

Stakeholder and stockholder viewpoints of corporate ethics: A comparison among senior business students, MBA students and managers

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ABSTRACT

To contribute to the ethics literature, this study collects data from senior business students, MBA students, and managers, to assess whether there are within and between group differences in perceived stakeholder and stockholder views, controlling for gender, age and work experience. The results indicate that, for both seniors and MBA students, their perception of the stakeholder view is significantly greater than that for the stockholder view. Conversely, managers identify more closely with the stockholder view, The results also indicate that managers have a significantly lower (higher) perception of the stakeholder (stockholder) view than either of the student groups. Senior business students have a higher (lower) perception of the stakeholder (stockholder) view than MBA students.

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INTRODUCTION

Recent scandals involving Wells Fargo, Facebook, Volkswagen, Mylan, Turing Pharmaceuticals, and Uber raise new questions about ethical standards in today's corporate world. Previous corporate

scandals in the 1990s and early 2000s, the collapse of Enron and WorldCom to name two, were blamed on ethical failings and questionable or abusive practices of those in charge (Martin et al., 2002). These and other abuses prompted

concerns over the societal impact of corporate activities and the effectiveness of managers in overseeing the functioning and direction of the business (Chase et al., 1997; Tichy, 2001). The attention garnered by these scandals resulted in greater concern with corporate ethics and social responsibility (CESR) in both the business community (Husted and Allen, 2000) and in university education (Kurtz, 1999; Lampe, 1997). However, the continued occurrence of corporate scandals raises questions about the effectiveness of business school education in shaping attitudes about CESR and the degree to which these attitudes are maintained once in the corporate world. The research presented here is an important step in answering these questions.

Since 1974, the main accrediting body for schools of business and accounting, the Association to Advance Collegiate Schools of Business (AACSB), has included ethical considerations as part of its accreditation standards (Mahoney, 2008). This commitment to insuring that business students are exposed to social responsibility issues is strengthened further in its 2013 accreditation standards in which a commitment to corporate and social responsibility must now be one of a school's core values and guiding principles (AACSB International, 2016). Having an active strategy of business ethics education would likely produce potential managers that will comply with legal, ethical and social business practices (Burcea and Marinescu, 2011; Phillips, 2004), but whether this is realized is an open question.

There are two prominent schools of thought under the perceptions of the role of ethics and social responsibility (PRESOR). The classical view (Friedman, 1970), also known as the shareholder or stockholder view, posits that managers should make decisions that are in the best financial interest of the shareholders. Alternatively, the stakeholder view guides managers to make decisions of the organizations multiple stakeholders including stockholders,

suppliers, and community constituents (Orlitzky et al., 2011). Arguing that business students are the business professionals of the future and that many upper division undergraduate and graduate students have sufficient education and experience to make many ethical issues personally relevant to them, understanding the development of their views during the critical formative stage in their careers while in college is important (Wurthmann, 2013). However, with a few notable exceptions (e.g., Aspen Institute, 2001; Lopez et al., 2005; Luthar and Karri, 2005; Lämsä et al., 2009), little attention has been devoted to the study of the corporate ethics and social responsibility orientation of business students and managers within the context of these two countervailing perspectives. The purpose of this study is to help fill this void and shed light on the perceptual differences on stakeholder and stockholder perspectives between managers, senior business students, and Master of Business Administration (MBA) students, controlling for gender, age and experience. As such, we seek to assess (1) the degree to which respondents identify with either the stakeholder or stockholder's ethical viewpoint, and (2) whether differences exist between the viewpoints of senior business students, MBA students, and managers. To our knowledge, the present research is the first to use the PRESOR measure to compare senior business students', MBA students', and managers' viewpoints, controlling for gender, work experience and age. Thus, the present research answers calls for improved understanding of which variables are associated with PRESOR (Axinn et al. 2004; Elias, 2004; Shafer et al., 2007; Singhapakdi et al., 1996; Vitell et al., 2010). Furthermore, this research provides additional evidence concerning the dimensionality and validity of the PRESOR scales, consistent with the notion that scale validation should be a continuous process (Churchill, 1979).

The next section presents a brief overview of the

stakeholder and stockholder views of the firm. This is followed by the hypotheses to be tested. Next, the research methods is presented, followed by the results and discussion.

THE STAKEHOLDER VERSUS THE STOCKHOLDER VIEWS OF THE FIRM

The stakeholder and stockholder views are alternative perspectives of how businesses should view CSR (Shafer, 2015). The stakeholder view of the firm has generated both substantial traction and widespread acceptance among management theorists (Clarkson, 1995; Donaldson and Preston, 1995; Mitchell et al., 1997) and ethicists alike (Evan and Freeman, 1988; Hasnas, 1998). This view suggests that “business success should embody the attainment of traditional profit maximization objectives, the need to attend to the interests of stockholders, customers, employees, suppliers, management, local community constituents, and the need to adopt policies and enact practices that produce an optimal balance” (Clark et al., 2014). That is, this view argues for the consideration all stakeholders’ interests even if doing so reduces company profitability (Smith, 2003).

The stockholder view of the firm asserts that managers should spend capital when authorized by shareholders (Friedman, 1970; Smith, 2003). That is, aside from basic ethical obligations (e.g., engaging in honest, moral, and legal transactions), managers should make business decisions in the interest of their shareholders, generating financial returns and should engage in social endeavors only to the extent that doing so enhances their prospects for even greater financial returns. Social objectives such as poverty reduction or protecting the environment, which are not linked to shareholder considerations, are seen as matters of personal initiative, private charities and foundations, and are more appropriately the responsibilities of government (Parnell et al., 2012). Hence, under the stockholder theory of the firm, the only objective of businesses is to

maximize profit (Friedman, 1970; Jensen and Meckling, 1976; Williamson, 1985; Shafer et al., 2007). Therefore, managers assume a fiduciary responsibility, irrespective of any societal benefits or detriments (Hasnas, 1998; Smith, 2003). That is, the stockholder’s interests ought to take precedence over the interests of all other groups (Hansmann and Kraakman, 2001).

In sum, the stockholder and shareholder views of the firm are two countervailing approaches to how CSR should be approached both in the business world and in the business school curricula, with scholars from each side advocating their view as “best practice.” (Boatright, 2006; Ferrero et al., 2014; Hasnas, 1998). Those who identify more closely with the stockholder view argue for serving the best interests of the stockholders to the exclusion of others (Friedman, 1962; Friedman, 1970; Smith, 2003; Jensen and Meckling, 1976; Williamson, 1985) and are less likely to support the importance of CSR (Shafer, 2015). In contrast, those with a stakeholder view would argue that the organization has a responsibility to a variety of stakeholder groups and suggest that organizations should act in an ethical and socially responsible fashion (Shafer et al., 2007; Goodpaster, 1991; Kay and Popkin, 1998; Orlitzky et al., 2011; Parnell et al., 2012; Clarkson, 1995; Donaldson and Preston, 1995).

HYPOTHESES DEVELOPMENT

Several studies have examined the impact that teaching ethics has on shaping CSR attitudes and perceptions in both business professionals and students. However, the results of these studies are mixed. Luthar and Karri (2005) and Boyd (1981) found that exposure to ethics within business curricula had a significant impact on student perceptions of how ethical practices impact business outcomes. McCabe et al. (1991, 1994) indicate that MBA students tend to have lower ethical views after going through their education than when they entered the MBA program. Cagle et al. (2008) conducted a study

in finance classes to examine the impact of using ethics vignettes on students' perceptions of the importance of ethics. They found that such teaching methods did not affect students' ethical beliefs. Allen et al. (2005) found that having an increased emphasis on ethics in textbooks and in business courses had no significant impact on students' levels of ethical orientation and ethical decision-making. Ritter (2006) found that exposure to ethical training may not lead to a higher awareness of what is ethical and unethical.

Based on the above discussion we propose the following hypotheses:

- H1:** There is no difference between the perceptions toward the stakeholder and stockholder views of CESR among senior business students.
- H2:** There is no difference between the perceptions toward the stakeholder and stockholder views of CESR among MBA students.
- H3:** There is no difference between the perceptions toward the stakeholder and stockholder views of CESR among business managers.

Studies regarding the similarities and differences between managers and business students with respect to business ethics have produced mixed results. For example, analyzing cases that were legal but ethically questionable, Emerson et al. (2007) found that managers appeared to be more accepting of situations resulting in physical harm to individuals than were students.

In a survey of practicing accountants and accounting students, Ibrahim et al. (2006) found that students exhibited a greater concern for the ethical and discretionary components of CESR. These results were similar to an earlier study which also found that business students exhibited greater concern about ethical conduct than business professionals (Ibrahim and Angelidis, 1993). Smith et al. (1999) also found

that students exhibited a greater sensitivity to the ethical dimensions of business decision-making when compared to managers.

In contrast to the above results, several studies have found that concern for ethics in decision making is greater in business professionals than in students. Axinn et al. (2004) and Goodwin and Goodwin (1999) are examples of research finding that MBA students are less concerned about ethical matters than practicing managers. Dupont and Craig (1996) examined the ethical attitudes of retail sales persons, sales managers and business school students. They found that the students were less ethically oriented than the retail professionals. In a survey of college business majors and business professionals, Cole and Smith (1995) found that students responded less ethically than did those in the business community.

Based on the above arguments, we propose the following hypotheses:

- H4:** There is no difference in the perception of the stakeholder view of CESR between managers and senior business students.
- H5:** There is no difference in the perception of the stakeholder view of CESR between managers and MBA students.
- H6:** There is no difference in the perception of the stockholder view of CESR between managers and senior business students.
- H7:** There is no difference in the perception of the stockholder view of CESR between managers and MBA students.

While the research cited above focuses on the differences in ethical attitudes between students and managers, another research track examines whether there are differences among the students. Once again the research has produced varying results. For example, Kumar (1995) assessed the social responsibility orientation of graduate and undergraduate business students. The results demonstrated that, although over three-quarters

of the students showed strong orientation towards social responsibility, graduate students exhibited a stronger social responsibility orientation than undergraduate students. In contrast, in a pre- and post-test, Kathy and Curtis (2003) found statistically significant differences between graduate and undergraduate business students in their perceptions of ethical issues, with graduate students having less movement toward more ethical responses in the post-test than did undergraduates. Glenn (1992) and Jones (1990) found that ethical values become less apparent in subjects with a higher level of education in most cases. Parsa and Lankford (1999) compare perceptions of business ethics between undergraduate and MBA students. The results indicated that undergraduate students were found to act more ethically than MBA students. Therefore, in order to add to the discussion we propose the following hypotheses:

H8: There is no difference in the perception of the stakeholder view of CESR between MBA students and senior business students.

H9: There is no difference in the perception of the stockholder view of CESR between MBA students and senior business students.

4. RESEARCH METHODS

Data was collected from three groups of participants. Two of the groups were senior business majors and MBA students from an AACSB accredited business school at a southeastern U.S. university¹. Questionnaires (see appendix) were administered to seniors in their final semester capstone course over three semesters resulting in 139 completed questionnaires. Separate groups of MBA students were also surveyed over three semesters during regularly scheduled class time resulting in 98 completed surveys. The third group of participants was composed of business professionals from the same region. A questionnaire identical to the one provided the students was administered resulting

in 145 completed surveys. The survey was completely voluntary for all three groups, and participants were assured of confidentiality of individual responses. Table 1 provides demographic information for each of the participant groups.

Measures

In order to measure perceptions toward corporate ethics, we used a version of the PRESOR survey instrument developed by Singhapakdi et al. (1996). Numerous studies have used the PRESOR instrument to assess ethical decision-making (e.g., see Singhapakdi et al., 1996; Etheredge, 1999; Singhapakdi, 1999; Pettijohn et al. 2007; Singhapakdi and Vitell, 2007). The original instrument had 16 survey items with three clearly identifiable perceptions or factors: social responsibility and profitability, long-term gains, and short-term gains. Recent refinements in the instrument have resulted in fewer survey items which coalesce along only two sets of factors identified as the stakeholder view and the stockholder view of corporate ethics. Following prior studies (e.g., Shafer et al., 2007; Shafer, 2015; Wurthmann, 2013; Axinn et al., 2004), the version of the PRESOR instrument used here contains 13 statements that participants rate on a scale of 1 (strongly disagree) to 7 (strongly agree).

We first assessed content validity of our survey instrument and whether the use of principal component analysis (PCA) would be appropriate for our data. To assess content validity the survey was submitted to a panel of experts comprised of management, marketing, and economics faculty. The panel checked the items for ambiguity, clarity, triviality and sensible construction. The panel agreed that the items included in the PRESOR scale adequately represented the construct of interest. The adequacy of using PCA was assessed by using the Kaiser-Meyer-Olkin (KMO) statistic

¹An investigation by Shen et al. (2011) found that student samples are appropriate for research aimed at identifying general principles and relationships among variables.

Table 1. Sample Characteristics

| | Senior business students | MBA students | Business managers |
|----------------------------------------|--------------------------|-------------------|-------------------|
| Gender | | | |
| Male | 53 | 46 | 115 |
| Female | 86 | 52 | 30 |
| Total | 139 | 98 | 145 |
| Work experience (years) | | | |
| No work experience | 25 | 6 | -- |
| 1-5 | 91 | 71 | -- |
| 6-10 | 13 | 11 | 14 |
| 11-15 | 2 | 2 | 28 |
| 16-20 | 3 | 4 | 30 |
| 20-25 | 2 | 2 | 28 |
| 25-30 | 3 | 2 | 17 |
| 31+ | 0 | 0 | 28 |
| Total | 139 | 98 | 145 |
| Age | | | |
| 20-29 | 127 | 74 | 19 |
| 30-39 | 10 | 20 | 34 |
| 40-49 | 2 | 2 | 51 |
| 50-59 | --- | 2 | 25 |
| Above 60 | --- | --- | 16 |
| Total | 139 | 98 | 145 |
| Senior business students' major | | | |
| | Number | Percentage | |
| Human resources management | 17 | 12.23% | |
| Management information systems | 14 | 10.07% | |
| Accounting | 31 | 22.30% | |
| Marketing | 23 | 16.55% | |
| General business | 15 | 10.79% | |
| Business management | 21 | 15.11% | |
| Finance | 18 | 12.95% | |
| Total | 139 | 100.00% | |

and Bartlett's test of sphericity test. Both tests (KMO=0.909 and Bartlett's $\chi^2(78) = 1,856.47$) indicated that the information contained in our PRESOR survey results could be summarized using two factors.

Next, employing PCA with Varimax rotation yielded two factors accounting for 73.6% of the variance. The factor loadings and items within each factor are presented in Table 2. The first factor, corresponding to the stakeholder view, includes eight items and accounts for 46.9% of

the variance. These items reflect the view that being socially responsible is of the utmost importance for the firm and goes hand-in-hand with profitability. The stockholder view corresponds to the second factor which includes 5 items accounting for 26.7% of the variance. These items reveal a perspective that survival of the business is of utmost importance and that in some instances ethics may be compromised to ensure profitability. The two factors present in the data are similar to those identified in several other studies (e.g., Shafer et al., 2007;

Shafer, 2015; Wurthmann, 2013; Axinn et al., 2004).

Ex post tests of the PCA model were conducted to assess scale reliability, convergent validity, and model fit. For scale reliability, Cronbach's alpha scores for both the stakeholder view ($\alpha=0.990$) and the stockholder view ($\alpha=0.933$) both indicate that the items contained in both groups are closely related and that the two factors capture the two underlying concepts (Nunnally, 1978). The average variance extracted (AVE) for both factors was greater than 0.5 and each AVE was greater than the squared correlation between the two constructs, indicating both convergent and discriminant validity (Fornell and Larcker,

1981). Finally, a strong model fit was indicated by several statistics (root mean square error of approximation = 0.046, chi-square per degrees of freedom = 1.997), comparative fit index = 0.935, incremental fit index = 0.951, normed fit index = 0.927)².

Despite exhibiting variations in its factor structures across studies, the dimensions of the PRESOR scale generally align with a stockholder/ stakeholder dichotomy (Shafer, 2015, Vitell et al., 2010, Wurthmann, 2013, Shafer et al., 2007, Etheredge, 1999). As shown in Table 2, the two PRESOR factors identified in this study clearly aligned with a stockholder versus stakeholder view.

Table 2. PRESOR factor loadings*

| | Stakeholder View | Stockholder view |
|----------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Stakeholder view: ($\alpha = 0.990$) | | |
| 1. Being ethical and socially responsible is the most important thing a firm can do | 0.956 | -0.229 |
| 2. The ethics and social responsibility of a firm are essential to its long-term profitability | 0.953 | -0.239 |
| 3. The overall effectiveness of a business can be determined to a great extent by the degree to which it is ethical and socially responsible | 0.934 | -0.259 |
| 4. Business ethics and social responsibility are critical to the survival of a business enterprise | 0.865 | -0.227 |
| 5. A firm's first priority should be employee morale | 0.882 | -0.237 |
| 6. Business has a social responsibility beyond making a profit | 0.906 | -0.299 |
| 7. Social responsibility and profitability can be compatible | 0.891 | -0.291 |
| 8. Good ethics is often good business | 0.912 | -0.293 |
| Stockholder view: ($\alpha = 0.933$) | | |
| 1. The most important concern for a firm is making a profit, even if it means bending or breaking the rules | -0.273 | 0.869 |
| 2. To remain competitive in a global environment, business firms will have to disregard ethics and social responsibility | -0.267 | 0.818 |
| 3. If survival of a business enterprise is at stake, then you must forget about ethics and social responsibility | -0.286 | 0.796 |
| 4. Efficiency is much more important to a firm than whether or not the firm is seen as ethical or socially responsible | -0.276 | 0.849 |
| 5. If the stockholders are unhappy, nothing else matters | -0.274 | 0.880 |

*Rotation Method: Varimax with Kaiser normalization.
RMSEA = 0.046, Chi-Square/df = 1.997; CFI = 0.935; IFI = 0.951. NFI = 0.927.

The root mean square error of approximation is below the recommended 0.10 cutoff (Hu and Bentler, 1998). The Chi-Square over degrees of freedom is less than 2.0 (Wheaton et al., 1977). The comparative fit index, incremental fit index, and normed fit index are each greater than is 0.90 (Bentler and Bonnett, 1980).

Covariates

Corresponding to the stakeholder and stockholder factor scores from the PRESOR survey instrument each individual is assigned a stakeholder view (Stakei) and a stockholder view (Stocki). In order to test our hypotheses regarding differences within and between different groups we need to control for other covariates that could have an effect on the determination of an individual's viewpoint, specifically gender, age and work experience. While research has shown that each of these covariates may be correlated with stakeholder and stockholder views, the direction of the correlation is unsettled.

Prior research has investigated the impact of gender on ethical perceptions (Peterson et al., 2001; Harris et al., 2006; Alleyne et al., 2006; Conroy and Emerson, 2004; Devonish et al., 2009; Sidani et al., 2009; Alleyne et al., 2010; Lau, 2010). Most of this research has tested the proposition that females are more ethical than males. This assumption is supported by Landry et al. (2004) since they believe that this is based on the reality of females identifying and understanding the "nuances" of ethical dilemmas. Also, the literature indicates that females are socialized to show not only compassion, but to be caring, while males are portrayed as being more competitive and justice-oriented (Gilligan, 1982; Devonish et al., 2009; Sidani et al., 2009). Gender was controlled for through the use of a dummy variable, "GENDER" with 0 = "male", and 1 = "female".

Research frequently predicts the relationship between age and ethical judgments to be positive (Chiu, 2003; Peterson et al., 2001; Vitell and Paolillo, 2003). That is, people tend to be more ethical as they grow older. However, Ede et al. (2000) and Vitell et al. (2007) find that younger people tend to be more ethical than older people. Barnett and Valentine (2004) and Schepers (2003) report no significant relationship between age and ethical judgments. To measure age, the

following categories were utilized: 1 = "20-29 years", 2 = "30-39 years", 3 = "40-49 years", 4 = "50-59 years", and 5 = "above 60 years."

According to Cron (1984), Hunt and Vitell (1986, 1992), and Weeks et al. (1999), attitudes towards ethical issues might vary according to a person's career stage. In other words, work experience could influence a person's ethical judgement. However, Barnett and Valentine (2004) and Schepers (2003) find the variables to be unrelated. Work experience was measured as a categorical variable, age, with the following categories: 1 = "no work experience", 2 = "1-5 years", 3 = "6-10 years", 4 = "11-15 years", 5 = "16-20 years", and 6 = "21-25 years", 7 = "26-30 years", 8 = "over 31 years".

RESULTS

To test whether there is a difference in perceived stakeholder and stockholder views within each group, we first create a dependent variable, "STAKESTOCK", which includes both the stakeholder view and a stockholder view for each individual. Second we create a dummy variable, "VIEW", where VIEW =1 indicates an individual's stakeholder score and VIEW = 0 indicates their stockholder score. Finally, an ANCOVA model was used to regress "VIEW", and the above covariates on STAKESTOCK for each of the groups, senior business students, MBA students, and managers.

The ANCOVA results for the senior students' group are presented in Table 3, Panel A. The relationship between VIEW and STAKESTOCK is significant ($F = 1,325.519$, $p = 0.000$) providing evidence that these students perceive stakeholder and stockholder views differently. The covariate gender is also significant ($F = 26.761$, $p = 0.000$), suggesting that male and female senior students have different CESR viewpoints. Neither age nor experience is significant ($F = 1.8341$, $p = 0.177$ and $F = 0.003$, $p = 0.956$, respectively) indicating no differences in CESR views across these dimensions

for senior business students.

In Table 3, Panel B, the results of the ANCOVA model are used to test H1, that there is no difference between the perception of stakeholder and stockholder views of CESR among senior business students. Holding gender, age, and work experience at their mean values, we find that differences in stakeholder and stockholder views do exist and that the perception of the stakeholder view (mean = 5.615) is higher than that for the stockholder view (mean = 2.509) with a significant mean difference of 3.106 ($p = 0.000$). This suggests that senior business students have a tendency toward the stakeholder view. Therefore, H1 is rejected.

Table 4 reports the results for the MBA student group. As shown in Panel A, VIEW is significantly related to STAKESTOCK ($F = 104.104$, $p = 0.000$),

indicating that MBA students view stakeholder and stockholder perspectives differently. The covariate gender is also significant ($F = 32.718$, $p = 0.000$), which suggests that male and female MBA students have different CESR viewpoints. Neither age nor experience is significant ($F = 0.235$, $p = 0.628$ and $F = 0.287$, $p = 0.593$, respectively) in explaining differences in MBA views of CESR.

Holding the covariates at their mean values, Panel B indicates that the perception of MBA students' stakeholder view (mean = 5.052) is higher than that of their stockholder view (mean = 3.702) with a significant mean difference of 1.350 ($p = 0.000$). This provides evidence that MBA students tend to believe that firms have a moral duty to ensure the welfare of all their stakeholders (Donaldson and Preson, 1995; Freeman, 1984), thus H2 is rejected.

Table 3. Panel A. ANCOVA results for the difference in stakeholder and stockholder views (STAKESTOCK) for senior students

| Source | Type III Sum of squares | df | Mean square | F | P-value | Partial Eta squared |
|-----------------|-------------------------|-----|-------------|----------|---------|---------------------|
| Corrected Model | 684.666 ^a | 4 | 171.166 | 338.443 | 0.000 | 0.832 |
| Intercept | 186.073 | 1 | 186.073 | 367.918 | 0.000 | 0.574 |
| VIEW* | 670.377 | 1 | 670.37 | 1325.519 | 0.000 | 0.829 |
| GENDER | 13.534 | 1 | 13.534 | 26.761 | 0.000 | 0.089 |
| AGE | 0.928 | 1 | 0.928 | 1.834 | 0.177 | 0.007 |
| EXPERIENCE | 0.002 | 1 | 0.002 | 0.003 | 0.956 | 0.000 |
| Error | 138.069 | 273 | 0.506 | | | |
| Total | 5410.211 | 278 | | | | |
| Corrected Total | 822.735 | 277 | | | | |

^aR-Squared = 0.832 (Adjusted R-Squared = 0.830)

*VIEW = 1 if Stakeholder view and 0 if Stockholder view.

Panel B. Comparison of mean perceived stakeholder and stockholder views for senior students

| | Stakeholder view | Stockholder view | Mean difference | P-value | Lower Bound | Upper Bound |
|------------------------|------------------|------------------|-----------------|---------|-------------|-------------|
| H1: †Stake – Stock = 0 | 5.615(0.076)* | 2.509(0.047) | 3.106(0.085) | 0.000 | 2.938 | 3.724 |

†Stake = stakeholder view; stock = stockholder view

* mean (standard error)

** Adjustment for multiple comparisons: Bonferroni.

Table 4. ANCOVA results for the difference in stakeholder and stockholder views (STAKESTOCK) for MBA students

| Source | Type III Sum of squares | df | Mean square | F | P-value | Partial Eta squared |
|-----------------|-------------------------|-----|-------------|---------|---------|---------------------|
| Corrected Model | 119.835 ^a | 4 | 29.959 | 34.911 | 0.000 | 0.422 |
| Intercept | 599.714 | 1 | 599.714 | 698.849 | 0.000 | 0.785 |
| VIEW* | 89.336 | 1 | 89.336 | 104.104 | 0.000 | 0.353 |
| GENDER | 28.076 | 1 | 28.076 | 32.718 | 0.000 | 0.146 |
| AGE | 0.202 | 1 | 0.202 | 0.235 | 0.628 | 0.001 |
| EXPERIENCE | 0.246 | 1 | .246 | 0.287 | 0.593 | 0.001 |
| Error | 63.906 | 191 | .858 | | | |
| Total | 4039.023 | 196 | | | | |
| Corrected Total | 283.741 | 195 | | | | |

^aR-Squared = .422 (Adjusted R-Squared = .410)

*VIEW = 1 if Stakeholder view and 0 if stockholder view

Panel B. Comparison of mean perceived stakeholder and stockholder views for MBA students

| | Stakeholder view | Stockholder view | Mean difference | P-value | 95% Confidence Interval for Difference** | |
|------------------------|------------------|------------------|-----------------|---------|------------------------------------------|-------------|
| | | | | | Lower Bound | Upper Bound |
| H2: †Stake - Stock = 0 | 5.052(1.215)* | 3.702(0.073) | 1.350(0.132) | 0.000 | 1.089 | 1.611 |

†Stake = stakeholder view; stock = stockholder view

* mean (standard error)

** Adjustment for multiple comparisons: Bonferroni.

Table 5 presents the ANCOVA results for the perceived differences in managers' stakeholder and stockholder views. The independent variable, VIEW, is significant (F = 818.859, p = 0.000), suggesting that managers view stakeholder and stockholder perspectives differently. The covariate gender is again significant (F = 23.551, p = 0.000), indicating that male and female managers have different CESR views. However, both age and experience are not significant (F = 0.924, p = 0.337 and F = 2.162, p = 0.143, respectively) in explaining differences in managers' stakeholder and stockholder views.

Panel B indicates that managers identify more closely with the stockholder view (mean = 5.730) than stakeholder view (mean = 2.987) with a significant mean difference of 2.743 (p = 0.000). This indicates that managers tend to regard organizational profitability as their overriding responsibility (Friedman, 1962; Smith, 1937). Therefore, H3 is rejected.

Hypotheses H4 through H9 test for differences in stakeholder and stockholder views between three separate groups, senior business students, MBA students, and managers. In order to maintain the statistical power of these tests (Levin et al., 1994), a multivariate analysis of covariance (MANCOVA) is used first. If the MANCOVA indicates that differences do exist between groups, separate ANCOVAs are then used to conduct pairwise comparisons between groups to determine where the differences lie. The MANCOVA is constructed with stakeholder view (Stakei) and stockholder view (Stocki) as the dependent variables and gender, work experience, and age as covariates. A new variable GROUPS is included as the independent fixed factor variable where GROUPS=1, 2, or 3 depending on whether the observation is from a senior student, MBA student, or manager, respectively.

The results of the MANCOVA are shown in Table 6. The results show that there are multivariate

Table 5. ANCOVA results for the difference in stakeholder and stockholder views (STAKESTOCK) for managers

| Source | Type III Sum of squares | df | Mean square | F | P-value | Partial Eta squared |
|-----------------|-------------------------|-----|-------------|---------|---------|---------------------|
| Corrected Model | 554.964 ^a | 4 | 138.741 | 217.767 | 0.000 | 0.753 |
| Intercept | 139.437 | 1 | 139.437 | 218.860 | 0.000 | 0.434 |
| VIEW* | 521.702 | 1 | 521.702 | 818.859 | 0.000 | 0.742 |
| GENDER | 15.005 | 1 | 15.005 | 23.551 | 0.000 | 0.076 |
| AGE | 0.589 | 1 | 0.589 | 0.924 | 0.337 | 0.003 |
| EXPERIENCE | 1.377 | 1 | 1.377 | 2.162 | 0.143 | 0.008 |
| Error | 181.576 | 285 | 0.637 | | | |
| Total | 6244.965 | 290 | | | | |
| Corrected Total | 736.540 | 289 | | | | |

^aR-Squared = .753 (Adjusted R-Squared = .750)

*VIEW = 1 if Stakeholder view and 0 if stockholder view

Panel B. Comparison of mean perceived stakeholder and stockholder views for managers

| | Stakeholder view | Stockholder view | Mean difference | P-value | Lower Bound | Upper Bound |
|------------------------|------------------|------------------|-----------------|---------|-------------|-------------|
| H3: †Stake – Stock = 0 | 2.987(0.087)* | 5.730(0.067) | -2.743(0.096) | 0.000 | -2.897 | -2.516 |

†Stake = stakeholder view; stock = stockholder view

* mean (standard error)

** Adjustment for multiple comparisons: Bonferroni.

relationships between the two dependent variables (stakeholder view and stockholder view) and the independent variable “GROUPS” (Wilks’ lambda = 0.359, F-value = 125.258, p = 0.000). The results also indicate significant relationship between the two dependent variables and the covariate “gender” (Wilks’ lambda = 0.825, F-value = 39.639, p = 0.000). However, the relationship between the two dependent variables and the covariates age and work experience are not significant (Wilks’ lambda = 0.999, F-value = 0.839, p = 0.501; Wilks’ lambda = 0.995, F-value = 0.917, p = 0.400, respectively). Since the results indicate that differences between groups are present, ANCOVAs are used to determine between which groups the differences lie.

Between group differences regarding the stakeholder views are tested first. In Table 7, Panel A, the results of the ANCOVA indicate that the relationship between stakeholder view and

group is significant (F =40.227, p = 0.000). This suggests that at least one of the groups has a significantly different perception of the stakeholder view. The results also indicate that gender is significant (F = 42.807, p = 0.000), suggesting that gender influences respondents view of the stakeholder. However, age and work experience are not significant in explaining differences in stakeholder view (F = 0.346, p = 0.557 and F = 0.347, p = 0.556, respectively). This indicates that both age and work experience are not good incremental predictors in differentiating group’s stakeholder views.

Next, to determine which of the groups hold significantly different stakeholder viewpoints, pairwise comparisons are carried out. Results in Table 7, Panel B report the mean responses for each group that are compared in Table 7, Panel C. Results indicate that, at 95% confidence level, senior business students had a higher affinity for the stakeholder view (mean = 5.570) than do

managers (mean = 3.036), as indicated by the significant mean difference of 2.534 (p = 0.000). Similarly, MBA students have a higher stakeholder view (mean = 5.057) than do managers (mean = 3.036) with a significant mean difference of 2.021 (p = 0.000). Additionally, senior business students (mean = 5.570) had a higher perceived

stakeholder view than MBA students (mean = 5.057) as indicated by a significant mean difference of 0.513 (p = 0.000). Given that differences regarding stakeholder viewpoints exist between each pair of groups, hypotheses H4, H5 and H8 are rejected

Table 6. MANCOVA results for differences in perceived PRESOR among groups

| Effect | Wilks' Lambda | F | P-value |
|-----------------|---------------|---------|---------|
| GROUPS* | 0.359 | 125.258 | 0.000 |
| GENDER | 0.825 | 39.639 | 0.000 |
| AGE | 0.999 | 0.839 | 0.501 |
| WORK EXPERIENCE | 0.995 | 0.917 | 0.400 |

* GROUPS = 1 if "senior students", 2 if "MBA students" and 3 if "managers"

Table 7. Panel A. ANCOVA results for differences in stakeholder view among senior students, MBA students and managers

| Source | Type III Sum of squares | df | Mean square | F | P-value | Partial Eta squared |
|-----------------|-------------------------|-----|-------------|---------|---------|---------------------|
| Corrected Model | 574.302* | 5 | 114.860 | 117.605 | 0.000 | 0.610 |
| Intercept | 479.418 | 1 | 479.418 | 490.873 | 0.000 | 0.566 |
| GROUPS** | 78.577 | 2 | 39.288 | 40.227 | 0.000 | 0.176 |
| GENDER | 41.808 | 1 | 41.808 | 42.807 | 0.000 | 0.102 |
| AGE | 0.338 | 1 | 0.338 | 0.346 | 0.557 | 0.001 |
| EXPERIENCE | 0.339 | 376 | 0.339 | 0.347 | 0.556 | 0.001 |
| Error | 367.226 | 382 | 0.977 | | | |
| Total | 8597.359 | 381 | | | | |
| Corrected Total | 941.528 | | | | | |

*R-Squared = .610 (Adjusted R-Squared = .605)

**GROUPS = 1 if "senior students", 2 if "MBA students" and 3 if "managers"

Panel B: Mean (standard error) of stakeholder view by group

| Variable | Senior students group | MBA students group | Managers group |
|------------------|-----------------------|--------------------|----------------|
| Stakeholder view | 5.570(0.133)* | 5.057(0.131) | 3.036(0.176) |

Panel C: Mean pairwise comparisons

| | Senior students vs. MBA students | Senior students vs. Managers | MBA students vs. Managers |
|------------------------------------------|----------------------------------|------------------------------|---------------------------|
| Mean difference | 0.513 | 2.534 | 2.021 |
| Std. error | 0.132 | 0.285 | 0.273 |
| P-value* | 0.000 | 0.000 | 0.000 |
| 95% confidence interval for difference** | | | |
| Upper bound | 0.831 | 3.218 | 2.678 |
| Lower bound | 0.196 | 1.849 | 1.363 |
| Hypothesis | H4 rejected | H5 rejected | H8 rejected |

*Based on estimated marginal means, the mean difference is significant at the .05 level

** Adjustment for multiple comparisons: Bonferroni.

The results of the ANCOVA for between groups differences in the stockholder view are presented in Table 8. Overall, the results indicate that the relationship between stockholder view and group is significant ($F = 257.947$, $p = 0.000$), suggesting that at least one of the groups had a significantly different perception of the stockholder view. The results also indicate that covariate gender is significant ($F = 46.930$, $p = 0.000$), suggesting that gender influences respondents' stockholder view. However, neither age nor work experience significantly explained differences in stockholder

view ($F = 0.000$, $p = 0.997$ and $F = 1.658$, $p = 0.199$, respectively). This indicates that both age and work experience are not good incremental predictors in differentiating group's stockholder views.

To determine which of the groups hold significantly different stockholder viewpoints, pairwise comparisons are carried out. Results in Table 8, Panel B report the mean responses for each group that are compared in Table 8, Panel C. Results in Table 8, Panel C, indicate that,

Table 8. Panel A. ANCOVA for differences in stockholder view among senior students, MBA students and managers

| Source | Type III Sum of squares | df | Mean square | F | P-value | Partial Eta squared |
|-----------------|-------------------------|-----|-------------|----------|---------|---------------------|
| Corrected Model | 761.987* | 5 | 152.397 | 483.921 | 0.000 | 0.866 |
| Intercept | 394.823 | 1 | 394.823 | 1253.717 | 0.000 | 0.769 |
| GROUPS** | 162.467 | 2 | 81.233 | 257.947 | 0.000 | 0.578 |
| GENDER | 14.779 | 1 | 14.779 | 46.930 | 0.000 | 0.111 |
| AGE | 4.339E-6 | 1 | 4.339E-6 | 0.000 | 0.997 | 0.000 |
| EXPERIENCE | 0.522 | 1 | 0.522 | 1.658 | 0.199 | 0.004 |
| Error | 118.411 | 376 | .315 | | | |
| Total | 7096.840 | 382 | | | | |
| Corrected Total | 880.398 | 381 | | | | |

*R-Squared = .866 (Adjusted R-Squared = .864)

**GROUPS = 1 if "senior students", 2 if "MBA students" and 3 if "managers"

Panel B: Mean (standard error) of stockholder view by group

| Variable | Senior students group | MBA students group | Managers group |
|------------------|-----------------------|--------------------|----------------|
| Stakeholder view | 2.484(0.076) | 3.709(0.074) | 5.740(0.100) |

Panel C: Mean pairwise comparisons

| | Senior students vs. MBA students | Senior students vs. Managers | MBA students vs. Managers |
|------------------------------------------|----------------------------------|------------------------------|---------------------------|
| Mean difference | -1.225 | -3.256 | -2.031 |
| Std. error | 0.075 | 0.162 | 0.155 |
| P-value* | 0.000 | 0.000 | 0.000 |
| 95% confidence interval for difference** | | | |
| Upper bound | -1.045 | -2.867 | -2.404 |
| Lower bound | -1.450 | -3.645 | -1.658 |
| Hypothesis | H6 rejected | H7 rejected | H9 rejected |

*Based on estimated marginal means, the mean difference is significant at the .05 level

** Adjustment for multiple comparisons: Bonferroni.

at 95% confidence level, perceived stockholder view for senior business students (mean = 2.484) was lower than that of managers (mean = 5.740), with significant mean differences of -3.256 ($p = 0.000$). Similarly, MBA students' perceived stockholder view (mean = 3.709) was lower than that of managers (mean = 5.740), with significant mean differences of -2.031 ($p = 0.000$). Additionally, senior business students (mean = 2.484) had a lower perceived stockholder view than MBA students (mean = 3.709) as indicated by a significant mean difference of -1.225 ($p = 0.000$). Therefore, H6, H7, and H9 are rejected.

DISCUSSION AND CONCLUSION

Data was collected from three groups of subjects, senior business students, MBA students, and managers, using an instrument based on the PRESOR scale to judge their attitudes toward CSR. Controlling for gender, age and work experience, this study assessed (1) the degree to which each group identifies with either the stakeholder or stockholder's ethical viewpoint, and (2) whether differences exist between the viewpoints of the groups.

Employing factor analysis, each respondent was assigned a perception score (the factor loading) for both the stakeholder and stockholder views of ethical firm behavior. The higher the score, the greater the affinity toward the viewpoint. Those who score highly on the stakeholder viewpoint believe that the organization has a responsibility to a variety of stakeholder groups and should behave ethically toward those groups when making business decisions. In contrast, those who score highly on the stockholder viewpoint tend to regard organizational survival and profitability as the overriding responsibility of the business.

The results indicate that gender significantly contributed in explaining the differences in stakeholder and stockholder views. This is in support of prior studies that a significant impact

of gender on ethical perceptions (Peterson et al., 2001; Harris et al., 2006; Alleyne et al., 2006; Conroy and Emerson, 2004; Devonish et al., 2009; Sidani et al., 2009; Alleyne et al., 2010; Lau, 2010). However, as in prior studies, age was not significantly related to either view (Ede et al., 2000; Vitell et al., 2007). Similarly, work experience did not significantly impact CSR viewpoints (Barnett and Valentine, 2004; Schepers, 2003).

The results for the within group analyses indicate that both senior students' and MBA students' mean perceived stakeholder views were significantly higher than their respective mean perceived stockholder views. However, managers' mean perceived stakeholder view was significantly lower than their mean perceived stakeholder view. These preliminary results indicate that while both student groups tend to believe that firms have a moral duty to ensure the welfare of all their stakeholders (Donaldson and Preson, 1995; Freeman, 1984), managers identify more closely with organizational profitability as their overriding responsibility, thereby espousing the stockholder view.

The results for the between group analyses indicate that managers have a significantly lower (higher) perception of the stakeholder (stockholder) view than senior and MBA students. One interpretation is that while students may be inherently less sensitive to the economic needs of business organizations and more concerned with ethical behavior and philanthropic activities (Ibrahim et al., 2006), managers provide a greater appreciation of the business world's economic "realities." The results support Ibrahim and Angelidis (1993), Smith et al. (1999) and Emerson et al. (2007) who compared managers and students and found that students exhibit a greater degree of sensitivity to the ethical dimensions of business decision making. An implication is that managers may be socialized in values of competitiveness and financial efficiency as

extolled by Friedman (1970) and Levitt (1958). A second implication is that current managers also probably lean more toward the stockholder view and act to safeguard their own “bread and butter” since their own survival is tied to corporate financial performance (Sethi, 1975; Cameron, 1986). A third implication is that an organization needs to use clear, enforceable codes of ethics and social responsibility guidelines and take an additional step by integrating the social responsibility and business ethics elements into its strategic planning process. As pointed out by Robin and Reidenbach (1987), it is essential to incorporate ethics and social responsibility into an organization's strategic planning process, outlining an approach for successful integration.

The results also indicate that senior business students identify more with the stakeholder view and less with the stockholder view than their MBA counterparts. This is in line with Parsa and Lankford (1999) and Kathy and Curtis (2003) who found that undergraduate students act more ethically than MBA students. This is informative as one would think that MBA students would have been exposed to more classroom-related ethical and social responsibility issues and would thus identify more with the stakeholder view.

Several limitations of this study deserve mention. First, the data were self-reported and subject to biases, although research has found that self-reported data are not as limited as commonly expected (Spector, 1992). Second, the study suffers from the generalizability problem as the sample of students was limited to a sample of students at one business school and a specific group of managers located in the southeastern U.S. Further research should include broader populations of students and certain groups of professionals in the corporate setting with different social, economic, cultural, religious, and political backgrounds. This may identify common factors and characteristics that are likely to be affecting attitudes toward ethics and social responsibility. Finally, this study used a cross-sectional design; future research should strive to use longitudinal data to examine the development of perceptions over time. More specifically, since senior students will go through a process of organizational socialization after joining the corporate ranks, they may find themselves in a state of dissonance. If they are surrounded by an organizational culture that may not be compatible with their outlook, they may be expected to shift their ethical values and become more closely aligned with existing managerial values.

APPENDIX

Questionnaire

In this project, we are assessing your perceived attitude to corporate ethics and social responsibility. We kindly ask you to fill out this questionnaire. We thank you in advance for your responses. The data collected in this survey will be treated in the strictest confidence, it will be stored in a secure place and it will be used only for this study and in related reports. Information in reports will only be discussed at the aggregate level so that information about any particular individual/organization cannot be ascertained or deduced by readers.

Part I

Please answer the following:

1. To remain competitive in a global environment, business firms will have to disregard ethics and social responsibility.

| | | | | | | |
|------------------------|---------------|------------------------|-------------------------------------------|---------------------|------------|---------------------|
| Strongly Disagree 1 | Disagree 2 | Somewhat disagree 3 | Neutral (neither disagree nor agree) 4 | Somewhat agree 5 | Agree 6 | Strongly agree 7 |
|------------------------|---------------|------------------------|-------------------------------------------|---------------------|------------|---------------------|

2. Social Responsibility and profitability can be compatible.

| | | | | | | |
|------------------------|---------------|------------------------|-------------------------------------------|---------------------|------------|---------------------|
| Strongly Disagree 1 | Disagree 2 | Somewhat disagree 3 | Neutral (neither disagree nor agree) 4 | Somewhat agree 5 | Agree 6 | Strongly agree 7 |
|------------------------|---------------|------------------------|-------------------------------------------|---------------------|------------|---------------------|

3. Good ethics is often good business.

| | | | | | | |
|------------------------|---------------|------------------------|-------------------------------------------|---------------------|------------|---------------------|
| Strongly Disagree 1 | Disagree 2 | Somewhat disagree 3 | Neutral (neither disagree nor agree) 4 | Somewhat agree 5 | Agree 6 | Strongly agree 7 |
|------------------------|---------------|------------------------|-------------------------------------------|---------------------|------------|---------------------|

4. If survival of a business enterprise is at stake, then you must forget about ethics and social responsibility.

| | | | | | | |
|------------------------|---------------|------------------------|-------------------------------------------|---------------------|------------|---------------------|
| Strongly Disagree 1 | Disagree 2 | Somewhat disagree 3 | Neutral (neither disagree nor agree) 4 | Somewhat agree 5 | Agree 6 | Strongly agree 7 |
|------------------------|---------------|------------------------|-------------------------------------------|---------------------|------------|---------------------|

5. Being ethical and socially responsible is the most important thing a firm can do.

| | | | | | | |
|------------------------|---------------|------------------------|-------------------------------------------|---------------------|------------|---------------------|
| Strongly Disagree 1 | Disagree 2 | Somewhat disagree 3 | Neutral (neither disagree nor agree) 4 | Somewhat agree 5 | Agree 6 | Strongly agree 7 |
|------------------------|---------------|------------------------|-------------------------------------------|---------------------|------------|---------------------|

6. A firm's first priority should be employee morale.

| | | | | | | |
|------------------------|---------------|------------------------|-------------------------------------------|---------------------|------------|---------------------|
| Strongly Disagree 1 | Disagree 2 | Somewhat disagree 3 | Neutral (neither disagree nor agree) 4 | Somewhat agree 5 | Agree 6 | Strongly agree 7 |
|------------------------|---------------|------------------------|-------------------------------------------|---------------------|------------|---------------------|

7. The ethics and social responsibility of a firm is essential to its long term profitability.

| | | | | | | |
|------------------------|---------------|------------------------|-------------------------------------------|---------------------|------------|---------------------|
| Strongly Disagree 1 | Disagree 2 | Somewhat disagree 3 | Neutral (neither disagree nor agree) 4 | Somewhat agree 5 | Agree 6 | Strongly agree 7 |
|------------------------|---------------|------------------------|-------------------------------------------|---------------------|------------|---------------------|

8. The overall effectiveness of a business can be determined to a great extent by the degree to which it is ethical and socially responsible.

| | | | | | | |
|------------------------|---------------|------------------------|-------------------------------------------|---------------------|------------|---------------------|
| Strongly Disagree 1 | Disagree 2 | Somewhat disagree 3 | Neutral (neither disagree nor agree) 4 | Somewhat agree 5 | Agree 6 | Strongly agree 7 |
|------------------------|---------------|------------------------|-------------------------------------------|---------------------|------------|---------------------|

9. Business ethics and social responsibility are critical to the survival of a business enterprise.

| | | | | | | |
|------------------------|---------------|------------------------|-------------------------------------------|---------------------|------------|---------------------|
| Strongly Disagree 1 | Disagree 2 | Somewhat disagree 3 | Neutral (neither disagree nor agree) 4 | Somewhat agree 5 | Agree 6 | Strongly agree 7 |
|------------------------|---------------|------------------------|-------------------------------------------|---------------------|------------|---------------------|

10. Business has social responsibility beyond making a profit.

| | | | | | | |
|---------------------------|---------------|---------------------------|----------------------------------------------|------------------------|------------|------------------------|
| Strongly Disagree 1 | Disagree 2 | Somewhat disagree 3 | Neutral (neither disagree nor agree) 4 | Somewhat agree 5 | Agree 6 | Strongly agree 7 |
|---------------------------|---------------|---------------------------|----------------------------------------------|------------------------|------------|------------------------|

11. The most important concern for a firm is making a profit, even if it means bending or breaking the rules.

| | | | | | | |
|---------------------------|---------------|---------------------------|----------------------------------------------|------------------------|------------|------------------------|
| Strongly Disagree 1 | Disagree 2 | Somewhat disagree 3 | Neutral (neither disagree nor agree) 4 | Somewhat agree 5 | Agree 6 | Strongly agree 7 |
|---------------------------|---------------|---------------------------|----------------------------------------------|------------------------|------------|------------------------|

12. Efficiency is much more important to a firm than whether or not a firm is seen as ethical or socially responsible.

| | | | | | | |
|---------------------------|---------------|---------------------------|----------------------------------------------|------------------------|------------|------------------------|
| Strongly Disagree 1 | Disagree 2 | Somewhat disagree 3 | Neutral (neither disagree nor agree) 4 | Somewhat agree 5 | Agree 6 | Strongly agree 7 |
|---------------------------|---------------|---------------------------|----------------------------------------------|------------------------|------------|------------------------|

13. If the stockholders are unhappy, nothing else matters.

| | | | | | | |
|---------------------------|---------------|---------------------------|----------------------------------------------|------------------------|------------|------------------------|
| Strongly Disagree 1 | Disagree 2 | Somewhat disagree 3 | Neutral (neither disagree nor agree) 4 | Somewhat agree 5 | Agree 6 | Strongly agree 7 |
|---------------------------|---------------|---------------------------|----------------------------------------------|------------------------|------------|------------------------|

PART II

Please answer the following:

1. What is your gender? _____ Male _____ Female

2. What is your age?

- 1. 20-29 _____
- 2. 30-39 _____
- 3. 40-49 _____
- 4. 50-59 _____
- 5. Above 60 _____

3. WORKING EXPERIENCE:

- 1. No work experience
- 2. 1-5 _____
- 3. 6-10 _____
- 4. 11-1 _____
- 5. 16-20 _____
- 6. 20-25 _____
- 7. 25-30 _____
- 8. 31+ _____

Portion added to students' questionnaire:

1. What is your major? _____

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