Chapter 4
The Individual and Organizational Foundations of Ethical Decision-Making:
Theoretical and Contextual Models in the Age of Artificial Intelligence

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ABSTRACT

This article examines the interaction between artificial intelligence (AI) and ethics, drawing on theoretical models of moral decision-making, such as Kohlberg's, as well as contemporary approaches such as Wallach et al.'s LIDA model and the work of Hyunsoo Kim. The analysis highlights the stages of individual moral reasoning and their transposition into organizational and technological settings, emphasizing the importance of situational factors. The article also explores how these models can be applied to design AI systems capable of simulating moral reasoning, processing complex data, and adapting their responses to human values. It also proposes avenues for effective collaboration between humans and AI, emphasizing the fundamental role of the human as the final decision-maker in complex ethical situations. The

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article finally highlights the need to develop collaborative systems that strengthen human capacities while respecting ethical principles, thus providing a framework for informed and contextual decision-making.

INTRODUCTION

AI plays an indispensable role in today's organizational decision-making, impacting the health, finance, public policy, and governance sectors. Correspondingly, the emphasis on ethical inquiries, transparency, and fairness has grown in urgency. This continues to pose serious ethical challenges.

Since the 1960s, research on ethical decision-making has focused on two key areas: human moral cognition and structural context (Ford & Richardson, 1994). So, there's this whole thing with Ferrell and Gresham's contingency framework from 1985, and then there's Jones's idea from 1991 about moral intensity. All these theories have helped scholars figure out what makes ethical behaviour or unethical behaviour happen. These variables include personal traits, situational dynamics and the specific characteristics of the moral issue in question.

However, in AI's context, these human-centered models face new challenges, and intelligent systems are still lacking real moral agency. Because of its lack of consciousness, intentionality, and cultural grounding, the system faces the challenge of integrating ethical sensitivity

To deal with this issue, some scholars proposed hybrid methods that relate human ethical perspectives to AI-driven analytical capabilities. Hyun-soo Kim's contextual model of cognitive framework, the Learning Intelligent Distribution Agent (LIDA), and Lawrence Kohlberg's theory of moral development offer valuable perspectives. Each scholar looks at the question in their own way to understand how machines can make or encourage good ethical choices, focusing on how they respond to situations, mimic human thinking, or use moral development.

The three theoretical models are analyzed and well considered to compare and assess their worth to exhibit the ethical scope and value of AI-based decision-making systems. The chapter draws on achievements in moral psychology, cognitive science, and AI interdisciplinary ethics. It seeks to make clear to what extent these frameworks could provide operational direction to implementing ethics into algorithmic architectures.

The chapter aims to specifically answer this central research question:

How do classical and context-sensitive ethical models contribute to, and fall short in, guiding decision-making systems that involve active AI participation?

The three-phase method is adopted to answer the question: