is rarely the cause for ethical judgment, but rather imputed for post hoc explanations (Zajonc 1980). Recognizing the ill-defined nature of ethical dilemmas and the limitations of rationalist models for accounting for real-world ethical events, Sonenshein suggested that a more fluid model was needed to more accurately portray how individuals make ethical decisions.

Rationalist ethical models also underemphasize the importance of how leaders construct and interpret ethical situations in the first place. Although Jones' (1991) and Rest's (1986) models list problem recognition as the first component to determining ethical behavior, these models typically fail to address the variety of interpretations leaders can construct from a single problem (Mumford et al. 2008; Sonenshein 2007). Sonenshein (2007), conversely, suggested that individuals uniquely construct ethical issues based on the equivocal and uncertain environments and instantaneously make intuitive judgments.

Sensemaking models of EDM may more accurately represent leader EDM, however. The actual sensemaking process is a multi-faceted process that can be executed more or less effectively (Weick 1995). During sensemaking, individuals engage in multiple complex cognitive processes. First, individuals recognize problems by comparing current and prior situational elements (Reiter-Palmon et al. 1997; Weick et al. 2005). Next, mental models are formed via interpretation of the current situation (Johnson-Laird 1983). Finally, the formation of mental models serves as a framework for information gathering, information evaluation, and contingency planning. Mental representations dictate the extent to which information is attended to and how one will react to that information. Additionally, both internal and external factors can influence the execution of these steps in EDM (Mumford et al. 2008).

The inclusion of sensemaking expands current ethical models by acknowledging that the construction of ethical problems from equivocal and uncertain environments is important for influencing leaders' ethical behaviors and recognizes that leaders can construct unique interpretations of the same ethical situation. If sensemaking is faulty, the situation will not be adequately constructed, making it difficult for leaders to understand how to respond to the ethical issue. Therefore, relying on value-based moral reasoning to decide whether a course of action is morally right or wrong may not be the most important factor for predicting ethical behavior and may not even be possible in situationally strong complex environments; instead, adequately making sense of the situation is paramount for facilitating EDM and behavior.

Leaders Under Ethical Risk

From a constructivist viewpoint, sensemaking is critical to leader EDM because ethical dilemmas are inherently complex, have ambiguous implications, and are often difficult to recognize. Moreover, an organizational backdrop complicates recognition and representation of ethical events as these environmental circumstances are increasingly complex. For example, factors such as globalization, technology, legislation, workforce diversity, decentralization, increased knowledge workers, and need for rapid changes and adaptability all contribute to the increased complexities and ambiguities associated with today's work environment (Gomez-Mejia et al. 2010; Yukl 2010). In fact, the Center for Creative Leadership (CCL) recognized that this increasingly complex and dynamic environment has posed many challenges for leaders because they are at the center of these complexities, tasked with managing transitional projects, partnerships, and individuals (Martin 2007). The extreme demands placed on leaders and the skills required for leading in complex social environments have been well described in the complexity theory (Marion 1999; Marion and Uhl-Bien 2001; Mathews et al. 1999; Wheatley 1992). Contemporary organizations are dynamic and lack the systematic balance that gave structure to more traditional management roles. Thus, leaders are often faced with ill-defined problems that require interpretation and decision-making at very complex levels (Fleishman et al. 1991; Mumford and Connelly 1991; Mumford et al. 2000). Pressure is placed on organizational leaders to perform at a high level under these uncertain and equivocal conditions, solving problems and making quality decisions while maintaining ethical standards. Moreover, perceived leader ethicality influences ethical behavior at lower levels of the organization (White and Lean 2008). Under these conditions, leaders are faced with ethical risk.

The discretionary decisions made by leaders are inherently ethical because of the far-reaching and high-stakes consequences these decisions may have for individuals internal and external to the leader's organization (Avey et al. 2012; Brown et al. 2005; Den Hartog and Beschak 2012; Messick and Bazerman 1996). These ethical decisions are challenging to make under such complex and ambiguous circumstances, as are other types of decisions leaders make. Situational factors induced by the culture or climate of an organization create explicit and implicit pressures on leaders, making it more difficult to manage situations with ethical implications (Loe et al. 2000). Often leaders must manage situations with competing objectives and underlying goals. If leaders fail to adequately represent a situation, a poor decision may result because critical aspects of the situation were not fully represented or considered.

When discussing leadership and EDM it is important to draw a distinction between ethical leadership and leader EDM. Whereas leader EDM relates to the process by which leaders recognize and respond to ethical dilemmas, and addresses causal factors of EDM, ethical leadership refers to the perceived appropriateness of a leader's behavior in workplace relationships (Brown et al. 2005), which are mostly anecdotal (Brown and Treviño 2006). Examining leader behavior from this perspective is useful for understanding reactions to the leader, but do not address the EDM process and its causal factors (Padilla et al. 2007, Schminke et al. 2005). Ethical leadership rests on the perceived ethicality of a leader's decisions (Brown et al. 2005), and decisions can be influenced by factors other than the leader's personal characteristics (Bersoff 1999; Biron 2010; Brown et al. 2011). Results from a recent meta-analytic review of unethical choices in the workplace identified non-conscious personal biases or judgment errors (i.e., obedience to authority, not anticipating consequences) as major sources for unethical conduct (Kish-Gephart et al. 2010). Ethical leadership may be a necessary, but not sufficient, deterrent for unethical behavior. Leaders may in fact make poor decisions, especially in situations that are equivocal and uncertain. By all accounts, promoting EDM at the leader level requires more than ethical guidelines and leaders of strong moral character. It requires that leaders are equipped with skills that help them navigate ethical dilemmas vis-à-vis sensemaking, as sensemaking is the basis for leader decision-making under these circumstances (Mumford et al. 2007a, 2009; Strange and Mumford 2005).

Leader Constraints, Sensemaking, and EDM

Not only do the complexities and high-stakes situations of today's work environment place leaders at the center of ethical risk, but leaders are also subject to a variety of

personal, situational, and environmental constraints, all of which can impede their abilities to adequately interpret and make sense of these ethical situations. With regard to personal constraints, personal schemas (Fiske and Taylor 1991) and implicit theories (Cooper 1981) can help leaders understand and categorize the complexities in their environment; however, this selective attention can sometimes cause leaders to overlook critical aspects of the situation and to classify information using biased schemes (Major 1980). Failure to attend to important aspects of ethical dilemmas can contribute to ineffective sensemaking and ultimately poor EDM. Biases, such as the self-serving fairness bias (Messick and Bazerman 2001) and the self-evaluation bias (Novicevic et al. 2008), can also inhibit effective sensemaking and contribute to ethical misconduct. Additionally, judgment errors can constrain leaders' abilities to make effective ethical decisions. Because heuristic-based processing is common when facing time pressures, a stress typical in leadership positions, leaders may engage in several "rule of thumb" judgments when interpreting ethical situations (Goodie and Crooks 2004; Kruglanski and Ajzen 2006). These heuristics (e.g., representativeness, availability, and salience heuristics) can introduce judgment errors, leading to inadequate sensemaking and unethical decisions (Nisbett and Ross 1980). Treviño's (1986) person-situation interactionist model recognizes additional individual characteristics such as low ego-strength, low field dependence, and external locus of control which can constrain cognitions and impede EDM. Finally, research indicates leaders' personality characteristics such as high narcissism and low conscientiousness can also constrain EDM (Walumbwa and Schaubroeck 2009).

Besides personal constraints, situational constraints can also hinder leaders' abilities to make sense of ethical situations and negatively impact EDM (Milgram 1965). For example, performance pressures typically inherent in leaders' high-stakes jobs have shown to hinder cognitively complex processes (Baumeister 1984; Lewis and Linder 1997) and ethical behavior (Goldberg and Greenberg 1994; Jasanoff 1993). Other situational pressures such as time (Treviño 1986), resources, and competition (Staw and Szwejowski 1975) can also promote inadequate sensemaking and unethical behavior. Selart and Johansen (2011) demonstrated how stress not only decreased abilities to recognize ethical dilemmas but also negatively influenced EDM among leaders within an engineering company. The ambiguities experienced by leaders in their complex work environments have also been associated with interpersonal conflict (Baucus 1994; Spector and Jex 1998) which in turn can negatively impact EDM (Stenmark and Mumford 2011). Finally, reinforcements within a given situation can influence EDM with financial incentives for unethical behaviors greatly tempting leaders to make less ethical

choices (Chen 2010; Hegarty and Sims 1978; Knouse and Giacalone 1992; Trevino et al. 1985).

Environmental constraints both within and outside the organization can also influence leader EDM (Brommer et al. 1987; Jones 1991). Within the organization, codes of ethics (Loe et al. 2000; O'Fallon and Butterfield 2005), organizational support (Jones and Hildebeitel 1995), the socialization process (Smith and Carroll 1984), and corporate structure (Skinner et al. 1988) can all influence decisions made by leaders. Because the organizational culture guides behavior and instills corporate norms, unethical cultures can greatly constrain leaders' abilities to make ethical decisions (Stevens 2008; Sweeney et al. 2010; Treviño 1986). In fact, Kaptein (2008) identified eight factors which can influence an organization's ethical culture and promote EDM among leaders. Even a leader's national culture can constrain one's ability to accurately make sense of a situation (Chen 2003; Husted and Allen 2008).

Leader EDM: Sensemaking Strategies

Constraining forces, across the personal, situational, and environmental levels, negatively influence EDM via decreased ethical awareness, ethical sensitivity, and ethical judgment. Sensemaking is an inherent response to ambiguous, complex, high-risk situations, including ethical dilemmas (Drazin et al. 1999; Weick 1995). Sensemaking alters the nature of the relationship between constraints and EDM vis-à-vis mental model creation. Mental models, in response to ethical events, are a guiding framework for scanning the environment for information, evaluating that information, and appraising an appropriate course of action—the basis of decision-making (Hogarth and Makridakis 1981). Sensemaking, then, serves to counteract the constraining factors that narrow information search, information evaluation, and lead to poor appraisals by creating mental models that broaden those searches and elicit more efficacious appraisals.

