

School of Social Sciences
Department of Social and Organizational Psychology

Sociocognitive processes in ethical decision making

Vítor Hugo Ferreira da Silva

Thesis presented in partial fulfillment of the Requirements for the Degree of Doctor in
Social and Organizational Psychology, area of Work and Organizational Psychology

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ISCTE – IUL

December, 2014



Instituto Universitário de Lisboa
Lisbon University Institute

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December, 2014

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Resumo

As decisões éticas são aspetos centrais na vida das pessoas e organizações. A complexidade que as caracteriza leva a que frequentemente os indivíduos revelem problemas quando se encontram perante questões de natureza ética. As abordagens normativas dominantes têm vindo, face à constatação da ineficácia das prescrições sociais na prevenção da corrupção nas organizações, a revelar-se incapazes de explicar por que e como ocorrem os comportamentos antiéticos. A falta de ética não constitui uma característica individual. Sob certas condições, todas as pessoas podem cometer atropelos éticos. Os factores de contexto parecem ter um papel decisivo na formação dos julgamentos éticos. Neste trabalho, em que assumimos uma abordagem descritiva do comportamento ético, procurámos, a partir dos contributos da psicologia, compreender o modo como a interacção entre factores individuais e os elementos do contexto organizacional afectam o processo de tomada de decisão ética individual. A partir da análise do impacto das relações de responsabilização nas organizações e do processo de estabelecimento de objetivos concluímos que a capacidade de reconhecer situações eticamente problemáticas e agir em acordo depende da forma como os indivíduos interpretam o conjunto de mensagens provenientes do contexto as quais, em muitos casos, incentivam ou ignoram o comportamento antiético. Neste sentido, o aumento da capacidade de escrutínio ético nas organizações parece depender do reconhecimento, por parte da gestão, da necessidade de alinhamento entre as políticas e práticas organizacionais e as preocupações éticas assumindo-se como decisivo o papel dos processos comunicacionais que suportam as relações sociais entre pessoas e grupos.

Palavras-chave: tomada de decisão individual, ética organizacional, responsabilização, estabelecimento de objetivos.

Classificação da tese nas classificações definidas pela American Psychology Association (PsycINFO Classification Categories and Codes): 3600 – Psicologia Organizacional e Industrial, 3660 – Comportamento Organizacional; 3040 – Percepção Social e Cognição.

Abstract

Ethical decisions are dominant in people and organizations' lives. Due to the complexity that illustrates this type of decisions, individuals frequently show problems when faced with ethical issues. Given the inefficiency of social prescriptions in preventing organizational corruption, the normative approaches reveal themselves unable to explain why and how unethical behavior occurs. The lack of ethics is not an individual feature. Under specific conditions, everyone can make ethical abuses. Contextual factors seems to play a decisive role in the way people make ethical judgments. This work, which assumes a descriptive approach to ethical behavior, takes contributions from social psychology to understand how the interaction between individual factors and organizational context affects the ethical decision making process. From the analysis of the impact of accountability and goal-setting processes in ethical decision making, we concluded that the ability to recognize ethical issues and act in an ethical manner depends on how people interpret contextual messages which, in many cases, encourage or ignore unethical behavior. In order to increase organizational ethics, managers should focus on communication processes that support social relationships between people and groups and make the necessary alignments between ethical concerns, management practices and organizational policies.

Keywords: decision making, organizational ethics, accountability, goal-setting

(PsycINFO Classification Categories and Codes): 3600 – Industrial & Organizational Psychology, 3660 – Organizational Behavior; 3040 – Social Perception & Cognition.

Para a Susana e Carolina

Agradecimentos

Ao Professor Eduardo Simões por ter feito este percurso comigo. Por todas as reflexões, sugestões e apoio. Pela partilha de conhecimentos. Pela incessante disponibilidade, confiança, motivação e sobretudo amizade. Obrigado.

Ao Professor José Neves pela motivação constante e pelos preciosos conselhos que ajudaram a focar no que realmente importava.

Aos Professores Ana Passos, Nelson Ramalho, Irina Cojuharenco e João Pissarra pela partilha de conhecimentos, reflexões e contribuições que fizeram ao longo do trabalho de investigação.

À amiga Patrícia Duarte pela partilha de ideias, reflexões e enorme apoio durante todo o doutoramento. Contribuiu para que este percurso fosse ainda mais gratificante e divertido.

Aos colegas de doutoramento. Em especial à Cláudia Andrade, D'Jamila Garcia, Sara Fernandes e Tomás Palma.

À S.I.B. A Voz do Operário e ao amigo Vítor que permitiu e ajudou a compatibilizar este percurso com as minhas obrigações profissionais.

Ao pai, mãe e irmã pelo apoio incondicional, motivação e presença.

À Susana pela compreensão inesgotável, apoio e carinho. À pequena Carolina que tornou tudo muito mais importante.

Index

Resumo vii

Abstract ix

Agradecimientos ix

Index xv

Index of tables xix

Index of figures xxi

General introduction

Introduction 3

Chapter 1 • From collective to individual ethics

1.1. Introduction 9

1.2. Psychology and individual ethical behavior 11

1.2.1. The nature of ethical behavior 13

1.2.2. Normative approach versus descriptive approach 14

1.3. Contributes from Psychology 16

1.3.1. Moral judgment development according to Jean Piaget 17

1.3.2. Moral development according to Kohlberg 19

1.3.3. Four-component model of moral behavior 22

1.4. Conclusion 24

Chapter 2 • Judgment and ethical decision making

2.1. Introduction 29

2.2. Decision anatomy, limits of rationality and cognitive functioning 31

2.3. On the construction of knowledge: The dual processing 33

2.3.1. The heuristic-systematic model 34

2.3.2. The elaboration likelihood model of persuasion 36

2.3.3. Attitude-behavior process model 37

2.4. Ethical decision making: The case of bounded ethicality 39

2.5. Ethical decision making in organizational context 41

2.5.1. The interactionist model of ethical decision making in organizations 42

2.5.2. Issue-contingent model of ethical decision making by individuals in organizations 47

2.6. Contexts of ethical behavior in organizations.....	53
2.6.1. The role of ethical infrastructure in organizations.....	54
2.6.2. Effects from culture and organizational ethical climate	55
2.6.3. The influence of ethical leadership	58
2.7. Individual determinants of ethical behavior in organizations.....	61
2.7.1. Mechanisms of moral disengagement.....	62
2.7.2. Moral identity and ethical behavior	64
2.8. Conclusion	66
Chapter 3 • Effects of accountability in ethical decision making	
3.1. