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Risk sensitivity mediates the relationship between construal level and ethical decision making

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Although researchers have proposed that construal level has a substantive impact on decision making in ethical scenarios, the internal mechanism underlying this relationship is yet to be fully explored. Drawing on construal level theory and risk sensitivity theory, we conducted two ethical dilemma experiments to test the mediating role of risk sensitivity in the relationship between construal level and ethical decision making. In Study 1 we found that individuals with a high (vs. low) construal level were more likely to intend to behave ethically. In Study 2 we tested the mediating effect of risk sensitivity in this relationship. Individuals with a high (vs. low) construal level demonstrated lower risk preference and were sensitive to the change in level of risk, which resulted in decisions for behaviors that were more ethical. Conversely, individuals with a low construal level focused more on short-term interests and showed insensitivity to risk level, resulting in self-interested and unethical decisions. The practical and theoretical implications of the findings are discussed.

Keywords
ethical decision making; construal level; risk sensitivity; risk taking; ethical dilemma; ethical behavior; value standards

Article Highlights

- People with a low (vs. high) construal level were more likely to engage in unethical behavior.
- Risk sensitivity mediated the relationship between construal level and ethical decision making.
- Future research could examine what factors influence the boundaries between construal level and ethical decision making, and between cognitive and moral development.

In recent years, ethics scandals involving business organizations have occurred both in China and abroad, such as Facebook's data breaches, the Hong Kong and Shanghai Banking Corporation's Ponzi scheme, and Luckin Coffee's fraudulent claims about the company's financial performance. There are significant practical and theoretical implications for investigating the reasons for and mechanisms underlying unethical decisions in organizations. As a result, we examined the influence mechanism of individual decision-making behavior when faced with ethical issues in an organizational setting.

Although unethical behavior may benefit individuals in the short term, studies have also shown that it can undermine interpersonal trust, impede the organization's healthy development, and even result in

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significant financial losses in the long run (Licht et al., 2018). Consequently, managers have begun to consider ethical decision-making issues in the workplace (Tenbrunsel & Smith-Crowe, 2008), and academics have examined the factors that affect the ethical decisions of employees.

Ethical decision making is a process by which people evaluate or define whether a behavior is ethically correct or incorrect (Li & Rao, 2017). Only after this decision-making process will people engage in a series of ethical or unethical behaviors that are beneficial or harmful to the interests of others or of society (Ye, 2004). In an organization, people usually embrace universal ethical standards (Casali & Perano, 2021), comprising trustworthiness (including notions of honesty, integrity, reliability, and loyalty), respect (including notions of respect for human rights), responsibility (including notions of accountability), fairness (including notions of process, impartiality, and equity), caring (including the notion of avoiding unnecessary harm), and citizenship (including notions of obeying laws and protecting the environment). These moral standards are universal in nature, in that they can be considered of fundamental importance regardless of time, circumstance, cultural beliefs, or religious convictions. In this respect, these core moral standards are suggested as forming a normative basis by which to construct corporate codes of ethics (Schwartz, 2002).

However, when faced with particular ethical issues, for short-term gain people may select unethical behavior over valuing their ideals or lawful profit. Researchers have assessed many factors, especially individual cognitive factors, to analyze the decision-making mechanism (see, e.g., Valentine & Godkin, 2019). Construal level is a potentially essential cognitive element that has remained uninvestigated thus far.

In construal level theory Trope and Liberman (2003, 2010) proposed that people understand events, objects, or actions through their mental construal (abstract/high-level or concrete/low-level construal). Further, construal is correlated with the perceived distance from cognitive events. As the perceived distance increases, people are more likely to form an abstract construal. In this paper we investigated how construal level affects ethical decision making.

Studies conducted to investigate the direct impact of construal level on decision making have primarily compared the feasibility and acceptability of various decision-making events (Benschop et al., 2021; Lee et al., 2019). Such inquiries may not fully explore the inherent complexities of the decision-making process because they fail to examine the key differentials in decision-making preferences (Watts & Buckley, 2017). Fewer studies, however, have focused on the relationship between construal level and ethical decision making, as well as the mechanisms to explain this association. Despite the inherent importance of cognitive sensitivity in ethical decision making (Casali & Perano, 2021), little research has been devoted to examining the underlying cognitive process that construal level might play in influencing people's ethical decision making. For example, ethical judgment has been viewed as a trade-off between dishonest activity and an ideal result (Amaral & Jiao, 2021; Hiller & Woodall, 2019), ignoring the impact of differences in individual cognitive preferences for decision making in varied contexts. Moreover, the scenarios presented in prior research were either unambiguously immoral (e.g., incest, adultery; Eyal et al., 2008) or the instructions to the participants in the study made the values explicit, reducing any perceived moral ambiguity (e.g., the expression of benevolent values; Torelli & Kaikati, 2009). It has commonly been found that when people are faced with ethical dilemmas that are more ambiguous with respect to morality than are established ethical situations, they must accept the corresponding risks that come with greater ambiguity (Kirshner, 2021). People frequently assess the risk of a decision by judging the gap between the existing condition (e.g., different construal levels) and the intended outcome, and show behavioral tendencies, which is referred to as *risk sensitivity* (Mishra & Lalumière, 2010). To remedy this gap in the literature, we looked at the link between construal level and ethical decision making via the mediating mechanism of risk sensitivity.

Our aim in this research was to contribute to the literature by showing that construal level can systematically influence ethical decision making from the perspective of risk sensitivity. Understanding whether differences in construal level affect ethical decision making is important as people's construal level can fluctuate, which might amplify or attenuate the propensity for making unethical decisions.

Development of Hypotheses

Construal Level and Ethical Decision Making

Construal level theory posits that when individuals are confronted with ethical events their level of abstraction systematically influences their cognitive processing. *Higher construal level* means applying mental representations that are relatively broad, inclusive, general, and with the focus on central and primarily invariant features. *Lower construal level*, in contrast, involves applying relatively specific, detailed, contextualized, and observable features of a target (Wiesenfeld et al., 2017). Construal level theory further suggests that a higher construal level prompts people to focus more on the value associated with reaching a goal, whereas when the situation is construed concretely people pay more attention to the means used to reach a goal (Trope & Liberman, 2003, 2010).

In addition, research findings have revealed that a higher construal level can enhance moral behavior by elevating the salience of higher level values (Eyal et al., 2008; Torelli & Kaikati, 2009). Employees who perceive an ethical dilemma as psychologically distant (vs. close) have an abstract perspective of the situation and are more likely to focus on goals based on desirability-related factors that can meet societal and organizational expectations and ideal principles. These goals are not set by a single individual, but rather by everyone based on the organization's underlying values and idealistic principles. In contrast, when people perceive ethical dilemmas as being psychologically closer, they form a concrete view about the scenarios and may focus more on the outcome. More specifically, a high construal level can not only increase the employee's awareness of whether a behavior is in line with universal ethical standards, but also promotes self-control in decision makers and behavior that is consistent with the ethical standards (Yan & Lou, 2013), which presumably enhances moral judgment. That is to say, ethical judgment may be influenced by construal level.

In a growing body of research into construal level theory, scholars have hinted at a possible link between construal level and ethics (Amaral & Jiao, 2021; Mullen & Monin, 2016), but these studies either lacked empirical evidence or the association was established only on the basis of an assumption that a comparison of feasibility and desirability disregards cognitive information processing across construal levels. Indeed, people perceive psychological events at varying distances in time, space, social closeness, and hypothetical degree, such that they cannot experience these events directly, but can construe them mentally (Eyal et al., 2008). In addition, high-level construal can make objects and events appear more psychologically distant. For example, people interpret occurrences they perceive as distant in terms of their moral ideals rather than taking situation-specific facts into account (Eyal et al., 2008). According to Gamliel et al. (2017), when individuals use a higher construal level, they consider the more abstract value of moral issues (why the situation occurs), whereas with a lower construal level they may consider more concrete aspects of the event (how the situation occurs).

On the basis of the observation that people are influenced by construal level when making an ethical judgment, we predicted that individuals would behave more ethically and judge immoral events more harshly when these events were presented at a higher construal level. Therefore, we proposed the following hypothesis:

Hypothesis 1: Individuals' construal level will influence their judgment in ethical dilemmas. Individuals with low-level (vs. high-level) construal will make decisions that are more unethical.

The Mediating Role of Risk Sensitivity

The main focus in risk sensitivity theory (Mishra & Lalumière, 2010) is on the influence of individuals' motivation on their decision-making behavior: at its core, need drives decision-making behavior. The term *need* can refer either to a level of ambition (goal) or to minimum need requirements (the bottom line). According to risk sensitivity theory, decision makers' sensitivity to risk may vary in particular conditions of

need, which represents a tendency for behavior to differ when facing the gap between individuals' current state and their desired state. When the current state is unable to meet their requirements, individuals will have lower risk sensitivity and will view risk as an opportunity. However, when individuals set lower requirements that are close to their current state, there is no excessive demand. As a result, they will demonstrate a lower risk preference with a higher risk sensitivity, and will treat risk as threat. Thus, risk sensitivity theory suggests that risk sensitivity could be an underlying mechanism in decision making.

In addition, the effect of situational variables on people's choice may be the result of changes in their risk perception (Weber & Milliman, 1997). According to construal level theory, people process objective information differently according to the situation, resulting in different cognitive levels regarding current and ideal conditions. Risk sensitivity theory reflects an individual's behavioral tendency arising from the gap between their current state and their ideal goal state. In the ethical decision-making process there could be a link between people's construal level and their perception of risk sensitivity when making decisions about situations involving ethical issues.

Drawing on construal level theory and risk sensitivity theory, we predicted that risk sensitivity would mediate the relationship between construal level and ethical decision making. Compared with individuals who are using a lower construal level, individuals who are using a higher construal level are more likely to set a lower bottom line, demonstrate a lower risk preference, and be sensitive to changes in risk. They also try to avoid potential failures as much as possible, and tend to act ethically. Individuals with a lower construal level, on the other hand, pay attention to detail in ethical circumstances, and attach importance to the gain and loss of immediate interests, demonstrating a higher level of need. This causes them to disregard the potential consequences of their actions and to make self-beneficial decisions, resulting in unethical behaviors. Therefore, we proposed the following hypotheses:
Hypothesis 2: Construal level will be positively associated with risk sensitivity, such that individuals with a higher level construal will be more risk sensitive, whereas individuals with a lower level construal will be less risk sensitive.
Hypothesis 3: Risk sensitivity will mediate the positive relationship between construal level and ethical judgment, such that individuals with a higher level (vs. lower level) construal will tend to be more risk sensitive, make judgments that are more ethical, and engage in ethical behaviors.

We conducted two studies to test our hypotheses: In Study 1 we examined the relationship between construal level and ethical judgment (Hypothesis 1), and in Study 2 we validated the conclusion in Study 1 and explored the mediating mechanism by examining the effect of construal level on ethical judgments via risk sensitivity (Hypotheses 2 and 3).

Study 1

In Study 1 we examined the effects of construal level on ethical judgment and tested whether these two variables are positively associated (Hypothesis 1), in an experiment involving judgment of an ethical dilemma. We used two scenarios, and a between-subjects (construal level) and within-subjects (scenario) design to test the direct effect of participants' construal level on their ethical judgment and ensure the robustness of the research findings. According to construal level theory, psychological distance could influence mental construal (Bar-Anan et al., 2006). Thus, we used social distance for manipulating participants' construal level in both scenarios.

Method

Participants and Procedure

Before commencing the experiment, we applied for the approval of our institution. Participants completed a consent form and were told that the survey was to be filled in anonymously, the data would be used only for academic research, and that their responses would be kept confidential. The only requirement was that they respond to the items in the survey according to their real feelings.

College students (N = 80) at a major university in China participated in this study for course credit. We removed from the analysis the responses of 13 participants who did not finish the test, leaving a final sample of 67 participants. Among them, 29 (43.28%) were women and 38 (56.72%) were men; and 60 of them were aged between 20 and 25 years and seven were aged over 25 years (M_{age} = 22.61, SD = 1.88). They were told that their answers would not be used as a basis for course grading.

