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# Choice, Preference and “Ordering the Orderings” Behaviour: The “Ordering the Orderings” Behaviour of Business Enterprises in Sri Lanka

*By*

**Nimal Nawaratne\***

## Abstract

This paper focuses on moral influences on choice-making behaviour within the framework of Amartya Sen's "ordering the orderings" choice behaviour. Its theoretical construct is in conflict with orthodox economics and analyzes people's behaviour through morals or ethical influences. Moral or ethical influences require consideration for alternative choice criteria such as justice. This phenomenon is examined within two conceptual frameworks namely, the Prisoner's Dilemma Game and the property rights. Further, this paper discusses the "ordering the orderings" behaviour between employee and employer within the enterprise organization through two case studies extracted from Sri Lankan business world.

## Key Words

Choice, Preference, Ordering the orderings, Prisoner's Dilemma, Incomplete Contract, Property Rights, Justice, Commitment, Sri Lanka

## Introduction

The relationship between rational maximization and human choice behaviour is a major concern in the theory of economics. Today however, a growing number of economists focus on the relationship between choice and morality, a view that, because it considers the morality and ethics in making choices, radically challenges the orthodox view of economics. Smith (1761)<sup>1</sup> and other classical economists have discussed the relationship between economics and ethics in the 18th century. Recently, it has been attracting a number of contemporary scholars, namely, Becker 1976; Broome 1999; Buchanan 1975, 1994; Schelling 1984; Sen 1970, 1982, 1985, 1987, 1999a, and 1999b. Among these, Sen in particular, attempts to define "ordering the orderings" choice behaviour, which depends on moral or ethical norms, rather than one (or first order preference) choice of rational maximization.

This paper describes "ordering the orderings" choice behavior in the business enterprises in Sri Lanka through two case studies. Before discussing this, the author

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<sup>1</sup>Smith argued that human beings are motivated by two desires, namely selfishness and social passion.

is intended to address questions concerning how that choice behavior is established, how it influences employers and employees' behavior and well-being, and its effectiveness to organizations.

The orthodox framework constructed on the assumption that economic agent's choice behavior is based on one preference-order that is self-interest maximization. It considers all available states related to choice behaviour, as a one set. Sen (1982: 99) wonders whether "one preference ordering does all these things?" Consequently, he proposes the concept of "ordering the orderings" behaviour, which is the central point of this paper. Sen (1982: 79) defines "ordering the orderings" as "moral rankings of the preference considering the possible outcomes". Further, he explained; "Moral rankings of this kind would seem to correspond closely to the possibility of securing mutual benefits through individual rationality calculus".

Is there any reason for a rational person to consider morals? There are at least three reasons: (1) the existence of an interdependent situation, (2) the motives and (3) the presence of the outcome. An Interdependent situation arises when an individual's choice behavior depends on other individual's choices. The aspect of the motivation emphasizes how an agent ought to behave if he/she has other alternatives. The presence of the outcome explains individual awareness of the gap existing between expected outcome and actual outcome object through experience, memory and reasons behind an individual's own behaviour.

The main concern in Section 1 therefore, is to explain when and how rational agents are motivated to behave morally. For this purpose, the author explains "ordering the orderings" behaviour and distinguishes between preferences and choices. Reference is also made to the "ordering the orderings" behaviour in the prisoner's dilemma game, in which non-cooperative choice yields a higher pay-off for the individual than the cooperative choice does. If they behave according to morals, they have to consider modification of preferences rather than individual self-maximization. The modified preferences will help to gain well-being to each party.

Section 2, outlines how moral behaviour is related to an enterprise organization. If both employee and employer expect individual rational maximization from opportunistic behaviour, they receive a smaller pay-off than if they cooperate. This is because each of them has both parallel and contradictory interests: parallel in their expectations on rational maximization and contradictory about how they will share the outcome. As such case, both parties become strategic players. This means that even if each player has his/her own free choices surrounded by his/her own preferences order, achieving the interests of both even so require cooperation. However, an interdependent relationship allows both players to have the power of agreement and compromise. It is based not only on moral obligation (justice) but also on moral behaviour (commitment).

Section 3 describes case studies of two companies in Sri Lanka with the purpose to put into evidence the interdependent relationship between employee and employer, and the "ordering the orderings" behaviour discussed in section 2. If the choice behaviour of participants is based on short-term expectation it is not affected by moral or ethical values. Thus, each party seeks its own gains by choosing the non-cooperative behaviour.

## 1. Choice and Preference

Each individual, knowingly or unknowingly, has to make choices through out his lifetime. Some choices can be translated into actions according to personal preferences or utilities and some actions are justified by the society. The study of choice making behaviour addresses both non-cooperative and cooperative aspects. The non-cooperative analysis is concerned with the struggle for life. Hence, it takes seriously the rationality of choice making behaviour based on “one preference order like maximizations of self-interest” (Sen, 1985: 111)<sup>2</sup>.

The rational maximization considers that each individual makes his own free choices and actions that yield the maximum outcome benefit, regardless others’ choices. This is a non-cooperative behaviour. In contrast, the cooperative analysis examines what is common among members of the same species and even between members of different species<sup>3</sup>. In this case, each individual adopts strategies according to cooperative choice rather than rational maximization choice.

Economics, however, has put emphasis on the non-cooperative process, and at the same time has dismissed the cooperative phenomena, because economic theories assume that preference (utility) is operationally defined as choice. An individual is always happy with his/her ability to maximize his/her own utility or happiness. But, the fact of considering moral or ethical influences on choice behaviour is in striking contrast with the standard economic theory. Becker (1992: 385) assumes that “behaviour is driven by a much richer set of values and preferences”. If there is space for moral and ethical values, there is a range of choice between rational maximization and moral and ethical values. In such a situation, preferences confine individual rational maximization choice behaviour (Sen, 1974). Moral or ethical values generate a hierarchy of preferences (utility) order of choice (Sen, 1974, 1977).

The outcome of an individual’s choice depends on other people’s choices, especially when the relationship is interdependent. This necessitates greater reason for everyone to act in a coordinated and cooperative way. While individual choice behaviour contributes to a certain hierarchy of preference order on moral rankings, each individual must be ready to sacrifice short-term maximization benefits in order to achieve mutual benefits through long-term relationship. This therefore allows the establishment of links between self well-being and others’ well-being.

The object of “ordering the orderings” behaviour is to define the right choice regarding the actions that have more than short-term rational maximization. In this sense, it would be better to define “ordering the orderings” behaviour as a “standard way to act considering the outcomes and the alternatives of the choice behaviour rather than a narrow expectation of individual short-term rational maximization”. Why do people behave in corporate way despite their self-rational maximization? One reason for that behavior is morals. The basic motives for such moral behavior are rules and justice.

Consider the following example; Tea (T), Coffee (C) and Juice (J) have three

<sup>2</sup>This is based on the Bayesian decision theory. The preferences or utilities of an individual are consistent with principle of expectation; hence subjective probability measure is derived from choice.

<sup>3</sup>Today, people are protecting the environmental implementation of environmentally-adjusted domestic product (Green GDP). This means that human beings are not alone in society.

distinct preference rankings as follows by three people:

Person	Preference Order
A	$T > C > J$
↑	
B	$C > J > T$
C	$J > T > C$

If two out of three people prefer T to C and two out of three people prefer J to T, then, the new ranking order could be as follows: -

$$\begin{array}{l} T > C > J \\ J > T > C \end{array}$$

In what way can these rankings be combined in order to obtain one ranking order in the society? Social standards might provide a powerful mechanism for preventing two or more persons from maximizing their own utilities in a non-cooperative way. Consider the examples of “the first-on rule in a fishing village on the Yorkshire coast” (Sugden, 1989) and “the X-efficiency theory of the Japanese management system” (Leibenstein, 1984). They explain that evolution of conventions or social justice leads to a better outcome in the society. However, organizational behaviour is purposeful and reflective rather than spontaneous and conventional. Therefore, justice (or fairness) is one of the important factors of organizational behaviour.

Under the interdependent situation, each agent is able to act according to his/her own dominant strategies thus; each agent’s well-being depends on other’s choice. Therefore, preferences must concern options or alternatives in the interdependent situation. Sen explains that from “the point of view of the scientific observer the arrow runs in the opposite direction: choices are observed first and preferences are then presumed from these observations” (1973: 241). If the view taken here is correct, it means that preference prevails over choice.

If preference prevails over choice, then economic theories based on one preference order and transitivity of choice behaviour are empirically invalid<sup>4</sup>. In this sense, choice behaviour has a ‘counter-preferential’ order (Sen 1974) to the one preference. Consider this simple example. A person has chosen a young, pretty, rich and educated lady to be his life partner. These qualities are very similar to his own, therefore his choice is closely aligned to his own ego. Unfortunately, his parents completely disagree with this marriage, after they discover that she belongs to a lower caste in comparison with that of his family. Further, he recalls his mother saying to him, “If you marry that girl, our family will become outcaste and what would become your sister’s future?”<sup>5</sup>

Now, he has two alternatives to consider when making his choice. If he is to be a rational maximizer, he must act according to his self-interest choice. If he is to be a moral or ethical follower, he must act according to long-term consequences. Further-

<sup>4</sup>The rational calculation assumption is completely based on certainty. This assumes each individual’s action involves “utility maximization”, choices or preferences require “certain consistency”. For example, if a person prefers X to Y and this choice is stable over time, and assuming that preferences orderings are “transitive” if the person prefers A to B and prefers B to C, then she prefers A to C. This is common among people. It assumes that each individual maximizes the expected value by his own pay-off and the relevant maximizing agents are individuals and therefore, collective customs in society by reference to the maximizing actions of individuals.

<sup>5</sup>Sometimes, you could think that this example is odd however this does exist in India, Sri Lanka and other Asian countries including Japan but not so strictly.

more, his parents propose another lady, who, although completely unfamiliar to him, does possess the qualities he expects. Now he has three alternative preferences, namely, his original choice (A), the choice satisfying his parents or family (B) and the proposal of his parents (C). The resulting preference order is A to B, B to A, C to A. Being unable to choose, his situation is not much different than Buridan’s ass<sup>6</sup>. However his present preference order is as follows:

A to B > B to A > C to A > Non marriage

If he prefers B to A, (the reason for this is that x would produce his own short-term pleasure but unhappiness in long-term, therefore he preferred y) he acts against his own choice by preferring B, it indicates that he made his decision after considering long-term consequences on his family. He has to consider other alternatives because his maximum choice (A) has been in conflict with his filial obligation. In other words, his expected utility is overridden by his moral obligation. Now, his behaviour is based on “ordering the orderings” choice behaviour.

The “ordering the orderings” choice behaviour has demonstrated the intensity of an individual’s identification with others on social and individual responsibility. In this sense, responsibility becomes moral obligation, which subsequently constrains the self-based rational maximization on preference order. Discussion of the relationship between choice and preference order is as follows:

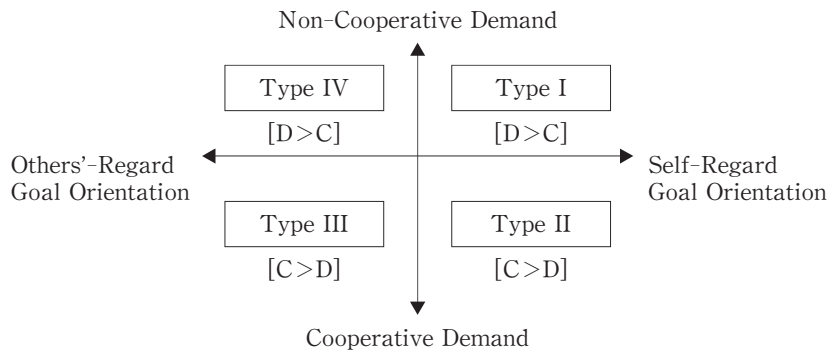
The “ordering the orderings” behaviour can be identified from the two perspectives mentioned earlier; one is the motivational choice-making process and the second is the perception of outcome or goal orientation. Rational maximization, in contrast, is concerned only with the outcome perspective rather than process perspective.

In real life, the choices and preferences based on moral or ethical values allow more options in the alternatives than in the one preference order. It may be based on different motivational and goal factors. The different motivational factors could be placed into two categories, namely cooperative and non-cooperative. Goals can also be further differentiated into two categories: ‘self-regard’ and ‘other’s-regard.’ As shown in Figure 1, the vertical axis represents the motivational nature of the choice-making process while the horizontal axis represents the goal orientation.

There are four types of rationality for the individual in relation to self-interest and the interest of others. This is based on the two motivational roots of a cooperative choice (C) and a non-cooperative choice (D). Therefore, four different types of rational choice making behaviour can be represented as in Figure 1. All four types of behaviour may be found within the same society due to individual variations.

Type I: Independent Rationality is defined as “making choice behaviour only motivated by self-interest”. The basic motive is self well-being without taking into consideration justice or rules. Therefore, each agent can do what he/she wants. This rationality belongs to the orthodox economic view; preference precedes choice, since the best strategy for independent rationality is non-cooperative rather than cooperative behaviour

<sup>6</sup>The ass could not make up its mind between two haystacks. He liked both very much but could not decide which one would be better to eat. Being unable to choose, the ass ultimately died of starvation. Quoted from Sen (1973). In contrast to the poor ass, usually people execute their preferences when they have to choose from alternatives.



**Figure 1: Typology of Ordering the Orderings Behaviour**  
By  
**Choice-Making Process and Goal Orientation**

(D > C)

**Type II:** Interdependent Rationality is defined as “making choice behaviour motivated by self-interest and considering other’s interests”. In this sense, choice behaviour patterns are between two ranges, pure routine versus rational maximization. It means seeing new preference orders in choice. The basic motive is the well-being of both self and others or mutual advantage based on justice. The mutual well-being is itself one of the most contested conceptions of justice. A conceptual element of justice is fairness (Rawls, 1999). The justice or fairness is defined here as “choice-making without partiality to persons or things”. The people are motivated to be concerned about justice when the explicit or/and implicit assurance or agreement exists. Therefore, the pay-off for each individual depends upon free choices, but the ultimate result is a cooperative than a non-cooperative behaviour (C > D)

**Type III:** Interpersonal Rationality is defined as “making choice behaviour considering others’ interests rather than self-interest”. The basic motive is the welfare of others based on social standards rather than self-welfare. Social rules are provided the reasons for this behaviour. Since preferences are fixed the pay-off for each player doesn’t depend on individual freedom but on social rules. Therefore, cooperative behaviour is the ultimate choice (C > D).

**Type IV:** Individual Rationality is defined as “making choice behaviour motivated by self as well as others hating-interest”. One does not justify his/her behaviour by justice or rules but reason of extreme dislike. Therefore, preferences precede choice. The basic motives are pride, envy, jealousy, anger etc. Therefore, non-cooperative behaviour is the ultimate choice (D > C).