Ethical sensemaking, or the process of mental model formation in response to an ethical event via scanning and interpreting (Weick 1995), has been depicted as occurring via peripheral cognitive processes, including those described as strategies in the current model (Mumford et al. 2008). Indeed, sensemaking often relies upon or encompasses multiple processes. For example, sensemaking is initially guided by appraisals of ethical dilemmas. This appraisal is influenced by relevant causes, goals, and ethical principles. Following an appraisal, the problem is framed (Mumford et al. 1994, Tversky and Kahneman 1974) or judged as to whether it has ethical implications. Problem appraisal and framing are often thought to be

inherent to sensemaking as they are a part of environmental scanning and interpretation (Weick 1995).

Other cognitive operations, however, may facilitate sensemaking, but are not inherently combined with the sensemaking processes and only facilitate the sensemaking process if executed effectively. Such processes are those that require effort on the part of the decision-maker. These cognitive operations often occur in response to constraining factors limiting EDM. For example, initial appraisals of an ethical event often evoke emotional responses, given the high-stakes nature of ethical dilemmas. These emotions must be managed appropriately or the effects could inhibit the sensemaking process and overall quality of EDM (Haidt 2003; Kligyte et al. 2009). Sensemaking is based on the ability to accurately construct a problem situation (Mumford et al. 1994; Weick 1995; Weick et al. 2005), and problem construction may be influenced by multiple factors, both situational and individual (Mumford et al. 2008). Leaders need to be skilled with strategies for navigating their complex environments, specifically strategies that help form correct judgment about the nature, dynamics, and potential consequences of situations in which they find themselves.

The Sensemaking Intuition Model (Sonenshein 2007) emphasizes and more accurately depicts the issue-construction process that is sensemaking and those general factors that influence the sensemaking process during EDM. However, the model is limited to those potentially constraining factors while ignoring compensating strategies that can facilitate the multi-step sensemaking process. Sonenshein spoke of the sensemaking process relative to tactics leaders engage in to facilitate this process, but never directly identified strategies for sensemaking. Researchers examining EDM from an intuitive perspective have suggested possible compensatory actions or techniques to improve EDM (e.g., Detert et al. 2008; McDevitt et al. 2007).

An inherent need for compensatory strategies is demonstrated through extensive EDM research on individual and social constraints for EDM, especially for those in complex environments (e.g., Brady and Wheeler 1996; Butterfield et al. 2000; Haines et al. 2008; Jones and Hildebeitel 1995; Kahneman 2003; McDevitt and Van Hise 2002; Moore and Loewenstein 2004; Schweitzer et al. 2005; Street et al. 2001; Tenbrunsel and Messick 2004; Trevino and Youngblood 1990; Yaniv and Kleinberger 2000). For example, these examinations empirically demonstrate the negative influence of bias and judgment error, such as fundamental attribution or misattribution of issue importance, on EDM. However, this research offers few solutions for combating these sensemaking constraints. Additionally, social factors such as ethical norms or exposure to unethical events have been shown to limit

EDM, but compensating strategies remain unknown. The limitation of this research and previous models of EDM is a lack of emphasis and recognition of the role of sense-making in EDM.

Woiceshyn (2011), in a recent model of EDM, recognized the role of the subconscious and the need for leaders to be equipped with “tools” for recognizing ethical dilemmas and deriving appropriate decision courses. However, recent models, like that proposed by McDevitt et al. (2007), explicate individual and social factors influencing EDM, but simplistically diagram the decision-making process as being extremely rational and provide few suggestions regarding compensatory actions. Moreover, papers like these highlight the lack of empirical support for many of the parameters of EDM models, especially for compensatory actions. Resolving ethical dilemmas, especially those faced by organizational leaders, requires not only recognition of those individual and social factors that disrupt EDM, but recognition of the role of sensemaking in EDM and application of strategies that could compensate for these constraining factors.

Revisions to EDM models have led to targeted investigations of cognitive operations thought to improve the accuracy and completeness of the sensemaking process (Mumford et al. 2008). These operations, however, have been described as peripheral and automatic processes for ethical sensemaking. Recent research efforts have investigated these operations and found that they are neither inherent to sensemaking nor automatic, but require conscious, effortful processing. Thus, we consider these processes as sensemaking-promoting strategies. As such, these strategies may be executed more or less effectively. Our model considers the tactical approaches that make for more or less effective sensemaking strategies and considers the relevancy of these strategies for leader EDM, weighing the relevant and unique pressures faced by leaders. Although the sensemaking literature has effectively demonstrated that sensemaking ability impacts EDM (Hogarth and Makridakis 1981; Mumford et al. 2007a, 2009; Sonenshein 2007; Strange and Mumford 2005; Weick 1988, 1995), and the sensemaking process has demonstrated utility in the leadership decision-making literature (Mumford et al. 2007a, 2009; Strange and Mumford 2005), there lacks an equally well-defined literature that demonstrates specific, trainable sensemaking strategies to be applied in the context of ethical leadership.

