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**Improving Ethical Decision-Making in Organizations through
Ethical Competencies**

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***IMPROVING ETHICAL DECISION-MAKING IN ORGANIZATIONS
THROUGH ETHICAL COMPETENCIES***

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Abstract

This research conceptualizes ethical competencies as a factor that can help to improve the understanding of ethical decision-making process in organizations. The authors discuss some limitations of existing models that describe the components of the ethical decision-making process as well as the main factors influencing on it. To overcoming these limitations, the authors propose the concept of ethical competencies as the set of knowledge, skills, and abilities acquired by experience which facilitates the engagement in ethical behaviours that produce an excellent performance in a specific job. The paper theoretically addresses how ethical competencies can influence each component of the ethical decision making process. In addition, the benefits of ethical behaviour for both individuals and organizations are discussed. Finally, some interesting managerial implications are also addressed.

Keywords: Ethical decision-making process. Ethical competencies. Individual and Organizational Benefits. Ethical / unethical behaviour. Competencies.

IMPROVING ETHICAL DECISION-MAKING IN ORGANIZATIONS THROUGH ETHICAL COMPETENCIES

Introduction

Interest in business ethics has grown exponentially in recent times for both managers and researchers, due to concerns about unethical behaviour and scandals that have shaken the business world from time to time. All this interest in business ethics has resulted in major efforts in the field of academic research. Firstly, in the search for the causes of the unethical behaviour of individuals in organizations and, secondly, in an effort to demonstrate the benefits of promoting ethical strategies, attitudes and behaviours for business and society.

First of all, after decades of research and over 700 articles published on the subject (Tenbrunsel and Smith-Crowe, 2008), Business Ethics has developed an approach in which the immoral behaviour of individuals has been analyzed in order to understand its causes and, as far as possible, to try to avoid it. In this line, the analysis of ethical decision-making process has attracted the interest of researchers as it can help to improve the understanding and identification of factors that facilitate ethical decisions. These factors are grouped into three categories (Fraedrich et al., 2011; Treviño et al., 2006): individual factors, organizational factors and factors related to the ethical problem in question. The individual factors that have most drawn the attention of researchers (O'Fallon and Butterfield, 2005) include those that are demographic (age, gender, educational level), psychological (such as locus of control, cognitive moral development, moral ideology) or emotional factors. Organizational factors focus on the system of rewards and punishments, the level of the ethical climate or culture, the dependence on others and the codes of

conduct embedded in organizations (Fraedrich et al., 2011). Finally, in relation to the characteristics of moral dilemma, most of the studies try to prove the validity of the ‘moral intensity’ construct as defined by Jones (1991). Moral Intensity is ‘a construct that captures the extent of issue-related moral imperative in a situation. It is multidimensional, and its component parts are characteristics of the moral issue such as magnitude of consequences, social consensus, probability of effect, temporal immediacy, proximity, and concentration of effect’ (1991: 372). Nevertheless, studies about ethical decision-making process have provided inconclusive results (Kish-Gephart et al., 2010; O’Fallon and Butterfield, 2005; Tenbrunsel and Smith-Crowe, 2008; Treviño et al., 2006). Although there is consensus on certain factors that affect ethical behaviour, other factors should be considered. With this in mind, we will focus on some individual factors not previously addressed that can improve the understanding of ethical decision-making process: ethical competencies. Ethical competencies refer to the set of knowledge, skills and abilities that facilitate ethical behaviour (Cheetham and Chevers, 2005).

Secondly, concerning the studies on the benefits of ethical behaviour, they can be divided according to the level of analysis in what is organizational, upon which most research is concentrated (see, for instance, Orlitzky et al., 2003), or individual. We are particularly interested in the individual level, where the studies of the benefits of ethical behaviour are scarce. Business ethics at the individual level have been dealt with almost exclusively from the standpoint of moral obligation: people should behave properly. Thus, to justify the importance of research in Business Ethics, political scandals and corporate fraud uncovered in recent years have been brought up, along with the growing concerns that they have raised in society (Brass et al., 1998; Ferrell et al., 1989; Jones, 1991; Kish-Gephart et al., 2010; McDevitt et al., 2007; Reynolds, 2006). However, this way of justifying the importance of business ethics may be incomplete,

since some questions still remain unanswered: What are the consequences of ethical behaviour of individuals for themselves and for the company? Or, more specifically, what happens when individuals behave in an ethical manner within the organization? How does this affect them, their colleagues and superiors? How does it affect the organization?

In short, interest in ethical behaviours has neither crystallized into a model that is able to explain them comprehensively, nor has it shown the benefits at the individual level of such ethical behaviours.

The objective of this theoretical work is therefore twofold: first, to obtain a better understanding of the process of ethical decision making in organizations by incorporating ethical competencies into that process; and second, to understand the benefits for both the individual and the organization, derived from an ethical behaviour.

With this aim, we establish a set of theoretical propositions about the role of these ethical competencies in the process of the ethical decision making. The second group of proposals focuses on how behaviour based on ethical competencies makes the individual be perceived as a trustworthy person among colleagues, superiors and clients, and how this ethical behaviour generates benefits for the organization.

The paper is structured as follows. First, based on the literature review, we explain the concept of competence and propose a definition of ethical competencies. Second, we state several theoretical propositions about these variables in relationship with the ethical decision-making process, and about how ethical behaviour produces benefits for individuals and organizations. Finally, the paper concludes with the implications of this research in the field of management science and business practice.

Ethical competencies

Administrative science has always referred to competencies as the knowledge, attitudes and skills that someone possesses which will enable them to deliver an effective and/or superior performance in a job or situation (Alles 2007; Boyatzis, 1982; Cheetham and Chivers, 2005; Ven and Chuang, 2007). There are many definitions of competencies as well as perspectives to study them. The typologies and classifications of competencies are rather varied and they depend on the context and their purpose (Alles, 2007; Cardy and Selvarajan, 2006; Levy-Leboyer, 1997). Indeed, the literature about competencies is rather complex due to the different usages of the term in a wide range of fields: education, psychology and business management among others (Levy-Leboyer, 1997). In the human resources field and in strategic consulting, competencies are usually defined in relation to the specific role or job position they are required for (Alles, 2007; Cardy and Selvarajan, 2006; Levy-Leboyer, 1997; Spencer and Spencer, 1993) and they differ from one another depending on the business' goals and the results required for an excellent performance. In the field of employment relationship, competencies are defined as what is required to match a job description in general, for all companies and situations (Cheetham and Chivers, 2005; Guillén et al., 2007) and are used to define the different professional categories. From an educational perspective, competencies are the desired characteristics to be found in an individual that can be acquired after a training session (Gamero, 2009; Guillén et al., 2007).

We focus on Spencer and Spencer's view that defined competency as: 'an underlying characteristic of an individual that is causally related to criterion-referenced effective and/or superior performance in a job or situation' (Spencer and Spencer 1993: 9).

According to Spencer and Spencer, competencies are made up of five elements. *Motives* are the things a person consistently thinks about or wants that cause action. *Personality traits* are

physical characteristics and consistent responses to situations or information. *One's self-concept* is people's attitudes, values or self-images. *Knowledge* is information a person has in specific content areas. And finally *skills* are the ability to perform a certain mental or physical task (Spencer and Spencer, 1993). All of these characteristics of competencies must be coordinated and unified to achieve an excellent result (Levy-Leboyer, 1997).

Different lists of competencies have been proposed depending on the company, organization or the entity that makes the classification: general competencies, competencies required for executives, competencies for leaders, knowledge competencies, e-competencies, and so on (Alles, 2007; Levy-Leboyer, 1997).

Some competencies included in these lists may facilitate the development of ethical behaviours in the workplace: moral sense, honesty/integrity (Levy-Leboyer, 1997); ethics, prudence, justice, strength, integrity (Alles, 2007); responsibility, integrity, honesty, equity, loyalty, order, hard-working, willingness to serve (Guillén et al., 2007); and moral courage (Sekerka et al., 2009).

In our work the competencies that facilitate the development of ethical behaviours are called ethical competencies. Cheetham and Chivers (2005: 88) define ethical competence as 'the possession of appropriate personal and professional values and the ability to make sound judgments based upon these in work-related situations. The linkage of ethical competence with values emphasizes the point that values, like knowledge, are of little use unless they are effectively applied. Thus, ethical competence refers to the effective and appropriate application of values in professional settings'. In the same way, for Feldheim and Wang ethical competence is: 'the capability to develop and implement ethical values and activities' (2003: 67, quoted by Haraway, and Kunselman, 2006).

Based on the statements above, we propose the following definition of the ethical competencies of an individual: the set of knowledge, skills, and abilities acquired which actually facilitates the engagement in ethical behaviours that produce an excellent performance in a specific job.

Next, we are going to discuss how ethical competencies can affect human behaviours in the workplace by analyzing the ethical decision-making process.

Ethical decision-making process and ethical competencies

Within Business Ethics, the analysis of ethical decision-making process has become very relevant since a better understanding of this process can provide a more accurate identification of factors that facilitate ethical behaviours. However, the research on the process through which individuals behave unethically has provided inconclusive results (Kish-Gephart et al., 2010; O'Fallon and Butterfield, 2005; Tenbrunsel and Smith-Crowe, 2008; Treviño et al., 2006). In this section, we will propose that ethical competencies are relevant factors that also influence the ethical decision-making process. This has not been addressed in previous literature.

Ethical decision making is a process made up of all the stages individuals have to go through from the very first moment the moral dilemma arises until they engage in a given behaviour. Despite the existence of many decision-making models that represent this process, there is a certain consensus in the literature (Kish-Gephart et al., 2010; Treviño et al., 2006) that the process that someone follows before engaging in an ethical or unethical behaviour is Rest's Four-Component Model. This model suggests that an individual facing a moral dilemma, must go through four stages before developing a given ethical behaviour (Rest, 1986). The first component is the *Awareness of the moral dilemma*; the second is the *Moral Judgment*, where the

person assesses the ‘goodness’ or ‘badness’ of the act. The third component is the *Moral Motivation*, in which an individual makes a moral intention, and finally the fourth component is *Moral Character*, where the individual implements his/her decision. From Jones’ paper (1991), the ethical decision-making literature has been using the label Moral Intention to refer to the component Rest called Moral Motivation. In the same way, the last component, Moral Character, has been labelled Behaviour. We will use either of these terms throughout this work.

With reference to the connections among the components of the process, Rest’s original work and other authors (Tenbrunsel and Smith-Crowe, 2008; Wotruba, 1990) state that the process does not present a lineal sequence (Rest, 1986: 4-5):

Note that a four-component model denies that moral development or moral behavior is the result of a single, unitary process. Although one process might interact and influence others, the four processes have distinctive functions. (...) Last, note that I do not intend to create the impression that the four components depict a linear sequence in real time –that is, that a microanalysis would show that first a person executes Component 1, followed in turn by Component 2, 3, and 4, in that order. In fact, there is research that suggests complicated interactions among the components.

From the beginning and during the decision-making time, different factors influence this process. Theoretical contributions made by different authors suggest a large amount of variables which have been grouped into three categories: individual factors (where ethical competencies would be included), organizational factors and factors related to the ethical dilemma concerned (Fraedrich et al., 2011; Tenbrunsel and Smith-Crowe, 2008; Treviño et al., 2006).

Therefore, nowadays, the analysis of ethical behaviour follows the diagram below:

INSERT FIGURE 1 ABOUT HERE

Even though this is the most consensual process, it has been criticized. On the one hand, its inability to explain the complexity of the human decision-making process has been argued (Jones, 1991; O'Fallon and Butterfield, 2005; Tenbrunsel and Smith-Crowe, 2008). On the other hand, the need to include intuition-related issues or ethical impulses has also been noted (Kish-Gephart et al., 2010; Murphy and Dacin, 2011; Sonenshein, 2007). Alternative and complementary frameworks have also been developed from different perspectives. Several frameworks have modified some of the components proposed by Rest. Other frameworks have proved that certain psychological factors can influence this process (Fishbein and Ajzen, 2010; Sekerka and Bagozzi, 2007). So, although we will mainly follow Rest's framework, we will also consider other contributions in the field of ethical behaviours (Fishbein and Ajzen, 2010; Murphy and Dacin, 2011; Sekerka and Bagozzi, 2007; Sonenshein, 2007).

Now, we are going to explain the components of Rest's model, and we will discuss how ethical competencies influence each of these components.

Awareness

The awareness of the existence of a moral dilemma is the first component of the model. Moral awareness is considered critical (Hunt and Vitell, 1986; Rest, 1986; Tenbrunsel and Smith-Crowe, 2008; Treviño et al., 2006) because only by identifying a dilemma as ethically important can the decision-making process start and in turn make ethical behaviour more likely (Treviño et al., 2006). That is, in order to achieve a specific ethical behaviour, the individual must be aware

of the existence of a moral problem. Jones (1991) proposes that the decision maker is aware of two things: first, that his/her behaviour will have an impact on other people by harming them or helping them and, second, that he/she has several options to choose from. It is therefore a voluntary behaviour. These two characteristics of the dilemma imply that the individual perceives himself/herself as a moral entity.

But awareness is important not only for what is related with other, but for the relationship with one self. Every action is an opportunity to be a better person if the individual is able to discover the moral aspect of every decision.

A great deal of research has been conducted on moral awareness, especially on predictors of awareness (Kish-Gephart et al., 2010; Treviño et al., 2006). The conclusions of some of the studies are mixed or not definitive (O'Fallon and Butterfield, 2005; Tenbrunsel and Smith-Crowe, 2008): research on age, gender, training, educational experience, nationality and culture, have shown contradictory or confusing results. Other individual factors, such as job satisfaction, show a positive correlation with moral awareness, but there is little empirical research about this (Tenbrunsel and Smith-Crowe, 2008; Yetmar and Eastman, 2000). Religion, deontologism, the existence of a competitive framework and the use of moral language (Butterfield et al., 2000) seem to be correlated with a high moral awareness. *Sensu contrario*, utilitarianism (Reynolds, 2006), idealism and relativism were found to be associated with lower levels of moral awareness (Tenbrunsel and Smith-Crowe, 2008).

We propose that ethical competencies represent an important individual factor, not previously addressed in behavioural ethics, which could improve this first stage of the ethical decision- making process. In this sense, Bastons (2008: 393) points out the importance of the right perception of the dilemma since: ‘the decision problem in Ethics is not only “to choose”, but

to “construct” the problem correctly, because the alternatives are not given to us, but we give them to ourselves. We not only choose *among* alternatives: we choose *the alternatives* too’. This choice of alternatives is actually a part of the perception of the dilemma because the definition of the problem itself will be given by the choice of alternatives we make. In this sense, Rest defined Moral Sensitivity as (1994: 23):

The awareness of how our actions affect other people. It involves being aware of different possible lines of action and how each line of action could affect the parties concerned. It involves imaginatively constructing possible scenarios, and knowing cause-consequence chains of events in the real world; it involves empathy and role-taking skills.

Thus, the ethical decision-making process starts in the awareness stage and it aims to acknowledge and design the moral dilemma, using all the resources available to the decision maker. Ethical competencies are one of these available resources that a competent individual can develop. An individual with ethical competencies will be more likely to perceive the problem, define it correctly and design better alternatives. We think that in this stage of the process the components of the competencies proposed by Spencer and Spencer (1993) could be especially useful. *Knowledge* allows the individual to understand the causes of the problem and to design the alternatives. Nevertheless knowledge *per se* is not sufficient. As much research shows, knowledge acquired by ethical training and educational experience is not always positively related to high moral awareness (Tenbrunsel and Smith-Crowe, 2008; Treviño et al., 2006). That is, knowledge does not guarantee an ethical competence that improves moral awareness unless it is combined with the other components of competencies: *motives, personal traits, skills* and *one’s self-concept*. All of them help to recognize all the interests involved and to anticipate the possible result of each alternative.

Therefore we can also state:

P1. The more developed the ethical competencies of an individual, the more likely it is for that individual to perceive that an ethical problem exists.

Judgment

The second component of the decision-making process consists of judging the ‘goodness’ or ‘badness’ of a given act. According to Rest (1986: 3), for someone to have acted ethically in a particular situation, ‘the person must have been able to make a judgment about which course of action was morally right (or fair or just or morally good), thus labeling one possible line of action as what a person ought (morally ought) to do in that situation’. Therefore, from a deontological perspective, the aim of this component is to obtain a moral labelling of every possible action, regardless of any personal interest.

Research on the factors that affect moral judgment is extensive. Moral reasoning is a complex stage of the decision process that emerges from the relationship between situational factors, the characteristics of the moral dilemma and individual factors.

Regarding individual factors, moral reasoning is influenced by the level of individual moral development, the mode of ethical evaluation and other pressures which may add some bias to the moral reasoning (Ferrell et al., 1989; McDevitt et al., 2007; Murphy and Dacin, 2011; Reynolds, 2006; Sekerka and Bagozzi, 2007; Sonenshein, 2007; Street et al., 2001; Swinyard et al., 1989). Most research on individual moral development is built upon Kohlberg’s cognitive moral development approach (Treviño et al., 2006). According to Kohlberg, an individual moves through six possible stages of moral judgment in an irreversible sequence. The six stages are embedded in three categories. In the first, called the preconventional level, the factors which

affect the individual moral judgment are obedience to authority, fear of punishment and exchange in relationships. In the second category, called the conventional level, the moral reasoning of the individual is strongly externally oriented, relying on the expectations of significant others or rules or laws. Lastly, in the third category, called the principled level, the individual decides his/her moral judgment autonomously by looking to universally held principles of justice and rights (Swinyard et al., 1989; Treviño et al., 2006). Although Kohlberg's approach and methodology have been strongly criticized, many studies have relied on his work or on the work of Rest that continued and revised the model. Research based on Kohlberg's approach has found that most adults are at the conventional level. That is, they are strongly influenced by the environment when they must make a judgment about a moral dilemma (Treviño et al., 2006). These are important findings for management ethics within organizations because 'If most adults' thinking about right and wrong is highly susceptible to external influence, then the management of such conduct through attention to norms, peer behavior, leadership, reward systems, climate, culture, and so on becomes important' (Treviño et al., 2006: 955). Furthermore, as expected, moral development has been positively related to age and educational level (Tenbrunsel and Smith-Crowe, 2008; Treviño et al., 2006), but not to gender.

The second individual factor, the mode of ethical evaluations, is strongly influenced by individual ideology: relativism and idealism (Forsyth, 1980); utilitarianism (result-based) versus formalistic (principles-based) (Hunt and Vitell, 1986; Reynolds, 2006); machiavellianism (O'Fallon and Butterfield, 2005); and religiosity (O'Fallon and Butterfield, 2005). Research has found that all of these personal ethical ideologies influence the individual's moral reasoning, labelling in different ways every possible moral action according to the predominant ideologies in the individual (Tenbrunsel and Smith-Crowe, 2008; Treviño et al., 2006).

As the third individual factor, some pressures may add bias to the moral judgment. The most important bias is moral disengagement (Bandura, 1999). According to this theory, an individual internalizes moral principles as self-sanctions through social learning. These moral principles guide good behaviour (consistent with the principles) and deter misconduct (that violates those principles). Thus, for individuals to engage in unethical behaviours (that violate moral principles), they would have to disengage moral self-sanctions to avoid self-condemnation (Treviño et al., 2006; Tsang, 2002). Moral disengagement can be anticipatory, occurring before the behaviour and allowing unethical behaviour to occur, (Bandura, 1999) and *post hoc*, occurring after the unethical behaviour (Ashforth and Anand, 2003). The latter is a useful argument to explain fraud and corruption within organizations (Ashforth and Anand, 2003; Murphy and Dacin, 2011).

Our interest is to discuss how ethical competencies, as another individual factor, can improve the moral judgment made by individuals facing an ethical dilemma.

As we stated above, moral judgment consists of labelling a given act as good or bad. This implies comparing a certain behaviour (planned or carried out) with some moral standards. The problem is to identify which standards are to be considered. Religions and philosophers have tried to give us a list of good norms to be complied with by everyone, such as the Ten Commandments or the Categorical Imperative. In the field of behaviour research, Behavioural Ethics refers to generally-accepted moral norms of behaviour (Treviño et al., 2006); Illegal Behaviours refer to behaviours that do not abide by the law; Organizational Justice refers to employees' perceptions of organizations' events, policies and practices being fair or not fair (Treviño et al., 2006); Organizational Misbehaviour is defined as any intentional action by members of organizations that violates core organizational and/or societal norms (Treviño et al.,

2006); Counterproductive Work Behaviour is defined as violating organizational norms rather than widely-accepted societal norms (Kish-Gephart et al., 2010). Finally, Organizational Behaviour refers to the norms defined by the organization.

These standards (or other generic norms) are so general that they need to be interpreted or adapted by each individual and applied to particular situations. Two individuals may differ in their moral judgment of an action because they choose different moral standards or because they interpret them differently.

We propose that ethical competencies can also improve the judgment stage of the ethical decision-making process in two ways. First, they can help to adapt personal standards to the society's moral standards (Guillén et al., 2007; Hunt and Vitell, 1986). Second, they facilitate the applying of these standards to a particular dilemma, i.e., to judge every possible alternative according to that society's moral standards (Kavathatzopoulos, 1994). They also allow individuals to anticipate society's judgment of their act.

Therefore we can also state:

P2. The more developed the ethical competencies of an individual, the more likely it is for that individual to make better judgments (more consistent with moral standards).

Intention

The third component of the process is moral intention (moral motivation in Rest's model). Intention is defined as: 'an individual's readiness or willingness to engage in a particular action' (Kish-Gephart et al., 2010: 2).