Type I is characterized by an orthodox economic approach in which an economic



agent is regarded as dealing exclusively with self-interested motivation or non-cooperative behaviour to attain better outcomes. There is a stable preference (non-cooperative [D]) as an individual tries to anticipate the potential consequences of his choice behaviour. This kind of rational behaviour may be rooted in self-attachment to desires, cravings, likes, longings, greed and love. If there are two players, each has to make a choice between two alternatives. Then each person's pay-off is similar to  $2 \times 2 = 4$ . The pay-off order is as follows:

$$DC > CC > DD > CD$$

Baier (1977: 197) called this behaviour ‘independent’ rationality. Sen (1982) explained this narrow interpretation of rational behaviour as the ‘rational fool’. The self-interested rational maximization behaviour emphasises one's own well-being at the expense of others. Indeed, many researchers suggest that such behaviour may result in a reduction of the social well-being (Sampson, 1975) and the growth of selfish image (Greenberg, 1990). However, this independent rationality cannot be utilized when one's strategy is influenced by the potential choices of others.

Type II is very similar to the assurance game situation. The term ‘assurance game’ is used to designate rational choice that takes into account ‘the right thing’ (Sen, 1974: 60) or the ‘truth’. The root of the assurance game is that each individual “has a prima facie moral obligation not to accept what is improbable on the basis of one's own evaluation” (Lehrer, 1987: 65). This behavior is based on justice or fairness. Since, “the person with assurance game preferences will behave cooperatively as long as he can be assured that the other person will behave like cooperatively” (Nida-Rumelin, 1997: 122). The pay-off order is as follows:

$$CC > DC > DD > CD$$

The assurance game preferences conditionally guarantee better outcomes for each individual. The conditions that foster happiness of one's self (A) also foster happiness of others (B). In other words, “what's good for the goose is good for the gander”. Thus, justice involves mutually beneficial restrictions on the freedom of both parties ‘A’ and ‘B’. Therefore, the two equilibrium points of the assurance game are cooperative (C) and non-cooperative (D). Moral obligation such as justice, usually constrains the non-cooperative choice-making behaviour

Type III is characterized as the obligation towards the goal orientation of others and their demands for cooperation as a choice-making process. This means that one person has no power to make decisions that deceive others, because each individual should respect common rules, practices, and conventions or social justice when performing actions. Subsequently, the pay-off order could be described as follows:

$$CC > CD > DC > DD$$

This kind of choice-making behaviour is based on social rules or standards rather than self-interest. In other words, ‘A’ chooses a strategy that allows others to get benefit by considering social standards to be above individual standards. Therefore, preferences regarding others usually have cooperative behaviour (C) as a single equilibrium point.

Type IV is characterized as the choice-making process of non-cooperative (D) demand combined with negative regard for both self and others. The identifying



elements of this behaviour are haters, envy, jealousy, remorse etc. This situation is very similar to the deadlock game in which the players consider better outcomes through non-cooperative behaviour rather than through cooperative behaviour. The pay-off order could be described as follows:

$$DD > DC > CC > CD$$

In conclusion, it seems that Type-1 fits the situation of the prisoner's dilemma described below, which is based on the values of personal well-being in a non-cooperative (D) way. There is no doubt that the traditional theory of preferences has failed to understand the ethics or moral aspects as important factors in human choice behaviour. Therefore, they consider choice and preference as being in the same basket as the first order decision. But in reality, a person or an institution has to act while considering other people or institutions when choosing the best strategy from the alternatives considering long-term outcomes. That is based on "ordering the orderings" choice making in favor of morals or ethics.

The author suggests that the Type-I and-IV self-interest rational maximization behaviors are based on non-cooperative or competitive demands, while type-II choice behavior belongs to the "ordering the orderings" rational behaviour, which is based on justice demands. Before making a final choice, an agent would change his selfish preference pattern by considering what is good for him and for others. This happens when long-term pay-offs are better than short-term pay-offs. Moreover, the sequence of preference order will help to obtain a better outcome as in the situation of the prisoner's dilemma.

### **Prisoner's Dilemma and Preferences:**

A prisoner's dilemma (PD) game describes the situation in which two prisoners receive a higher pay-off for a non-cooperative choice than for a cooperative choice. It would be reasonable to assume that non-cooperative behaviour gains the highest pay-off to the prisoners. However, before they make their final choice, each prisoner has to consider the best option from the existing alternatives. In the PD game, the following rules proposed by the wily District Attorney that restricts the prisoners' alternatives.

- a) If both of them do confess (C) they will go to prison for 10 years
- b) If neither confess (D) each will be convicted only of the minor crime and go to prison for 2 years
- c) If one confesses (C) and the other does not, then the one who does confess will go free and the other will go to prison for 20 years.

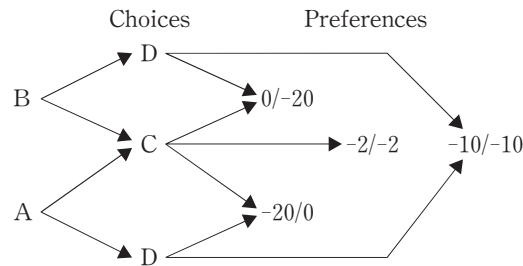
This relationship can be illustrated as in Table 1 and Figure 2.

There could be a number of outcome-based preferences for a single choice and this is called 'density of preferences'. Considering the model above, each prisoner has the following 'density of preferences' to choose his/her final option.

- DC > CC > DD > CD (Independent Rationality or the Prisoner's Dilemma Game Situation)
- CC > DC > DD > CD (Interdependent Rationality or the Assurance Game Situation)
- CC > CD > DC > DD (Interpersonal Rationality or the Other Regarding Game Situation)

		Column B	
		C	D
Row A	C	-2	0
	D	-20	-10

(C=Cooperate, D=Non-Cooperate)

**Table 1: Matrix of the Prisoners' Preferences****Figure 2: Network Relation of the Prisoner's Preferences**

$DD > DC > CC > CD$  (Individual Rationality or the Dead Lock Game Situation)

When someone has many preferences on a single choice he/she has to reduce the preferences into a single preference by considering the pay-offs between pain and pleasure. There are two ways of achieving the single preference of choice, namely, self-interest and morality. Undoubtedly, Sen is right when he argues that behaviour of an economic agent might range between two extreme patterns: self-interest and morality.

According to rational maximization theory, the selfish preference of non-cooperation or independent rationality yields higher pay-off than cooperation. Moreover, if neither prisoner is expecting a future relationship with the other, then non-cooperation will be the only strategy to be adopted. The outcome of this strategy is worse for both prisoners than non-confession or cooperation. If the probability of future interrelation between prisoners is known to be zero, then defecting at the final meeting is still a valid strategy (Axelord and Hamilton, 1981; 1391). However, when people expect long-term relationship with others, they tend to consider themselves equal (Shapiro, 1975), rather than strangers.

The translation of the preference into action depends upon the process that leads to satisfying the expected outcomes. Where preferences are restricted by rules, both of them would prefer some specific strategies to reach their expected outcomes. The selection of a specific strategy depends on three things: (1) each prisoner must know what the other prisoner expects according to his own justifications (Knowledge); (2) both prisoners must be able to meet trust requirements (Trust); and (3) both must desire to produce the specific behaviour (Commitment). If the PD game does not allow communication between prisoners, it has only interdependent rational strategy and

that is based upon the long-term assurance or agreement.

The knowledge will help to understand the real nature of the object. When the motivation is analyzed based on knowledge and trust both prisoners are able to consider improbable alternatives and to clearly identify the causes for behind them, and also to find out, alternative that lead to the desired goals. Now the prisoners be able to solve “what to do” problem through assurance or agreement<sup>7</sup>.

The assurance game (AG) means that “each person would prefer to confess if the other would confess, but would prefer not to confess if the other would not” (Sen, 1977: 226). There are two ways of cooperating. The first is that both agents wish to act in the same way. The second is that if one does confess then the other will be worse off and will also want to confess. Consequently, each of them goes to prison for 10 years. Reasonably then, each person must choose “not confess” as his best strategy. According to Sen (1977: 230), the PD game has “only one solution that is Pareto superior to the atomistic self-seeking outcome”.