Experimental Scenarios

After reviewing the ethical scenarios adopted in previous research, we selected one scenario that would be easy for college student participants to understand: destroying the national flag by using it as a rag (Haidt et al., 1993). Furthermore, we developed a localized scenario of eating pinyin (stinky tofu) which is a traditional snack in Hunan Province, to increase the cross-task generalizability. To reduce the influence of social desirability on participants' responses, we wrote the scenarios by describing the behavior of others. The two scenarios were as follows:

Scenario 1: Using the National Flag as a Rag. Someone who you do not know (high-level construal)/Someone who is your good friend (low-level construal) found an old national flag when they were doing some cleaning at home. Considering that this flag had no other use, they decided to tear it into several strips to clean the floor. To what extent can you accept this action?

Scenario 2: Eating Strong-Smelling Food. Someone who you do not know (high-level construal)/Someone who is your good friend (low-level construal) was studying in the library, where they took out a box of stinky tofu and ate it. Others in the library could smell the tofu. To what extent can you accept this action?

Procedure

Participants were randomly assigned to either the high-level or low-level construal group. Each participant read the two scenarios belonging to either the high or low construal level. Next, participants were asked to respond to the ethical decision-making question and participate in a brief interview.

Measures

Ethical Decision Making. After reading the two scenarios, participants rated the acceptability of the behavior in each scenario on a 5-point Likert scale (1 = *totally unacceptable*, 5 = *totally acceptable*). Higher scores indicate greater acceptance of unethical behavior, reflecting participants' ethical judgment when confronted with a moral quandary.

Manipulation Check of Construal Level. After responding to the survey questions, participants were asked to recall the scenarios and describe the related characteristics at different construal levels and on different ethical judgment bases. We compiled a summary of all the ethical judgment bases provided by participants.

Results

As shown in Table 1, at the high construal level participants paid attention to the abstract, more ethical, and core features in the scenarios, such as morality, friendship, and other value standards. Conversely, at the low construal level participants focused on the specific, secondary, and superficial features, such as realistic feasibility of the action, and the current benefits. As a consequence, our manipulation successfully influenced participants' construal level.

To test the difference in ethical judgments between the high construal level (stranger) and low construal level (good friend) scenarios, we performed a 2 (construal level: low vs. high) × 2 (scenario: 1 vs. 2) analysis of variance (ANOVA). The results indicate that the impact of the scenarios on the acceptability of unethical behavior was nonsignificant, $F(1, 66) = 0.76$, $p = .385$. The interaction between construal level and scenario

was nonsignificant, $F(1, 66) = 2.53$, $p = .114$, which indicates that the scenario did not have a diversified effect on the relationship between construal level and ethical judgment. The main effect of construal level was significant, $F(1, 66) = 25.62$, $p < .001$. A one-way ANOVA also revealed that construal level had a significantly positive effect on the perception of acceptability of ethical behavior. Thus, our findings supported Hypothesis 1.

Table 1. *Participants' Ethical Judgment of Scenarios According to Construal Level*

Scenarios	High construal level	Low construal level
Using the national flag as a rag	Five-star red flag represents the country Disrespects the country Unethical behavior	The flag is worn The main character is frugal and does not waste anything.
Eating strong-smelling food	No public morals Making the library smell bad	Others do the same, it's okay

Table 2. *One-Way Analysis of Variance of Scenarios in Study 1*

Scenario	Construal level				*F*	*p*
	Low		High			
	M	*SD*	*M*	*SD*		
Scenario 1	3.31	0.80	2.16	1.17	22.85	< .001
Scenario 2	2.89	0.58	2.28	1.35	5.84	.019*

Note. * $p < .05$.

Study 1 provided initial evidence of a positive relationship between construal level and ethical judgment. Although these results supported Hypothesis 1, the study was subject to at least two limitations. First, the survey sample comprised college students, and homogenized samples offer limited generalizability for cross-sample validation. Second, this study procedure did not allow us to examine the interval mechanism of the positive effect of construal level on ethical behavior. Thus, in Study 2 we replicated this study with another sample to address the weaknesses.

Study 2

Study 2 was conducted to examine the mediating role of risk sensitivity in the relationship between construal level and ethical judgment, and to cross-validate the conclusions reached in Study 1. In addition, we used a work-related ethical dilemma that we adapted from Flynn and Wiltermuth (2010).