While sensemaking strategies exist in addition to those proposed, decision rules for inclusion were based not only on the inferences of research described in the following sections, as these strategies are thought to be directly applicable to leader EDM, but also as they have been empirically tested in leadership contexts and under the constraints of ethical dilemmas often faced by leaders.

These strategies address the difficulties in accurately representing problem situations from which information is interpreted, integrated, and used as a basis for decision-making. Moreover, these strategies prevent moral disengagement via sensemaking by aiding leaders in accurately representing ethical dilemmas and the problems they present—thus, reducing the possibility for reconstruction, role minimization, or blame shifting (Bandura 1999; Tenbrunsel and Messick 2004). The following sections define and describe four trainable strategies, the research through which these strategies were identified, and the implications that these strategies have for leader EDM (see Table 1). The current model is the first to consider ethical sensemaking constraints and strategies unique to leaders based on the premise that EDM differs between leaders and non-leaders as a function of the unique constraints they face. Moreover, the current model depicts and describes tactics thought to enhance the effectiveness of leader sensemaking strategies.

Emotion Regulation

Emotions are an inherent component of the leadership process (Ashforth and Humphrey 1995; Ashkanasy and Tse 2000; Barsade and Gibson 2007; Fineman 1997), including leader decision-making (George 2000; Sayegh et al. 2004). EDM is one form of decision-making that is especially susceptible to emotional reactions (Coughlan and Connolly 2008; Gaudine and Thorne 2001; Haidt 2003; Henik 2008; Klugyte et al. 2009; Rajeev and Bhattacharyya 2007), given that they are often complex, conflict-ridden, and potentially have serious consequences (Werhane 2002). Forgas (1995) suggests that substantive processing or cognition that occurs during complex, ambiguous tasks, including decision-making, is increasingly influenced by affect and emotion. Leaders, who are under ethical risk and make ethical decisions under conditions of uncertainty and equivocality may be even more susceptible to the influence of emotion and require special compensating tactics.

The findings on affect, emotion, and complex cognition are mixed. Significant work exists demonstrating that certain emotions, mainly positive in valence, may aid decision-making (Chuang 2007; Isen 2002). However, evidence at the discrete emotional level shows that some negative emotions are defined by appraisal properties that promote cognitive operations (e.g., information search, information processing) central to decision-making (Elfenbein 2007; Lerner and Keltner 2001; Tiedens and Linton 2001), whereas positive emotions may cause gross overestimation or oversight (Lerner and Keltner 2001; Mackie and Worth 1991; Martin et al. 1993). Still others have shown that negative emotions are typically related to

Table 1 Summary of leader sensemaking strategies and the key findings on their application

Sensemaking strategy	Strategy tactics
<i>Emotion regulation</i> —behaviorally or cognitively systematically downgrading emotional reactions	Cognitive reappraisal or relaxation strategies mitigated influence of anger on EDM (Klignyte et al. 2009) Reappraisal of secondary appraisals of anger versus primary appraisals enhanced sensemaking (Thiel et al. 2011)
<i>Self-reflection</i> —accessing experiential knowledge, acquired personally or vicariously (case-based learning)	Process-focus while reflecting on positive past experiences increased application of experiential knowledge to future ethical decision-making situations (Antes et al. 2012) Future-focused temporal orientation facilitated self-reflection and subsequent ethical decision-making (Martin et al. 2011)
<i>Forecasting</i> —making predictions about potential future outcomes through current observations	Identifying critical causes in ethical dilemmas prior to forecasting facilitates accuracy in forecasting and ethical decision-making (Stenmark et al. 2010) Distinguishing between critical and non-critical consequences facilitated accuracy in forecasting and ethical decision-making (Stenmark et al. 2011)
<i>Information integration</i> —combining related elements holistically via recognition of underlying conceptual relationships between issues and potential issues	Framing an ethical issue from an organizational perspective enhanced information integration and subsequent ethical decision-making (Caughron et al. 2011) Out-group competition with selfish undertones threatened information integration and ethical decision-making (Caughron et al. 2012)

poor decision-making (Bodenhausen 1993; Chuang 2007; Clore et al. 1994; Lerner and Keltner 2000; Pfister and Böhm 2008; Schwarz and Clore 2007). Given the inconsistent pattern of results, researchers such as Lerner and Keltner (2000) have suggested it is best to consider the emotional effects at the discrete level. With regard to ethical decision, research suggests that both positive and negative emotions can limit one's ability to recognize and respond appropriately to ethical events (Cohen 2010; Connelly et al. 2004; Gaudine and Thorne 2001; Haidt 2003; Lerner et al. 2004; Preston et al. 2007) lending further support for consideration at the discrete level. More importantly, the research strongly suggests that emotions alter or impinge upon the decision-maker's focus during EDM, resulting in disruption of additional compensating processes related to sensemaking such as initial appraisal, framing, or forecasting of an ethical event.