Even in a situation like the PD game, each individual’s well-being cannot be achieved by completely neglecting the others’ preferences. If ‘A’ attempts to get his freedom by confessing and ‘B’ also confesses, then both get their third-best outcome DD. If the expected goal is to get out of prison as soon as possible, each prisoner has to consider his own well-being by accepting what is improbable on the basis of justice. ‘A’ chooses the cooperative (C) behaviour on justice. Then, ‘B’ also chooses C according to the same measure. This justice behavior begins with some minimum moral obligations and if there is long-term expectation, both will sacrifice their own short-term self-interests and move to a wider range of long-term mutual obligations on commitment behavior.

Justice might overcome failure of incomplete contracts. Justice can be divided into two kinds: process justice and distributive justice. Distributive justice concerns what one gets while process justice concerns how one gets it. Justice is also based on moral or ethical obligations rather than self-interested rational maximization behavior. Hence, Pareto superior solutions cannot be attained through means of individual rationality, and they go beyond individual rational choices (Leibenstein, 1984: 341)

Economists have neglected justice in procedural and distributive. Justice may inspire both agents to undertake their actions together by choosing the best preference from each one’s preference order. That is a clear preference for achieving the goal and if they do not act in considering others, they may face the worst outcome. The type-II behaviour of the above model is regarded as the ideal solution to the assurance game situation. In this sense, people’s interdependent behaviour is based on the assurance or agreement and justice. That will help to make people aware of potential discrepancies between self-interests and the interests of others. Commitment will help to organize their perceptions in such a way to accomplish certain common goals. By selecting an alternative preference from the preference order, prisoners may reduce worst long-term out-comes. However, they have to sacrifice their short-term pleasure maximization to accomplish this aim. This is very similar to the individual sacrificing today’s consumption for tomorrow’s benefits<sup>8</sup>.

If institutions restrict an agent’s actions, then his capability is limited to a range of allowed alternatives. This is very general to the labour service. Indeed, labour

<sup>7</sup>But, different political ideologies, ethnic and racial feelings, power and refusal to understand the real nature of the problems may have contradicted with this situation.

service depends on the factors of mental and physical capabilities or ‘can-do’ ability, as well as social and organizational opportunities or ‘will-do’ ability. These two abilities have operated between members of families in domestic economy, which is rooted in close relational conformity based on justice among the family members. Within a market society, this relationship has changed and a relationship of freedom and equality between employee and employer has emerged, with the employer now guiding the employee. The employee and employer mutually participate in producing goods or services in the organization while facing pain and pleasure. Even if both expect pleasure rather than pain, the employer’s pleasure becomes employee’s pain and vice-versa.

Opportunity benefits encourage non-cooperate behaviour for both employees and employers. Further it restricts trust and cooperation between employer and employee. For example, if an employer expects to pay minimum wages to employees by using his authority, it creates an incentive for non-cooperate employee behaviour. If an employee expects to give minimum effort to work, this will also create non-cooperative behaviour from the employer. In this situation, the prisoner’s dilemma applies to their relationship.

Let’s assume that the employee does the minimum amount of work with an attitude of self-rational maximization, without considering the employer’s choice. If the employer also decides to pay his/her minimum amount without considering the employee’s choice, but considering his/her own rational maximization that would generate nothing in compensation for either parties. However, by cooperating with each other, the employee and employer generate a mutually beneficial outcome. In the Table 2 below, attributed 5 points each for such behaviour.

If both employee and employer decide to act independently then the result would be the worst out-come for both. The pay-off orders for each are as follows:

Employee;  $D > C$

Employer;  $D > C$

The above pay-offs are very similar to the pay-off of Type I behaviour in the model. Similarly, if both commit to self-rational maximization choices, it seems that behaviour turns out to be Type IV in the model. Then the pay-off is as follows;

		Employee	
		Does Not Work Minimum C	Does Work Minimum D
Employer	Does Not Pay Minimum C	2                      +5 +5 <del>5</del>	1                      +5 -5
	Does pay Minimum D	3                      -5 +5	4                      0 0

**Table 2: Cooperate Dilemma Between Employer and Employee**

<sup>8</sup>These savings are comprised not only cash, but also lands, gold, education, foods etc. For instance, parents in any country are concerned about their children’s future and highly inspired to provide for their good. This education is not only based on schools but also on day-to-day life. Education is regarded as important because it will provide for the children in the future, by reducing uncertainties. Furthermore, it will benefit society by producing knowledgeable human capital.

$$DD > DC > CC > CD$$

It is clear that both players obtain the worst outcome. However, if the employee and employer have reason to think that the behaviour of each party is improbable on the basis of self-interest, then both will be willing to behave according to a justice foundation. This will help to avoid the worst outcome for both parties by selecting a better choice from the new preferences order. This is “ordering the orderings” choice behaviour. They mutually benefit according to cooperative behaviour from the point E in the above Table 2. Justice-based cooperative behaviour is a non zero-sum game, represented by box no.2 in the Table 2. In a non-zero-sum game, the sum of the payoffs accruing to different players is itself variable according to the strategies adopted, so that, under some conditions, every player might have something to gain if one combination of strategies were chosen rather than another (Benn & Mortimore, 1976: 177).

However, this cooperative behaviour is not always easy, especially when it become complicated by situations such as: falling stock market prices, despoiling of the environment, over-grazing of cows, falling product prices and so on. Yet, if both parties are willing to accept a moral and ethical value such as justice, they can achieve a mutual understanding that may lead to minimizing the negative consequences of dilemmatic situations.

The achievement of morality begins with the moral obligation of justice in procedures and distribution. It leads to long-term moral behaviour, e.g. commitment to strong relationship between employee and employer. In this way, both parties can satisfy their expected long-term needs instead of short-term maximizing rationality. In other words, both parties are sacrificing today's needs for tomorrow's results through internalizing short-term negative externalities and anticipating long-term rationality. Moral or ethical values such as justice and commitment may well assist people to internalize negative externalities by bearing in mind the long-term rationality.

A conceptual element of justice is fairness (Rawls, 1999). It will provide converse association between the moral aspects of both parties (Rawls, 1999; Buchannan and Mathieu, 1986; Nozik, 1974). It suggests that successful achievement of objectives will enhance the level of commitment (Mannogran, Stauffer and Conlon, 1994; Konovsky and Cropanzano, 1991; Lind and Tyler, 1988). However, both justice and commitment will yield a lower level of personal welfare to the individuals than that of maximization of short-term self-interest (Sen, 1982, Harsanyi, 1985).

## 2. Self Interest vs. Moral Interest

As mentioned above, the model in this section is motivated by the assumption of “ordering the orderings” behaviour within the enterprise organization. The behaviour of the people in an enterprise organization has become highly interdependent. If an organization is based on extreme utility maximization behaviour, it will result in negative interrelations between employee and employer. The gain of one becomes loss for the other. One party receives a higher pay-off for a non-cooperative than for a cooperative choice, no matter how the other party's choice is. But all members are better off if they all cooperate rather than if they do not.

In order to avoid the conflict between employer and employee, 'justice' or 'fairness' can be used to achieve and shape corporate behaviour in the business enterprises. 'Justice' specifies what actions one should take in a given environment to overcome problems related to choices of self-maximization. In this sense, cooperation based on justice could be motivated by self-interest rather than by self-maximization because justice will yield a lower level of personal well-being momentarily. This choice behavior facilitates cooperation through the stability of preference ordering<sup>9</sup> by justice.

The business organization is an organized human collectivity. Therefore, "organizations are a means of achieving the benefits of collective action in situations in which the price system fails." (Arrow, 1974: 33) Coase explains that, "organizations are alternative methods of co-ordinating production through the suppression of the market price mechanism by the authority" (Coase, 1937). No doubt, the employee is willing to obey authority. Organizational efficiency is partly determined by the formal contract as well as by the authority structure of the organization.