Method

Participants

We recruited company employees who were also studying part-time for a Master of Business Administration (MBA) at a university in central China ($N = 105$) to participate in this study. We eliminated from further analysis responses from 18 people who failed the manipulation check, resulting in a final sample of 87 participants, of whom 46 (52.77%) were women and 41 (47.23%) were men. As regards age ($M_{age} = 30.53$ years, $SD = 5.08$), 11 were aged 25 years or under, 42 were aged between 26 and 30 years, 19 were aged between 31 and 35 years, 11 were aged between 36 and 40 years, and four were aged 41 years or over.

Experimental Scenario

We adopted a judgment scenario to test the mediating effect of risk sensitivity in the relationship between construal level and ethical decision making. We chose the side business ethical dilemma used by Flynn and Wiltermuth (2010) as the scenario, and adapted it to better fit the background of Chinese enterprises and the work experience of the MBA students. The revised scenarios were as follows:

High-Level Construal. You are working in a company's R&D department, where you have a colleague who has given you a lot of guidance and advice to help you handle your task successfully. As he wants to make the most of his talents and prepare for his future career development, he starts working on a new business venture. You notice that he has been spending a significant amount of time at work making plans for this new business. When you are discussing organizational improvement and development, your boss, who is concerned about the declining performance of the department, asks you if any colleagues are using company time to pursue interests not related to the company.

Low-Level Construal. You are working in a company's R&D department where you have a colleague who once helped you to deal with problems at work. As he wants to make the most of his talents and prepare for his future career development, he starts working on a new business venture. You notice that he has been spending a significant amount of time at work making plans for this new business. When you are discussing performance appraisal and compensation management, your boss, who is concerned about the declining performance of the department, asks you if any colleagues are using company time to pursue interests not related to the company.

Procedure

Participants were randomly assigned to either the high- or low-level construal scenario. After reading the scenario, they made a decision on the action they would take, and completed the measure of their risk sensitivity. Finally, we implemented a manipulation check of construal level.

Measures

Risk Sensitivity. Mishra and Fiddick (2012) studied the effect of risk sensitivity on decision making and found that as the number of people saved changed within a certain range, the variation in individual importance cognition reflected risk sensitivity. Consequently, we proposed the following five questions for the side business scenario to measure risk sensitivity: "How serious is it that your colleague spends 1/2/3/4/5 hour(s) a day on their side business?" We randomized the order of the questions. Participants responded to each question on a 5-point Likert scale (1 = *not serious*, 5 = *very serious*). Then we took the standard deviation of each participant's score for the five questions as the risk sensitivity observation value.

Ethical Decision Making. We asked participants the question "Will you report the colleague's side business to your boss?" to assess ethical decision making. A response of "Yes" indicated an ethical decision, whereas "No" indicated an unethical decision.

Manipulation Check of Construal Level. After participants had completed the risk sensitivity and ethical decision-making measures, they chose one of the following responses to rate how they felt about their judgment: "It was related to ideals and self-values" (high construal level) or "It was related to reality and interests" (low construal level). Participants in the low-level construal group who chose the high-level construal response and vice versa were excluded from the analysis.

Results

We used binary logistic regression analysis to test the mediating effect of risk sensitivity. Applying the mediation effects test used in the study by Baron and Kenny (1986), when we tested the influence of construal level on ethical decision making the direct effect was significant, $b = 1.63$, $SE = 0.47$, $p < .05$. In the test for the effect of construal level on risk sensitivity, construal level had a significant effect on risk sensitivity, $b = 0.48$, $SE = 0.17$, $p < .05$. A one-way ANOVA also indicated that construal level had a significant impact on risk sensitivity, $F(1, 85) = 25.36$, $p < .001$, which meant participants with a low

construal level (M = 1.08, SD = 0.88) did not exhibit variation in their judgments across the range of hours that their colleague spent on their side business. This suggests that these participants had low perceived risk sensitivity and exhibited no threshold of severity, whereas participants with a high construal level (M = 1.91, SD = 0.60) showed greater risk sensitivity. Taking ethical decision making as the dependent variable, construal level as the first independent variable, and risk sensitivity as the second independent variable, Table 2 shows that after we entered the mediating variable (risk sensitivity) into the model, the direct effect of construal level on ethical decision making changed from significant to nonsignificant, indicating risk sensitivity completely mediated the relationship between construal level and ethical decision making; thus, Hypotheses 2 and 3 were supported.

Table 3. *Binary Logistic Regression Results for the Mediating Effect of Risk Sensitivity in the Relationship of Construal Level and Ethical Decision Making*

Predictor variables	Ethical decision making			
	b	*SE*	*p*	*Exp* (*b*)
Construal level	0.47	0.60	.44	1.60
Risk sensitivity	2.14	0.49	< .001	8.47
Constant	–3.33	0.76	< .001	0.04

General Discussion

The results of these two studies reveal that when facing ethical decisions characterized by a higher construal level, individuals intend to behave ethically. This is because when people examine ethical situations with a high construal level, they are more likely to recognize the long-term significance of ethical principles (e.g., value judgment), which aids in making judgments that are ethical and behaving ethically. Conversely, people with a low construal level may give greater attention to specific feasibility, benefits, and other factors, which may influence them to make judgments that are unethical and to act unethically.

This research has significant theoretical implications. First, as our research is based on risk sensitivity theory it contributes to understanding the internal mechanism of the influence of construal level on individual ethical decision making. We applied construal level theory and risk sensitivity theory to ethical decision making, resulting in a new interpretation model for the influencing factors. Second, previous studies on ethical decision making have focused primarily on individual, organizational, and moral intensity, whereas we chose a new perspective of cognition and risk sensitivity, and our findings contribute to the literature by explaining how risk sensitivity relates to ethical decision making.

In practice, this means that different construal levels can lead to different levels of risk sensitivity, which, in turn, influences ethical behavior, and this has implications for construal level delivery. First, decision makers should improve their ability to change their way of thinking. In the context of a low construal level, the decision maker can realize ethical principles and in the context of a high construal level, the decision maker can make detailed arrangements and plans. Decision makers should refine the characteristics of low-level ethical contexts and form high-level psychological representations that can provide a clearer understanding of the ethical principles underlying the context, resulting in them being more likely to make an ethical decision. Second, the decision maker can make detailed plans and arrangements to increase that individual's risk sensitivity. There are ways to bring about these changes. On the one hand, people have their own original construal level. Managers can select people with a high construal level to fill positions in which ethical issues are often faced (e.g., accountants). On the other hand, construal level will change in different situations. We propose that people could change their present construal level positively or passively. For example, they can change their construal level through manipulating distance in situations, including

temporal distance, spatial distance, social distance, and hypothetical distance, by highlighting some keywords, such as stranger/friend and core values in the organization's culture. Further, organizations should focus on creating an ethical culture and environment for employees by, for example, establishing an appropriate reward and punishment system. The system may comprise rewards for actions such as saving a lot of costs for the company or recovering major economic losses, taking the overall situation into consideration, proactively safeguarding the interests of the company, or acting with a high degree of teamwork spirit. Punishment may be exacted for actions such as employees doing their own personal tasks during working hours, concealing other people's disciplinary violations, disclosing company secrets, and causing damage to the company's interests. Managers can also educate employees on the fact that short-term and long-term benefits should not be confused, and show them that unethical behaviors are risky, so that long-term benefits are prioritized.

This study has some limitations. First, we did not study the boundaries in the relationships in our research, so that a focus in future work could be on determining the boundaries between construal level and ethical decision making, such as the moderating effect of cognitive moral development, because individuals with a high level of cognitive moral development are better equipped than others are to follow ethical ideals, and are not influenced or limited by their surroundings. They tend to construct the external world by themselves through their own values and principles, and are more capable of resisting external pressures of temptation (Treviño & Youngblood, 1990). Additionally, future work could include testing or modifying the theoretical model from multiple perspectives to improve the construct and external validity, such as manipulating construal level by using differences in psychological distance or measuring actual ethical behavior rather than participants' judgment of what they intend to do. Finally, empirical research with multiple methods is necessary. For example, in future research a field study could be conducted to increase the generalizability of the results to other populations, thereby enhancing the validity of the results.

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