Effective leadership and emotion regulation are increasingly seen as corollaries (Ashkanasy and Tse 2000; Bass 2002; Caruso et al. 2002; George 2000; Pescosolido 2002, 2005; Pirola-Merlo et al. 2002). Emotion regulation is defined as strategies that determine how, when, and what emotions are experienced (Gross 1998). Within an EDM context, recent models suggest that certain feeling or emotional states need to be managed to promote ethical behavior (Cohen 2010; Gaudine and Thorne 2001; Henik 2008), with at least one empirical investigation linking emotional intelligence, which emotion regulation is considered a part of, as a predictor of ethical behavior (Deshpande et al. 2008). However, few empirical

investigations have tested the influence of emotion regulation on EDM from a sensemaking perspective.

One recently conducted study under the Mumford et al. (2008) framework, investigated whether three emotion regulation strategies (cognitive reappraisal, relaxation, or suppression) might mitigate the potentially harmful effects of incidental anger on ethical decisions (Klignyte et al. 2009). Findings indicated that individuals experiencing incidental anger made worse ethical decisions compared to those experiencing fear. Emotion regulation strategies, however, had important moderating effects on incidental anger. Specifically, engaging in either cognitive reappraisal or relaxation offset the effects of anger on EDM. This finding, in particular, has important implications for leaders, who commonly experience anger or frustration under conditions of uncertainty and equivocality. Moreover, these findings provide evidence for trainable strategies that could be used by leaders to compensate for constraining EDM factors they face.

Having leaders undergo training interventions promoting the detection of emotions and application of specific emotion regulation strategies could potentially encourage sound judgment, via complete and accurate sensemaking, and, ultimately, EDM. Discrete emotions like anger often incite punitive evaluations of others and outward blame attributions (Gault and Sabini 2000; Nabi 2003; Smith and Ellsworth 1985), precursors of moral disengagement. Reduction of these evaluations limits the possibility of disengagement via accurate problem representation and mental model formation. Leaders utilizing appropriate

emotion regulation strategies when confronted with an ethical dilemma are more likely to opt for the ethical alternative. As theorized and then empirically confirmed by Groves et al. (2008), managerial EDM might be influenced by thinking/cognitive styles. Specifically, those utilizing purely linear cognitive style, characterized by rational thinking and attention to concrete data and facts, and those employing a strictly nonlinear thinking style, defined by attention to feelings, emotions, and intuitions, are likely to be at a disadvantage compared to those using a balanced form of both cognitive styles. Balancing linear and nonlinear thinking styles allows individuals to supplement logic and rationality with intuition and emotion, adding context to complex situations and producing more ethical decisions. This in mind, it is clear that an inability to regulate emotions can hinder the nonlinear thinking style, making the achievement of balance much more difficult.

Self-Reflection

When leaders are confronted with complex and ambiguous circumstances, they may draw upon their personal experiences in order to appropriately make sense of the situation and generate potential decisions (Gardner et al. 2005; Mumford et al. 2000; Scott et al. 2005), a process referred to by Woiceshyn (2011) as “integration by essentials.” This process of self-reflection is thought by many to reciprocally influence emotion regulation, as self-awareness is thought to generate reappraisal regulation tendencies (Mayer and Salovey 1997; Gross 1998). Reflection on prior experiences, both personal and those learned vicariously, is thought to be influential in making ethical decisions (Caldwell 2010; Moberg and Calkins 2001; Werhane 2002). Still others have suggested that some form of self-monitoring or self-awareness moderates situational and individual influences on leader ethical behavior (Brown and Treviño 2006). Jonassen and Hernandez-Serrano (2002) suggest that experiential knowledge is indispensable to decision makers because it is normally comprised of rich information about causes, consequences, and contingencies. These aspects of past experiences are likely to be particularly valuable when one is faced with novel and complex situations, similar to those frequently encountered by leaders.

Leaders in complex environments may be less likely to self reflect when environmental and organizational pressures are potent. Under such conditions, leaders become subject to biases that promote poor judgment and become more morally disengaged because they do not consider their actual motives. Thus, self-reflection could improve leader EDM by helping them reflect on their motives and draw useful information from past experiences (Dörner and Schaub 1994), which tend to improve ethical judgment via

accurate sensemaking. Due to the limiting nature of the leader’s environment, Schwandt (2005) suggests integrating sensemaking with learning to promote reflectivity. According to Schwandt (2005), the fusion of these processes contributes to a leader’s development, enhancing reflective judgments. Improving one’s ability to reflect will also facilitate better ethical judgment via accurate sensemaking. It is important to note, however, that this strategy is only useful if a leader makes a conscious effort to activate the necessary past knowledge, and subsequently put it to use.

Self-reflection and self-awareness have been considered important indicators of ethical behavior, but few empirical investigations have considered how to pursue self-reflection in an organizational context. Antes et al. (2012) found that a focus on processes from a positive past experience resulted in the greatest application of one’s reflection to a new problem. This pattern was also associated with better EDM. When recalling a positive experience, people are more likely to remember specific details of the event compared to negative experiences where such details may be difficult to recall due to their negative valence (Argembeau and Van der Linden 2003). Predicting future personal experiences may also prove useful for leaders engaged in sensemaking. In their study, Martin et al. (2011) investigated the role of temporal orientation (past-focused vs future-focused) and affective frame (positive vs negative) in reflecting about personal experiences while working through ethical problems. Consistent with previous research (Lieberman et al. 2002), this study showed that contemplating future prospective personal experiences encouraged the use of EDM strategies, leading to better decisions.