An employment contract may very clearly define hiring, firing, promotion and demotion criteria and guidelines. However, employment contracts are usually incomplete, thereby giving the employee residual control rights (Hart, 1993). Contracts are incomplete, especially concerning the issue of employee's efforts (Leibenstein, 1984) and employees in professional organizations (Etzioni, 1964). Hence, employees have residual rights regarding effort and knowledge. In this sense, "jobs are becoming a nexus of rights and a species of property" (Drucker, 1985: 181).

When contracts are incomplete, the hierarchical authority is unable to get the maximum of employee's efforts on behalf of the organization. Incomplete contracts have limited capability to accomplish optimum commitment. When a contract is incomplete, each employee has subjective options and subjective ability to make his own choices. In this case, the behaviour of employees goes beyond formal authority, and beyond the control exercised through the usual incentives and sanctions. Thus, employees can be motivated by self-interest, consequently being in conflict with the interests of the organization.

For the above reasons, organizations have to choose different motivating systems for cooperation other than rewards and punishment. To this end, justice or treating everyone fairly would arise as a paramount condition. Organizational justice rather than contract, defines cooperation between employee and employer. Justice is the key to successful commitment.

Justice and commitment will help to maintain internal equilibrium between employee and employer. Therefore, if we consider the move of a workman from department Y to department X (Coase, 1937: 19), he is motivated neither by being ordered to move, nor by financial considerations, but rather by organizational justice. This has a positive spin-off of encouraging employee faith in the organizational structure (can-do ability) and confidence (will-do ability) about his future. This persuades him to move cooperatively from department Y to department X. Of course, imposed order can also move a workman, but the ultimate result may turn out to a non-cooperative work behavior. Tyler and Lind (1992) pointed out that "the most impor-

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<sup>9</sup>If these standards are created by powerful members of society or organizations and are then implemented for their benefit at the expense of other members of the society or organization there is a 'false consciousness' of justice.



tant elements of the decision to accede to the orders and mandates of a person in a position of authority is the belief that the authority has used fair procedures”.

When the employees are confronted with PD situations, employees may not be disposed to act according to the standards of conduct and responsibility, especially when a distributive and procedural fairness or justice doesn't-exist. This will only foster further non-cooperative (Type IV) choice behaviour. This suggests that the responsibilities of the employer to justice towards the employees, allows them to consider their labour as property rights. Hartman (1994: 259) writes, “that a good organization, or any good community, preserves its citizens' autonomy and related rights and maintains appropriate standards of utility and justice”. From this point of view, the justice of property rights is central to the commitment action (North, 1993: 12).

### **Moral Behaviour and Property Rights of Labour Power:**

According to Demsetz (1967:348), “a primary function of property rights is that of guiding incentives to achieve a great internalization of externalities”. In an economic democracy, every individual prefers to possess an absolute property right to what he personally owns. Hence, an individual could use, enjoy and transfer ownership through sale or gift or transfer of property by rent or lease, reclaim use after a period of non-use and demand right-of-way.

Any individual could decide to sell or not to sell the fruits of his personal labour service or physical property or other factors of production in the market<sup>10</sup>. The choice of one's property rights is completely based on maximizing pleasure and minimizing pain.

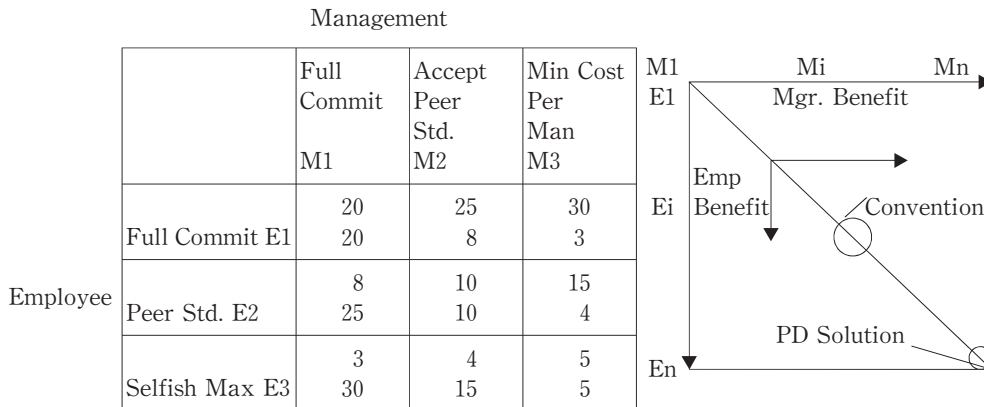
In such a case, justice based on moral obligation and commitment based on moral behaviour, facilitates seeking pleasure while avoiding or reducing pain. Long-term rationality with others tends to avoid the interpersonal conflict. In other words, justice-based commitment will help to internalize the organizational values and goals. Where there is “a lack of fairness, the morale of the working people declines. They become more likely to leave their jobs, and they may even retaliate against the organization (Fogler & Cropanzano, 1998: xii).

If any individual gains great pleasure from property rights, he/she would like to internalize the externality through two-way voluntary exchanges and being able to respond to their own preferences. In this sense, justice creates commitment because it “holds people together” (Fogler & Cropanzano, 1998). But injustice leads to non-voluntary exchange between the employee and employer.

Basically, employers make their investments in expectation of profit and employees perform their labour services in expectation of economic benefits. It should be noted that the employees and the employers become agents in an organization due to utility expectations. The utility expectations of both depend on the interdependent relationship, and this should be based on cooperative behaviour rather than on the independent rationality. Therefore, “there is no sound basis for demanding that the ‘agency aspect’ and the ‘well being aspect’ of a person should be independent of each

<sup>10</sup>This free choice to sell or not to sell is denied, when one party seeks to exploit the cooperative efforts of other. Consequences can delay the resource allocation process in an economy. This can happen in two ways: Firstly, resources could be transferred by force into various activities without following necessary criteria of efficiency e.g. the slavery system. Secondly, it provides an opportunity for one party to be enriched at the expense of the other party. Given this opportunity, it leads to the creation of a class that exploits another section in society such as exists in a feudal or pure capitalist system. Ultimately it becomes a social dilemma.





**Table 3 & Figure 3: Three Basic Strategic Options To Employee & Employer**

other. It is, I suppose, even possible that every change in one will affect the other as well” (Sen1987: 43).

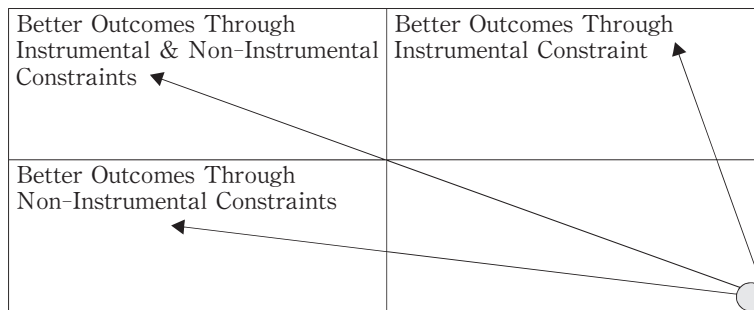
Now, the situation of the employee and the employer is very similar to the story of two goats bound together<sup>11</sup>. The expected utility relationship between the employee and employer is based on a convolute relationship of economic benefits and contradictory pleasures. If there were no contradictory relationships between employer and employee, the question of justice would not be important. This is different from a mere rational maximization behaviour.