For Fishbein and Ajzen (2010: 39), behavioural intention is: ‘indications of a person’s readiness to perform a behavior’. Later on, they develop the concept by adding the following (Fishbein and Ajzen, 2010: 39):

The essential underlying dimension characterizing an intention is the person’s estimate of the likelihood or perceived probability of performing a given behavior. We expect that the greater this subjective probability, the more likely it is that the behavior will in fact be performed.

Therefore, in the ethical decision-making framework, in accordance with Fishbein and Ajzen (Ajzen, 1991; Fishbein and Ajzen, 2010), moral intention precedes behaviour and could replace it when behaviour is not available to be studied (Kish-Gephart et al., 2010). It is interesting to point out that the result of moral intention can be different from the result of moral judgment because, in this stage of the process, many other variables are involved: the individual’s personal interests, the assessment of the damage that each action could cause and so on. That is, moral judgment provides moral intention with the ethical assessments of every possible course of action, but it does not determine moral intention. This can actually be influenced by other factors. Therefore, a person can regard a behaviour as not being very ethical but generate the intention to engage in that behaviour. In the same way, one can consider a certain behaviour to be ethical but decide not to engage in it.

We propose that ethical competencies can help to generate an ethical intention. When individuals have developed ethical competencies their attitudes, values and motives (in Spencer and Spencer’s terminology) will encourage them to behave ethically, that is, the creation of an ethical intention. In Sekerka and Bagozzi’s (2007: 141) words: ‘Automatic self-regulation, in the

form of personal values, traits and virtues will moderate the relationship between desire and the decision to act with moral courage’.

Therefore we propose:

P3. The more developed the ethical competencies of an individual, the better ethical intentions that individual will develop (intentions will be more consistent with the ethical judgment than with other personal reasons or values).

Behaviour

Regarding the last component of the model, behaviour, most researchers have focused more on unethical behaviours than on ethical ones. According to Kish-Gephart et al. (2010: 2), ‘*unethical behavior* is defined as any organizational member action that violates widely accepted (societal) moral norms’.

The usual way of understanding the connection between intention and behaviour is clearly influenced by some psychological approaches. These have actually served as the foundation of many studies on marketing and entrepreneurship, among others. The ‘Theory of Reasoned Action’ (Fishbein and Ajzen, 1975, 2010) and the ‘Theory of Planned Behavior’ (Ajzen, 1991) analyze the influencing factors in an individual’s decision making through the variables that determinate his/her intention of engaging in an act. In these frameworks, that intention is in fact a good prediction of this act (Fishbein and Ajzen, 2010). However, these models are designed to dissect planned or reasoned decisions and, therefore, they cannot be applied *stricto sensu* to all decisions. We propose that in the ethical decision-making process a given ethical intention may need certain resources to be implemented. That is, an ethical intention does not automatically lead to an ethical behaviour (Sekerka and Bagozzi, 2007). In this sense, Rest (1986: 15) states:

Component 4 involves executing and implementing a play of action. A popular wisdom tell us, good intentions are often a long way from good deeds. Component 4 involves figuring out the sequence of concrete actions, working around impediment and unexpected difficulties, overcoming fatigue and frustration, resisting distractions and allurements, and keeping sight of the eventual goal. Perseverance, resoluteness, competence, and character are attributes that lead to success in Component 4.

In the same sense, Fishbein and Ajzen (2010: 57) state:

It stands to reason that people cannot act on their intentions if they lack the skills or resources required to perform the behavior or if external factors prevent them from doing so. (...) lack of volitional control can be causally implicated because it can prevent performance of a behavior.

This required volitional control includes motivation, attitudes and skills. Rest (1986) also proposes that perseverance and implementation skills are needed to go from the intention to the behaviour.

We propose that ethical competencies, which draw together the kind of skills highlighted above, facilitate the last component of the process. Indeed, these *skills* as one of the components of competencies refer to those abilities required to perform a certain mental or physical task. In this sense, Cheetham and Cheevers (2005: 88) state:

The linkage of ethical competence with values emphasizes the point that values, like knowledge, are of little use unless they are effectively applied. (...) Thus, ethical competence requires the effective and appropriate application of values in professional settings and the ability to make sound, though at times difficult, ethical decisions’.

This capacity to implement the ethical decision, despite all the possible internal and external difficulties, is the characteristic that, at the end of the process, allows the individual to obtain an excellent ethical performance.

We can therefore make the following statement:

P4. The more developed the ethical competencies of an individual, the more likely that individual will go from the ethical intention to the behaviour.

Figure 2 shows the incorporation of ethical competencies to the process:

INSERT FIGURE 2 ABOUT HERE

Once the concept of ethical competencies and their effect on each component of the decision-making process have been incorporated into the model, we will address the benefits of these ethical behaviours for individuals and organizations.

Benefits of Ethical Behaviours

Benefits for individuals

Concerning the benefits for the individual, we must divide them between internal and external results.

Firstly, in relation to the inner outcomes for the individual, we can say that the performance of acts in accordance with social norms (ethical behaviours by definition) represents a source of satisfaction for the subject (Peterson and Seligman, 2004).

P5. Ethical behaviours affect the individual through the satisfaction that one experiences having developed a behaviour according to social norms.

Furthermore, as Wotruba states (1990: 37):

Outcomes are a key aspect of understanding ethical decision making for two reasons. One is simply that performance results, a major outcome of all organizational decision making, affect the manager's success and associated rewards such as promotion opportunities, compensation, power, and status. (...) The second reason involves the short-term impact of the outcomes on subsequent long-term moral behavior as gained through feedback from the consequences of one's moral judgments. In this perspective, the rewards (and punishments) are learning experiences which can modify future behavior.

The modification of future behaviour can take place in two ways. First, past behaviours affect future performance through improved ethical judgments obtained from past experiences. In this sense, the model of Hunt and Vitell considers learning as a result of the evaluation made by the subject of the outcome of past behaviours. This learning process affects the individual by enhancing the wealth of personal experiences (Guillén et al, 2007; Hunt and Vitell, 1986).

Second, repetitive behaviours can generate operating habits, i.e., specific competencies to adequately resolve some specific problems. Indeed, the psychological literature on habits has shown that repetition can generate automatisms in the individual who performs them (Peterson and Seligman, 2004). In certain cases these habits may be better predictors of behaviour than one's intention (Ouellette and Wood, 1998). Therefore, we can state that:

P6. Ethical behaviours affect the individual through the learning that occurs by repeating the same behaviour, which creates or increases the habit acquired and improved ethical judgments.

Regarding external results, prizes and incentives received for such ethical behaviour (Wotubra, 1990) could be considered. Nevertheless, our work aims to focus on another kind of benefit for the individual that develops ethical behaviour: generated trust.

Trust and its relationship to performance in organizations has been analyzed from different perspectives, such as management, marketing, organizational behaviour, human resources management or strategy. There are many definitions of trust, but there is a lack of consensus on them. We focus on trust involving two specific parties: a trusting party (trustor) and a party to be trusted (trustee). The concept of trustworthiness is based on the evaluation of the attributes of the trustee by the trustor. This evaluation helps build the foundation for the development of trust (Mayer et al., 1995). The trustor develops a belief that trustee is trustworthy based on its attributes. However, all trustor beliefs about trustee don't generate trust. Even though a number of factors have been proposed, three characteristics of a trustee appear often in the literature: competence, benevolence and honesty. That is, for people to be worthy of trust they must be perceived as competent, benevolent and honest. Now we will analyze these dimensions to determine if behaviours based on ethical competencies can be generators of trust.

Firstly, the term competence is used to refer to the set of skills that allows a person to carry out an activity successfully. Competence means that an actor is perceived to be able to perform something (Blomqvist, 1997). An individual can trust another, when the second demonstrates the capacity to perform the specific behaviours expected by the first. Clearly, the ethical behaviours developed by the ethical competencies show this capacity.

The second dimension of trust is benevolence, which measures the degree to which the trustworthy person is concerned about the person who trusts him/her. The dimension of benevolence includes qualities, intentions, and characteristics attributed to the partner. It refers to

the extent to which the trustor believes that the trustee has intentions and motives are beneficial to trustor (Ganesan, 1994). That is, benevolence refers to a subject's perception of another's motivation in regards to whether that person acts in his/her own interest or in the interest of the subject. In relation to this dimension of trust, we can state that a person who has been developing continuous ethical behaviours resulting from the execution of his/her ethical competencies is likely to be perceived as a benevolent person, and, therefore, trustworthy.

Finally, the third dimension is honesty. Honesty refers to the belief that one's partner stand by its word fulfills promised role obligations and is sincere (Morgan and Hunt, 1994). An honest person seeks to fulfil promises made and is perceived as such by the individuals who place their trust in him/her. Again, the exercise of ethical competencies seems to be a generator of trust. An employee who continually develops ethical behaviours is observed by colleagues and superiors as somebody that tries to fulfil his/her promises, i.e. he/she is sound and honest.

To sum up, when individuals continuously behave ethically, they are perceived as competent, benevolent and honest by their peers, superiors and clients and, therefore, are perceived as trustworthy. So, we can state the following proposition:

P7. Continuous ethical behaviours of individuals generate trust in them among peers, superiors and clients.

The benefits for individuals of ethical behaviour have been shown as proposals 5, 6 and 7. There are other consequences of their ethical behaviours for individuals (Cameron et al., 2004; Giacalone and Promislo, 2010). For example, ethical behaviour can affect the physical and mental health of the subject and 'the best personal and professional development of managers cannot be achieved without the full maturation of consciousness' (Manning 1981: 28, quoted by Wotruba, 1990: 30). In any case these other psychological benefits will not be discussed here.

Now, we will discuss the benefits of ethical behaviours for the organization.

Benefits for the organization

Three main groups of benefits for organizations can be highlighted. First, unethical behaviours against the company produce direct costs (the amount defrauded, misappropriated, or representing an improper use of company equipment and so on).

Given that these ethical competencies will avoid or reduce the cost associated with unethical behaviours, then

P8. Employees with ethical competencies generate lower direct costs of unethical behaviour than those workers who do not have them.

On the other hand, avoiding unethical behaviour produces costs associated with activities of inspections, prevention and surveillance. Our work has suggested that the behaviours resulting from the individual's ethical competencies make that individual trustworthy. So,

P9. Trust generated by people with ethical competencies reduces the costs of surveillance and control.

In addition, ethical behaviour may benefit the company indirectly by means of the generation of reputation, profitable relationships with stakeholders, by improving the ethical climate at work and by other ethical benefits, such as the company's pursuit of excellence, helping co-workers outside the established schedule, the reporting of crimes and misdemeanours committed in companies, and so on.

Among all these indirect benefits we focus on the 'ethical work climate' because that construct is directly related to trust. Indeed, the ethical work climate is an organizational variable that is affected by individual behaviours directly through the trust/responsibility dimension

(Babin et al., 2000). It has been shown that the ethical work climate influences employee satisfaction and organizational commitment (Parker et al., 2003), stress (Babin et al., 2000; Jaramillo et al., 2006; Mulki et al., 2006) and the intention of remaining in the company (Mulki et al., 2006). Therefore, our last proposition is:

P10. Behaviours based on ethical competencies positively affect the company through the trust dimension of the ethical work climate.

The following figure shows all the proposals made earlier:

INSERT FIGURE 3 ABOUT HERE

Conclusions

In this paper we have proposed that ethical competencies might help to improve the understanding of ethical behaviours in organizations. We have also discussed the benefits of such behaviours for the individual and the organization.

Firstly, we have proposed an ethical competencies definition as the set of knowledge, skills, and abilities acquired by experience which actually facilitates the engagement in ethical behaviours that produce an excellent performance in a specific job.

Competencies are measured through the behaviours, that is, observable and measurable facts (Alles, 2007; Levy-Leboyer, 1997). This allows the development of reliable and ad-hoc measurement tools of the ethical behaviours. These are one of the unresolved issues in the field of ethical decision making (Tenbrunsel and Smith-Crowe, 2008; Treviño et al., 2006).

We have also carried out a revision of the ethical decision-making process and shown how studies about ethical decision-making process have provided inconclusive results (Kish-Gephart et al., 2010; O'Fallon and Butterfield, 2005; Tenbrunsel and Smith-Crowe, 2008; Treviño et al., 2006).

The incorporation of ethical competencies into the decision-making process provides a more accurate view of the process by which people choose to act ethically or unethically when facing a moral dilemma. The absence of this variable in previous studies may explain why the relationship between intention and behaviour has appeared to be so inconsistent (Kish-Gephart, et al., 2010; Tenbrunsel and Smith-Crowe, 2008).

Finally, we have discussed the benefits of ethical behaviour. Firstly, we have proposed that developing behaviours consistent with social norms for an individual will produce his/her satisfaction and will also generate a habit of repeating behaviours that facilitate carrying them out again. It has also been discussed that continuous ethical behaviours based on ethical competencies generate trust. Furthermore, we highlight the organizational benefits that are generated by reducing the costs of unethical behaviour, the decrease in surveillance and control costs generated by the existence of trust in the employee with ethical competencies and the company benefits generated by the ethical climate that ethical behaviours produce.

Our research suggests interesting managerial implications. Management by systems of competencies is broadly used in many companies and educational institutions. Thus, including ethical competencies in these systems may allow organizations and educational institutions to develop effective processes to encourage ethical behaviours in individuals (Guillén et al., 2007). In this sense, ethical competencies can become useful resources for managers within their daily

activities by incorporating them into the human resources management systems (recruitment, compensation, training and so on) (Alles, 2007).

We consider the development of a generic catalogue of ethical competencies, as well as their tools and measurement methods, to be very interesting for business practice. In this sense, future research should analyze which specific ethical competencies are most appropriate for each activity of the company: empathy for people in marketing, wisdom for executives, responsiveness for employees, and so on.

Actually, there is still much progress needed in analyzing ethical behaviours in organizations. Future research should also address how different phases of the ethical decision-making process are related to each other and how this process evolves over time. The factors affecting the decision process remain uncertain and their mechanisms of involvement unknown. Ethical competencies are only part of these mechanisms, but the model itself requires further analytical efforts.

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Individual Figure 1: Influencing factors in the ethical decision-making process.
 Source: Self-elaboration from Treviño et al. 2006 and Kish-Gephart et al. 2010.

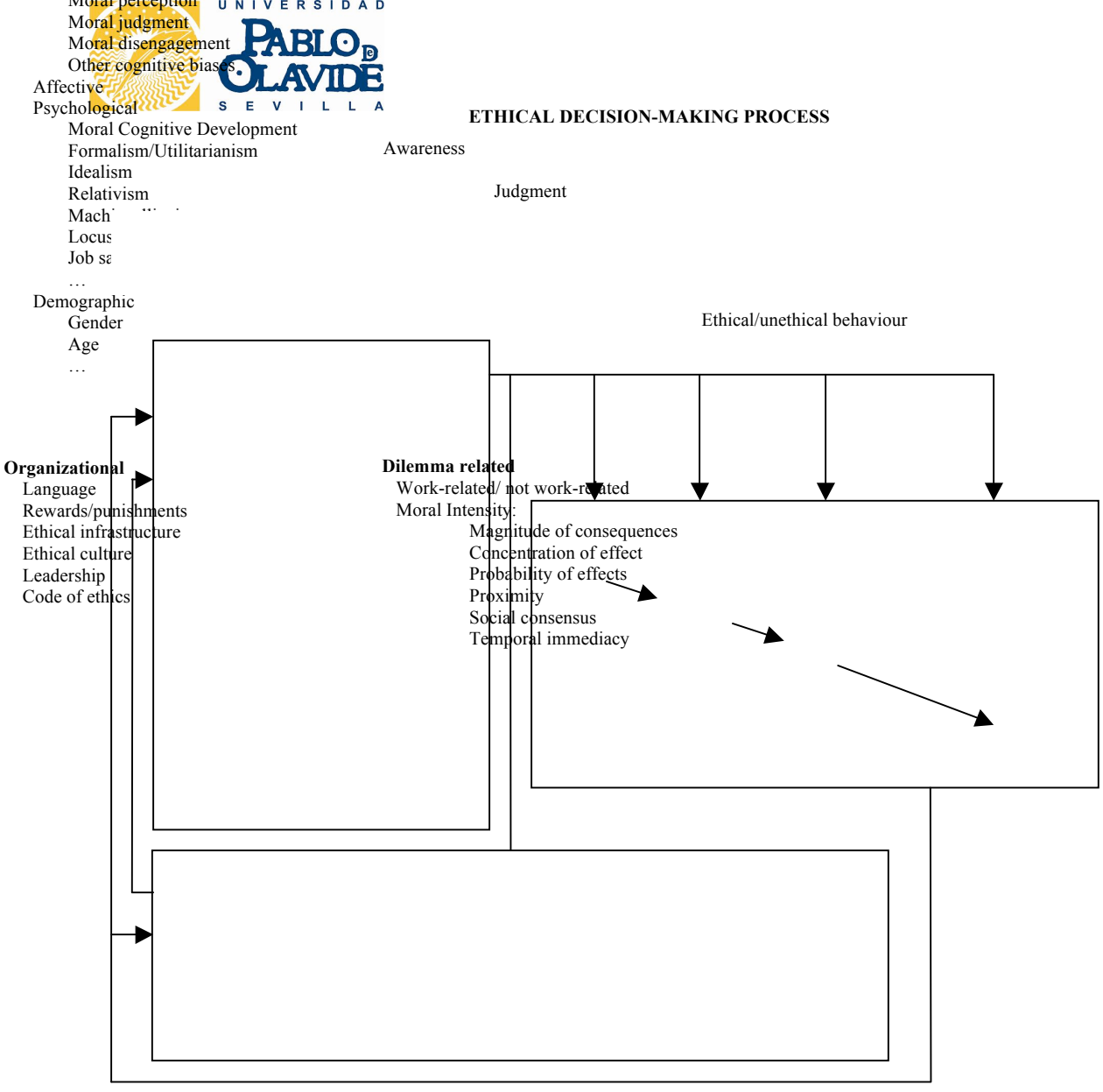


Figure 2: Ethical decision-making process of individuals within organizations: incorporating ethical competencies.

Source: Self-elaboration

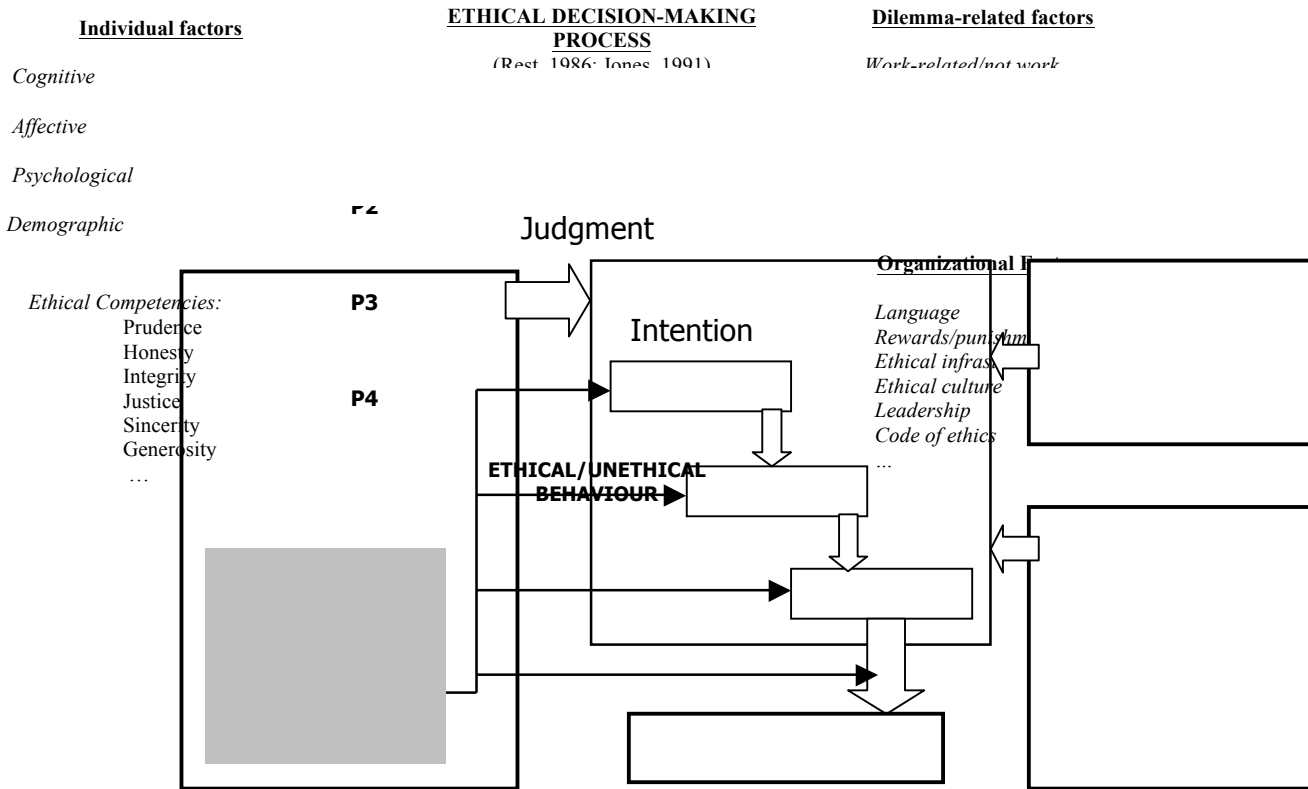


Figure 2. Ethical decision-making process of individuals within organizations. Incorporating benefits for the individual and the organization.

Cognitive
Affective
Psychological
Demographic



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**ETHICAL DECISION-MAKING
PROCESS**
Ethical Awareness
Source: self-elaboration.

Dilemma-related factors
Work-related/not work related
Moral Intensity

Judgment

Organizational Factors

Ethical Competencie
Prudence
Honesty
Integrity
Justice
Sincerity
Generosity
...