Self-reflection, both past- and future-focused, appears to be a useful strategy for leaders hoping to improve the ethicality of their choices. This process, however, is not isolated, but is influenced by one’s social environment (Greenberg et al. 2007; Gibbons 1990). Field examinations of this model should consider such influences when testing the effectiveness of self-reflection in leader EDM. Based on current evidence vis-à-vis sensemaking, drawing on past experiences allows leaders to consider important aspects of previous events, such as causes, consequences, and contingencies, which are critical to making an informed, effective decision (Stenmark et al. 2010). Focusing on the process versus the outcome of the past experiences, as well as maintaining a positive affective frame, will likely enhance EDM and reduce potential for moral disengagement.

Forecasting

While reflecting on prior experiences aids in accurately and completely making sense of an ethical situation, leaders might also benefit from making future assessments, or

forecasting. Defined as making predictions about potential future outcomes by observing the current situation (Pant and Starbuck 1990), forecasting is a cognitive strategy that helps leaders solve complex problems by generating multiple problem solutions. Forecasting is intertwined with previous sensemaking strategies, as regulation of incidental negative emotions has been linked to accurate forecasting (Lerner and Gonzalez 2005) and self-reflection is often a necessary process in forming future predictions (Dörner and Schaub 1994). Forecasting improves performance for many complex tasks, including creative problem-solving (Byrne et al. 2010), planning (Marta et al. 2005), and leader cognition (Vincent et al. 2002). One benefit of forecasting is that it helps leaders understand complex, ill-defined situations, like ethical dilemmas, by identifying sources of uncertainty in the environment (Hogarth and Makridakis 1981). Forecasting facilitates mental model formation by helping leaders accurately predict the consequences of their potential decisions. Accurate predictions are not trivial considering that many of the ethical decisions leaders face have high-stakes consequences.

EDM is limited by a number of individual level factors, including personal biases (Trevino et al. 2006). Organizational leaders in particular are susceptible to a number of biases as a function of the ethical risk placed upon them (Banaji et al. 2003; Messick and Bazerman 1996; Moore et al. 2006). Highly detrimental among these is the bias to minimize the potential consequences involved in an ethical dilemma (Messick and Bazerman 1996), which contributes to moral disengagement (Bandura 1999). Forecasting, in light of these findings, is a logical compensatory cognitive process for these biases.

Making predictions, however, is difficult and many predictions can be inaccurate, leading to overly punitive evaluations of others or overly optimistic evaluations regarding outcomes affecting one's self (Diekmann 2007). Recent empirical works suggest forecasting tactics can limit such inaccuracy and lead to better EDM via sensemaking. Stenmark et al. (2010) concluded that leaders should identify critical causes of the ethical dilemma. Research suggests leaders use causes as the basis for forecasting alternative outcomes in complex problems (Cavaleri and Sterman 1997; Maani and Maharaj 2004). By recognizing causes, leaders can more easily determine the appropriate course of action needed to solve the problem and execute a successful plan. While focusing on causes is important, Maani and Maharaj's (2004) complex decision-making study found that participants performed better when focusing on the big picture. Additionally, Stenmark et al. (2010) found that criticality of causes significantly predicted both forecast quality and decision ethicality. These researchers also found that the number of causes identified did not significantly predict forecast quality or

decision ethicality. Since identification of causes requires extensive effort (Feldman 2003), leaders may not possess enough cognitive resources when faced with a complex ethical decision to identify multiple causes. Additionally, limiting the number of key causes can reduce the demands on working memory (Hogarth and Makridakis 1981). Finally, Mumford et al. (2001) suggest that using a complex set of causes to frame solutions is not always beneficial in complex environments. These findings suggest leaders will develop better quality forecasts and ultimately make more ethical decisions when focusing on a limited number of critical causes. This will focus leaders' attention to the most relevant aspects of the situation, creating solutions to the ethical dilemma which will change elements related to the cause of the initial problem.

Evidence has recently come to light which suggests that leaders should identify critical consequences of one's actions when forecasting outcomes. Research suggests that the number and characteristics of consequences considered affect the success of forecasting efforts (Hammond 1990; Hershey et al. 1990; Mumford et al. 2001). Specifically, considering critical consequences of different courses of actions allows the leader to anticipate potential outcomes that could be detrimental to followers. By identifying the most critical consequences, the leader can continue to forecast outcomes, further refining the solution until the best ethical decision is reached (Mumford et al. 2001). Stenmark et al. (2011) found that criticality of consequences identified significantly predicted both forecast quality and decision ethicality. Higher quality forecasts were also related to more ethical decisions. Finally, forecast quality mediated the relationship between the criticality of the consequences identified and decision ethicality suggesting that forecasting influences EDM through the ability to recognize the most critical consequences of the ethical dilemma.