Let’s consider the following case between employee and employer. If both employee and employer are expecting rational maximization, then the former will expect to work using his minimum capacity and the latter will expect to pay the minimum to the employee. This situation is very similar to the prisoner’s dilemma, because the employee wants to choose his maximization without considering the employer’s choice and vice versa. Hence, both are rationalized with the worst outcome. Leibenstein has illustrated conventions or ‘common sense’ of fairness (Fiocca, 1994: 124) as an important means of coordination between employee and employer as in following Table 3 and Figure 3.

In the practical world, both parties can obtain better outcomes by using instrumental constraints, non-instrumental constraints and complex interactions between the instrumental and non-instrumental constraints. Figure 4 shows this relationship.

Within an organizational structure, the behaviours of employee and employer are interdependent. If one party commits a wrong action, it will have negative effects on the other party. If on the other hand, one party makes a right action, then it is likely that both parties will benefit. Therefore, in making the correct decisions, each party must respect the other’s right to exist. This notion of mutual self-interest will inspire justice and commitment. An inability to make complete contracts leaves employees and employers with too many possibilities, in the area of opportunistic behaviour, and

<sup>11</sup>There were two goats bound together. The left side goat saw nice green grass on its left. The right side goat saw the same on its right. They both tried to increase their personal well being individually by moving in opposite self-interest directions, but both failed. After several attempts, they cooperated to move for the purpose of common well-being.



**Figure 4: The Relation from the Worst Outcomes to Better Outcomes**

too few certainties in areas of job security. Neglecting each other's rights while seeking opportunistic behaviour, breeds physical and mental degradation as well as moral hazard. By exploiting labour to maximize profit<sup>12</sup>, the organization sabotages its own ability to achieve its goals. Mutual respect declines and along with it, the distributive and procedural fairness or justice. Opportunistic behaviour of the employee increases and he may become a rational self-maximizing 'free rider' and a disaster to the organization.

Folger and Cropanzano (1998: XX) state that, "sound fairness principles can provide clear standards by which a peer's behaviour can be evaluated. This could make it easier to detect free riders". Justice creates the ability of an employee to see himself as a part of the organization with shared mutual goals. Employee's perception of justice provides conscientious effort to internalize the negative externalities in order to become a corporate member. The justice provides motivation to respect the others' right to exist and choose what is morally right. The violations of justice negatively affect the employee's commitment and intention to remain with the organization (Robinson, 1995).

This commitment binds an employee to the organization, by assisting him to internalize its values and goals, thus unifying the working people. "Committed" employees are more likely to remain in the organization than "uncommitted" employees (Meyer & Allen, 1997; 11). "Committed" employees have more organized perception of orderly patterns than "uncommitted" employees. "Committed" employees make right decisions and behave logically by considering organizational long-term desires. "Committed" employees increase cost benefits to the organization, through fewer staff turnovers and greater efficiency. In short, justice based commitment in an organization, reduces opportunistic behaviour and the problem of 'free riders'. With this background, it is possible to describe justice-based commitment as a non zero-sum game situation (see above Table 2). Justice makes employees equal and commitment binds them together, thus, organizational behaviour is based on "ordering the orderings"

Yet at the same time, this commitment also reduces the employee's flexibility, new

<sup>12</sup>There are two kinds of labour exploitation. One is voluntary and the second is involuntary. In the first, the employer's values and attitudes are imposed on the employee. In the second, the employer forces the employee to work harder by exerting his authority. In both situations the employee has no subjective interest to participate in the organization. They feel that they are only making a personal contribution to the employer's well-being. However, the assurance game creates subjective interest for the employee by providing power to change the employer's decisions. Then, the labour efforts of the employee can be satisfying.

knowledge, new skills and adaptation to environmental changes "that would keep them marketable outside if the organization changed or ceased to exist" (Meyer & Allen; 3). Moreover, if the business environment changes, "committed" employees cannot easily adapt with it.

If both parties are concerned with respecting each other's right to exist, this implies respect for property ownership. This creates a faith in the existing structure. This respect along with non-exploitation requires the fair flow of information without any obstruction (Sen, 1982: 367). Communication helps people to make behavioural commitment by showing a willingness to act cooperatively.

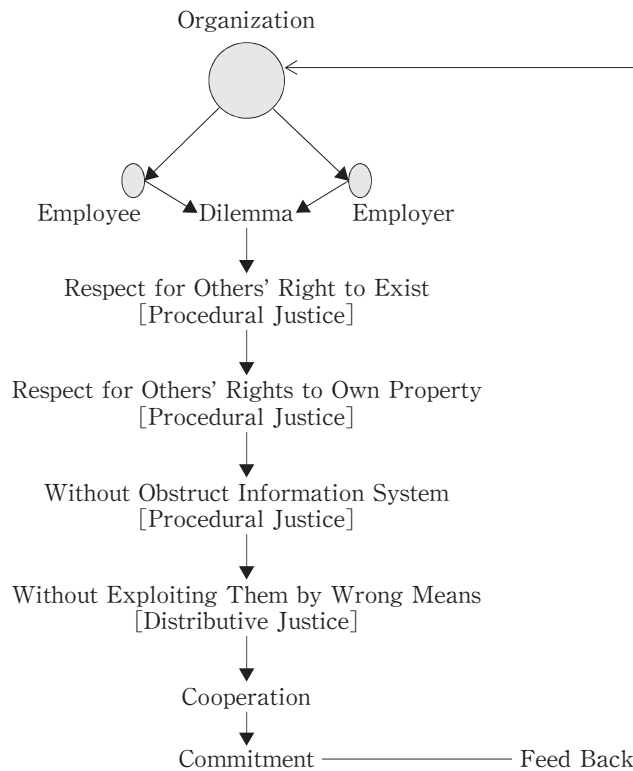
When an organization respects others right to exist and to own property, combined with fair communication, then the themes of procedural justice are positively highlighted. Procedural justice is more closely related to the evolution of systems or institutional characteristics (Folger & Konovsky, 1989: 15) rather than outcomes. Procedural justice refers to fairness issues surrounding the methods, mechanisms, and processes used to determine outcomes. Such system evolution is based on the mutual obligation between employee and employer. In other words, procedural fairness is the most important area of organizational justice (Greenberg, 1987). It means that there is no exploitation of employees through the use of coercive methods.

Distributive justice refers to perceived fairness of the amounts of compensation an employee receives; procedural justice refers to the perceived fairness of the means used to determine those amounts (Folger, 1977). When there is procedural and distributive justice, there is moral behaviour (Buchanan and Mathieu, 1986, Organ, 1988: 66). This behaviour originates from the interdependent rationality between the employee and employer, based on one's most probable preference in the assurance game.

This is very similar to type-II behaviour. These factors facilitate the employee's moral behaviour, such as commitment, through the establishment of justice in the business enterprises. These moral conditions increase the employee's 'can-do' ability as well as his 'will-do' ability. Under the interdependent relationship, people can be expected to adopt cooperative choice-making behaviour. The cooperative behaviour stems from the minimum moral or ethical obligations of probable or improbable preferences towards self-interest on the part of the other party. This evaluation is based on justice and it will lead to long-term rational behaviour through the "ordering the orderings" choices. The long-term assurances maintain employee's loyalty and commitment. Figure 5 illustrates the relationship between justice and commitment.

As noted above, the relationship between employee and employer is interdependent. In order to achieve the goals of an organization, both parties must coordinate like the goats in the above example. However, when the behaviors of both employee and employer are regulated by the dominating attitude of one over the other on issues of power, education, family background, caste and so on, they result in a lower regard for the rights of others. Such a dominant person is expected to satisfy only his own personal benefits. Mutual disrespect will result in mutual attempts to exploit each other. This situation is very similar to our model type-IV behaviour or individual rationality. The inevitable result will be the obstruction of the flow of information. This negative evaluation of each other results in the absence of a justice based commitment relationship.

In order to generate successful commitment behaviour, distributive and procedural justice is essential. When employer and employee follow justice and commitment to



**Figure 5: Relation Between Justice & Commitment**

organize activities, the employee does not have the choice to act freely. The employee's resistance to accept standards seems to stem from a source other than the employee himself. It could be rooted in unjust organizational practices such as partial distribution and bias procedures of rules. In this sense, justice is associated with the employer while commitment is associated with the employee that constitutes the initial step in the process of establishing the relationship between employee and employer in "ordering the orderings" choice behaviour.

The final concern of an organization focuses on the results based on the cooperation between employee and employer. If the employee deviates from the organizational goals and values this minimises cooperation from the employer's side. If the employee is able to internalize the organization's goals and values, and to have confidence in organizational justice, he will be cooperative and committed.

In considering the nature and focus of this research, two case studies were chosen from Sri Lanka. The main reason for selecting these case studies is to exemplify the influences of justice and commitment upon choice behavior. Justice based "ordering the orderings" choice behavior focuses on the interest of the parties. This approach is most successfully used when the interests are interdependent and when maintaining a long-term relationship is a high priority. This approach is beneficial in building cooperative relationships and creating long-term commitment within organizations.

The first case was written by G.E.F.C. Fernando (1994) and was published by Asian

Productivity Organization in Tokyo in Corporate Culture and Productivity: Case Studies in Asia and the Pacific. The second case study was written by Pro. T. Hettiarachchi (1994): Female labour Force at Katunayake Export Processing Zone and published in Economic Review by the Peoples Bank in Sri Lanka.

### **3. The “Ordering the Orderings” Behaviour of Business Enterprises in Sri Lanka, Case Studies**

On the one hand, there are two major traditional social orders, the Buddhist and the caste system. On the other hand, there is one economic order, the agricultural mode of production that has operated from ancient times in Sri Lanka<sup>13</sup>. They have remained somewhat flexible, under the colonial influence of the Portuguese (1505–1666), the Dutch (1666–1796) and the British (1796–1948). Whatever is helpful, important, and functional will remain in one’s culture.

However, in 1833, the Colebrook–Cameron reforms were imposed on Sri Lanka. After 1883, economic and political orders changed. Elite and powerful persons used these changes for their own benefit at the expense of others. These elite groups did not understand the essence of Sri Lankan attitudes and traditions and they consequently adopted anything, including knowledge, while neglecting the substantial essence of Sri Lanka. In adopting English attitudes they were regarded as rootless groups in Sri Lanka. They created an additional social order of persistent poverty. It is against this background that the Sri Lankan government introduced the ‘Rural Poverty Alleviation plan’. These adopted systems and events formed and maintained norms and values that have influenced Sri Lankan work ethics.

#### **Case Study One: The Sena Group of Companies:**

C.J. Sena established this company in 1905. In 1932 the leadership of the company passed to his son, Mr. T.S. Sena. In 1963, the third generation of the family entered the business when Mr. T.S. Sena took his four sons into partnership in the business. Now the ownership of the business is in the hands of four brothers.

Currently the Sena group comprises eight companies performing in diverse industrial segments: the manufacture of water pumps, electric motors, agricultural machinery, tourism, garment manufacturing, seafood export, computer software and the manufacture of rubber tyres. The group has several divisions such as manufacturing, trading, marketing, engineering, and accounting. The factories are modern and employ about 1,387 people. The company’s philosophy is connected with its founding family’s beliefs. These beliefs can be summarized in the following statement of the managing director:

“The group company is an investment of owners. But it is yours and if you contribute you will benefit it, not only I myself. You must give your fullest contribution, and then the other things will follow. Your problems, family problems, and sickness are attended by the same doctors who attend to the

<sup>13</sup>The caste system in Sri Lanka is not as rigid as in India. The former one is based on professional activities and latter one is based on inheritance from birth. Now, in Sri Lanka caste system has become less valuable in the society but it still remains as an important factor when some one is seeking his/her life partner.

ailments of the family of company directors”.

The second most important characteristic of the managers of the group is their fair treatment of workers. The informal structure of the communication process and the free and warm exchange of information between employer and employees play an important role making employees to be respectful to their commitments. The managing director explained that:

“We do not possess Mercedes or BMWs. We do not wish to take away profits. We reinvest in new ventures. We directors work with people. If employees have problems they can always come to us. No worker wanting to see us should be discouraged is the instruction given to my secretary”.

In order to get the employees to commit, the human resource development practices of the Sena group involves instrumental and non-instrumental methods; basic salary and overtime payments, an open and regular employee appraisal system, special loan facilities from the company based on employees needs, bonuses and so on.

The majority of the employees in Sri Lanka work to improve their lives (Nanayakkara, 1988: 94). Therefore, the decisions and actions of the managing director of the company should be based on wisdom and logic. Hence, all employees may understand this as the basic requirement of the company and be encouraged to work hard and be loyal to the company through being very well disciplined. Consider the following statement from the managing director of the Sena group.

“We do business high discipline, and do not encourage bribery and nepotism. At customs, we pay the assessed dues and no more. If the goods must wait for three months in customs, we go by the legal procedure. There is a present at year-end sent to customs office”.

Social responsibility is an important factor of business enterprises. The Sena group has recruited disabled youth as their employees. In 1992, the percentage of disabled employees totaled 12 percent of its work force.

### **Case Study Two: Female Labour Force at Katunayake Export Processing Zone (KEPZ):**

The setting up of Exports Processing Zone (EPZ) was a significant event in an industrialization program designed to develop countries in the 1970s and 1980s. The Katunayake EPZ was established in 1978 as the first EPZ in Sri Lanka and situated on approximately 200 hectares. Now, Sri Lanka has three EPZs.

The basic objectives of the EPZs in Sri Lanka are:-expansion, diversification, and upgrading of the industrial base; efficient management of mechanical and manpower resources; employment and income generation in both rural and urban sector's; export orientation and regional industrialization. In order to achieve these objectives, the government minimized administrative red tape and provided attractive tax & other special incentives, infrastructure facilities to investors in these zones.

This case study is limited to the Katunayake PTZ female workers. It is located near the Katunayake International Airport, 29km from the Colombo port. Most workers in this zone are young females around 18-25 years old, who come from rural areas and have grown up in poor families with traditional cultural values and norms.



Therefore, most of these young women are strangers to city life. The majority of them live in the area-lodging houses and every day they are herded into the factories like parts mechanised cattle (Hettiarachchi, 1994).

Female workers in the KPTZ face a multitude of problems and a lot of harassment<sup>14</sup> inside and outside their work place. Usually these female workers are employed on a temporary basis for a period of a six-month after which, employment is either extended or terminated. If terminated, they have to find new work and undergo another probation period. Very often these female workers are not given letters of appointment and they can be discontinued according to the manager's will.

Frequently, these female workers are required to fulfill unattainable targets, with abuse and assaults from supervisors and managers. Moreover, they are forced to work a second shift when urgent orders are to be filled. Some supervisors and managers also use the allocation of overtime work (chance of additional income) as another weapon to control the female work force.

The current average income of workers, including overtime payment, is supposed to be approximately Rs.2,000–5,000 a month. They sacrifice the prime of their youth to earn a meagre amount. Such low wages fits the concept of 'sweat shops'. They support their families in the villages, while undergoing all sorts of hardships during the performance of their jobs. This situation is further controlled by the prohibition of trade unionism, which, though not written, is understood by everybody who has anything to do with KPTZ.

The majority of girls work overtime in order to supplement their meagre salary. Therefore, many workers leave the factory complex around eight o'clock at night. The small path leading to the boarding houses are always dark. In these areas the female workers are very often molested.

The demand for boarding houses always exceeds the supply, so that boarding house keepers profit by providing only one room per two, three or more workers. Usually they earn more than a female worker's monthly salary through this opportunistic behaviour.