Finally, leaders should identify many consequences of different actions when forecasting outcomes. Identifying multiple consequences improves the quality of forecasting by causing the leader to consider more potential outcomes of different courses of action, leading to more extensive forecasts. With more extensive forecasts, the leader can more readily identify potential problems with different solutions and can continue to revise the solution or formulate backup plans which will hopefully aid in the implementation of more effective and ethical solutions (Mumford et al. 2002). Stenmark et al. (2011) showed that the number of consequences considered did predict forecast quality. This suggests that focusing on many potential consequences allows the leader to develop more extensive forecasts.

Leaders who fail to effectively forecast outcomes by ignoring critical causes, critical consequences, and multiple

consequences are more likely to ignore important pieces of information when sensemaking—which may lead to poor ethical decisions. In complex, ambiguous environments, leaders must formulate effective plans in order to respond to the situation. Failure to identify the most critical causes may cause leaders to waste time, energy, and resources on implementing solutions which do not address the primary cause of the ethical dilemma. Since the decisions of leaders affect multiple parties, failure to consider the critical consequences of different courses of action could lead to actions that negatively impact the organization. Additionally, failure to consider alternative consequences for different courses of action could cause leaders to ignore potential harmful consequences, leading to poor judgment and destructive decisions.

Forecasting under these conditions, however, allows leaders to more accurately predict consequences of different behaviors, promoting accurate sensemaking and reducing the chances of behaving unethically in ambiguous, complex situations. By identifying the most critical causes of the ethical dilemma, leaders can more effectively focus limited resources on addressing the source of the problem. By considering multiple and critical consequences, leaders can continue refining problem solutions until the most effective solution is reached.

Information Integration

During sensemaking in relation to EDM, individuals form mental models that influence information gathering and interpretation. This is a recurring process in which additional information is integrated into mental models that are constantly being formed, revised, and modified (Johnson-Laird 1983). Information integration is a continuous process by which information is interpreted at each step of the sensemaking process and applied or not applied to currently active mental models. This strategy, while necessary to sensemaking, can serve as a compensatory factor for sensemaking under certain conditions. Emotion regulation, self-reflection, and forecasting may be both a corollary of and an influencing factor of information integration, as each can enhance the quality of information integration (Dörner and Schaub 1994; Gaudine and Thorne 2001; Scott et al. 2005). Woiceshyn (2011) describes the information integration process in EDM as “bringing to bear relevant information,” a process by which subconscious cognitive operations retrieve relevant experiences, knowledge, or information that informs the active sensemaking process. Information integration, using this framework, influences both the representation of an ethical problem and the formation of appropriate responses.

The extent to which that information is meaningfully applied to EDM, from which potential courses of action

can be formulated and outcomes forecasted, is contingent upon the processes by which the information is integrated (Mumford et al. 1996; Weick 1988; Weick 1995). Moreover, the nature by which information is integrated into a coherent mental model greatly influences the range of possible alternatives considered by the decision-maker during an ethical dilemma (Caughron et al. 2011; Hogarth and Makridakis 1981). Previous research suggests that initial information gathering steps set the tone and determine the trajectory of the crisis at hand (Weick 1988). This has very real repercussions for a leader facing an ethical crisis, as ideally a leader would want many possible avenues of action to consider. Because ethical crises are not always black and white with clearly delineated right and wrong answers, a leader might benefit from being able to select a best response among many responses (Mumford et al. 2008).

A series of empirical investigations tested the relationship between information integration and EDM, grounded in sensemaking, specifically examining factors both detrimental and promotional to information integration. Caughron et al. (2012) found that a perceived threat by an individual, regardless if they were a competitor or a colleague, led to lower quality information integration and lower EDM. Leaders need to be consciously aware of their biases as they relate to others, especially when dealing with ethical crises of an interpersonal nature. Indeed, one’s biases during information integration can have irreversible effects on sensemaking (Weick 1988) and promote moral disengagement (Bandura 1999). Externally, environmental pressures can alter what outcomes are valued when examining and integrating certain information, leading to some information being emphasized over other (Caughron et al. 2011). External pressures including conflicting organizational goals, budget issues, recent events, and focal points for improvement in the organization can influence information integration (Weick 1988). Even when leaders have successfully scanned their environment internally and externally, sources of their information including in-groups, out-groups, superiors, subordinates, and other individuals in competition with the leader can alter the interpretation of an ethical crisis (Caughron et al. 2012). An effective leader must be aware of these external influences and adjust accordingly in order to completely integrate information into a coherent model from which the leader can generate the “best” possible response to an ethical crisis.

Information integration may be a critical strategy for leaders to employ for accurate and complete sensemaking to occur, but leaders must be aware of those techniques that enhance information integration. One such process, perspective taking, was found to influence information integration (Caughron et al. 2011). Specifically, taking a

“broad perspective” when faced with an ethical crisis promoted information integration and EDM. However, it was noted that simply identifying a diverse set of information regarding an issue was not sufficient; rather an increase in EDM was not observed unless individuals were able to forge an understandable interpretation of the given situation. Framing of an ethical problem was also found to impact the quality of information integration in this investigation. It was found that framing an ethical crisis from an organizational perspective (has consequences for me and others) and not from a personal perspective promoted sensemaking and EDM. Leaders may benefit, in terms of “bringing relevant information to bear,” if they approach their ethical dilemmas as being consequential for them and those under their sphere of influence.