The general attitude towards these female workers is scorn. People openly jeer at them, calling them names such as “Juki keli” (Juki is the name of sewing machine and keli for the girl) and “Badu keli” meaning that easygoing girl. In order to get enough money to live and support family, a large number of working girls have become part-time sex workers providing services to both local and foreign men. Hettiarachchi (1994) writes, “The FTZ may, in the near future, also become an area which will be categorized as a high risk area for AID and HIV infection”.

### **Implication:**

While this section presents two case studies from two business enterprises operating in a national culture show that opposite attitudes regarding work environment and strategy to achieve their goals. The Sena group has adopted a cooperative way while companies in the KPTZ use non-cooperative management styles.

<sup>14</sup>The situation of the female workers is very similar to that of Japanese female workers in the 1920s. Those female workers were also recruited from distant places in the country. In 1922, 502, 822 women workers were boarded and lodged in dormitories. But, the recruitment of female workers was difficult because excessive work hours, low wages, night work, restricted freedom, violent and insulting acts, risks to life and health in factory work and other injustices had negative influences (Yoshisaka, 1925). This example says that situational demands forced the people to deviate from the standards of behaviour.



The managers in the Sena group of companies deal with their employees by creating some just or fair environment, considering the employees well-being as well as their own. Hence, the employer respects the employees' rights to exist as well as their labour property rights without any obstruction to a fair communication between them. The case study does not directly measure the relationship between organizational justice and commitment, but we can understand the positive aspect of respect and application of justice according to the above facts.

If employees in Sena group were not cooperating with employers, and vice versa, then both would be more likely to seek opportunistic behaviour. But, they depend on each other through mutual respect. For this reason, each party cannot be excessively demanding of others as in the assurance game situation. Every person can be concerned his/her own well-being through the well-being of others. Successful cooperation is based on justice and commitment so that everyone agrees to sacrifice his/her own short-term self-interest by considering the well-being of others. Cooperative behaviour stresses non-authoritarian management styles. These facts enhance the employees' internalization of the organizational values and goals; therefore employer can expect employees' commitment to the organization.

As noted before, fair flow of communication is necessary to generate behavioural commitment. Communication involves relevant input within the organization. If there is any obstruction to fair communication, the probability of emergence of rational maximization behaviour based on self-interest is opened up. Procedural justice creates institutional stability; it has the direct effect on constrain maximization of the self-interest behaviour. In the Sena group, the information process is free and warm between employer and employee. These arrangements serve to achieve benefit to both employers and employees. Communication between employee and employer enhances commitment behaviour and avoid free-riding behaviour.

Distributive justice is the perceived fairness of the outcomes that an individual receives. In order to gain the employee's commitment the Sena group provides fair return to the employee.

From these perspectives, the employee and employer in the Sena groups pursue their own well-being through cooperation ( $C > D$ ). By selecting their correct choice from "ordering the orderings" preferences, rather than rational maximization interests. Then, payoff order is  $CC > DC > DD > CD$  and its similar to Type II behavior in the model. This is also evident that the Sena group treats its employees as ends rather than as means to achieving the goals. If organization did not apply any moral obligation like justice as its core value it will be disorganized.

The female workers situation in KPTZ is very similar to the circumstances in Hobbes lawless society. In a lawless society every man and women are at war with all the others, and no one is safe from exploitation. It can be assumed that this negative relationship is due to lack of long-term expectations, organizational justice and commitment in KPTZ. According to the facts, anybody failed to see any positive factors that promote the procedural or distributive justice in the KPTZ. The main reason is that the employers in KPTZ highly emphasize the short-term benefits rather than long-term benefits from the employees' pain.

As mentioned above, interdependence behaviour has a character of assurance or agreement. It requires a justice-based commitment relationship in order to affect cooperation between employee and employer. Yet the KPTZ case study shows that the

employer entirely neglected the claims of justice as an important factor in worker's commitment, because he exercises absolute power in deciding 'what to do' and 'how to do'. Basically, he has ultimate power to solve any negative externalities without justice or assurance.

When the power-holder is motivated by pure maximization of self-interest, as with Type I in the model, the assurance games cannot exist. Most employers feel that employees have to work harder and they should be in the factory until late at night. Female workers have to send money to their homes from their insufficient earning. In society, they do not have a proper status like other employees. All of these unfavourable outcomes relate to the absence of subjective power of employees. These employees are under tremendous mental pressure inside as well as outside the factory. The mental pressure and lack of choices cause a lack of 'can do ability' and 'will do ability'. They respond with anger from the beginning to the end of their employment. The result of this relationship between employee and employer is very close to type-IV in our model.

It can be suggested that both behaviours are based on non-cooperation ( $D > C$ ) and short-term interests. The result is  $DC > CC > DD > CD$  payoff and it is similar to Type I behavior in the model. The use of others as means to short-term gains through opportunistic behavior is unethical because it may harm one and others' long-term interests and violate others rights. The underlying assumption is deficient of core values such as justice, which helps to maintain stability in the organization. Moreover, this behaviour turns out to be the deadlock game ( $DD > CC$ ) situation in long-term and it leads to complete opportunistic behaviour and 'free-riding'. This contradiction can be avoided only through organizational justice based commitment work behaviour. It creates non zero-sum game relationship between employer and employee.

Throughout this paper, the author identified that justice is a pre-requisite for committed behaviour. However, more research is needed over questions such as, “Are there motivational factors apart from justice that are engaged in the generation of committed behaviour? What are the negative consequences of justice based commitment? What criteria can we use to measure justice? How we can measure committed behaviour? If committed employees are faced with unfair situations how can they react to the employer? Are committed employees blind followers of status quo situations? If committed employees are less flexible to environmental changes and new knowledge, how they can avoid or learn to cope with unfavourable situations?

## Summary and Conclusion

Section 1 of this paper argued that preference is not synonymous with choice; therefore rational agents are in particular motivated to behave according to moral or ethical values. The prisoner's dilemma example, actively demonstrates conflict between the desires of the individual and those of others. However, this impasse can be resolved by the use of justice-based preference on ethics or morality.

In Section 2, the author applied the PD game situation to a consideration of human labour power as property, and discussed the principles related to employer and employees. The author considered the process of internalizing their negative externalities through the two important moral or ethical aspects of justice and commitment. In order to understand the “ordering the orderings” behaviour, the author has discussed

two case studies from Sri Lanka perspective in Section 3. The first case study showed that management practices are very similar to the ordering the orderings choice behaviour. However, in contrast to the first case study on female workers the KPTZ was inconsistent with the “ordering the orderings” behaviour. The managers and employers place rational maximization highly among their work values. These values are revealed under their choice behavior. The most probable driving force for this appeared to be the lack of expectation of long-term interrelation between employee and employer.

The general conclusion of this paper is that the “ordering the orderings” behaviour occurs if and only if there are influences of a long-term mutual interdependent relationship. This interdependent relationship is based on the assurance game conditions or on the situation of one’s well-being influenced by others’ choices. Both players could achieve better well-being on co-operative strategies as compared to those strategies based only on the principle of rational self-maximization. The validity of cooperation depends on minimal moral obligation like justice. When preferences are based on justice both parties’ long-term interests are assured.

Finally, the organizational development strategies are supposed to look at justice as an indispensable condition that would assist in developing employment relationship in the business enterprises. It creates a situation of non zero-sum game and further improves the employees’ commitment to the business enterprises. Although this would consumes energy and time, but it foster the deviation from individual self-interest maximization choice behavior to “ordering the orderings” choice behaviour. It leads to a breaking away from the traditional economic view of profit maximization towards a setting-up of a different, fairer, more efficient and effective human enterprise perspective. This is the essential nature of “ordering the orderings” choice behaviour.

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