Sensemaking is incomplete without information integration, and leaders need to be aware of those techniques that promote or inhibit information integration. Identifying internal and external factors that inhibit information integration and taking conscious steps to reduce their impact will result in better mental models and subsequent ethical decisions. In addition, considering the perspective of others and acknowledging the overall organizational impact of ethical crises will increase the likelihood that a leader will have the best mental model available that integrates information thoroughly, leading to the best course of action.

Conclusion

Rational theories have dominated the study of EDM, yet do not adequately outline causal mechanisms of EDM. EDM models grounded in sensemaking provide a framework for understanding these causal processes as they relate to leaders by demonstrating the complex ethical problem recognition and processes, and those factors influencing each. Leaders engage in sensemaking when faced with ethical dilemmas and do so amidst uncertainty and equivocality, both common features of contemporary organizations (Sonenshein 2007). Sensemaking, however, is not a one-dimensional process, but requires careful scanning, interpreting, and analyzing of complex ethical dilemmas. Individual, environmental, and social pressures often limit the accuracy and completeness of a leader’s sensemaking. Sensemaking strategies, including emotion regulation, self-reflection, forecasting, and information integration promote effective leader EDM via accurate and complete sensemaking.

The proposed model of leader sensemaking for EDM serves as a platform for further examination of factors influencing leader EDM as it identifies the compensatory influence that cognitive strategies have on sensemaking. These strategies, however, are not comprehensive and are

focused on intra-individual strategies for sensemaking. Behavioral strategies or those that involve making sense of complex ethical dilemmas via social interaction have not been proposed in the current model. Research has clearly demonstrated interpersonal components of EDM (Detert et al. 2008; Gaudine and Thorne 2001; Haidt 2001; Henik 2008; Jones 1991; Mumford et al. 2006), calling for investigation of inter-individual strategies. One such strategy proposed by Mumford et al. (2006) is seeking help, which is accomplished via actively collecting additional information from credible sources, including other individuals. Strategies such as these may have a promoting influence on leader EDM and should be investigated.

Given the potency of sensemaking strategies for facilitating EDM, organizations should promote strategy application across all levels of leadership. One of the most obvious mechanisms for accomplishing this goal is training in EDM with sensemaking as an underlying framework. Instruction in sensemaking, as a mechanism for improving organizational decision-making and risk assessment, has been suggested by previous researchers (Weick and Sutcliffe 2001; Serman 2001; Vogus and Welbourne 2003). Strategy-based training, aimed at improving sensemaking, has proven to be an effective design across scientific and academic settings (Kligyte et al. 2007; Mumford et al. 2008). Additionally, ethics training grounded in sensemaking has been suggested as an effective method for training managers and other organizational leaders (Sonenshein 2007). Using sensemaking as a basis for ethics training provides a foundation for using interactive and analytical training methods through which the benefits of strategies can be demonstrated. For example, organizational leaders could be asked to examine case examples of ethical dilemmas similar to those they face in their work environments and interpret how strategies would help them make ethical decisions under those circumstances described in the case examples. Decision-making activities are integral to strategy-based training as leaders need to know not only what strategies are effective for promoting EDM, but how to actually apply them in context.

Organizational culture practices regarding ethics have long been found to have some level of influence on the quality of EDM (Loe et al. 2000; Mumford et al. 2007b) within an organization. Organizations should use this influence to encourage leaders to integrate the sensemaking strategies into their normative decision processes. For example, leaders could be encouraged to forecast downstream consequences for the multiple stakeholders involved in a dilemma. Formal or informal reminders to apply sensemaking principles and strategies in decision-making encourage leaders to be aware of the strategies, apply them in real-time decision-making situations, and remind them that the organization values the strategies and

ethical conduct. Traditional policies regarding organizational ethics focus on organizational values or codes of conduct. While these policies and rules are valuable guides for thinking about an ethical problem, they do not safeguard against poor EDM. Organizations should promote better EDM via support for strategy application in normative decision processes.

Finally, organizations should promote strategy application and improved EDM via leader self-management of decision processes. Leaders need to be encouraged to reason through past work situations and dilemmas after they are removed from the immediate pressures and consequences of those situations. Self-developed case studies, a related concept, have found support in business ethics training programs (Laditka and Houck 2006). Reflection on past experiences should promote improved sensemaking and application of strategies because leaders will be able to objectively examine causal and constraining factors which influenced their decision-making. Leaders should be encouraged to examine the cognitive processes activated during sensemaking and the sensemaking strategies identified here.

EDM models, grounded in sensemaking, provide an appropriate framework for examining the unique ethical dilemmas faced by organizational leaders. The current model extends previous models by proposing compensatory strategies for leaders in overcoming constraining individual and social EDM factors facing leaders, which are a corollary of their complex environments. These strategies, when appropriately applied, can improve the accuracy and completeness of sensemaking and promote EDM. Organizations should strive to make leaders more aware of the sensemaking process as it pertains to EDM and provide pathways through which leaders adopt and apply these sensemaking strategies into their EDM approach. Through this and future efforts, leaders will be better skilled for behaving ethically in complex organizations.

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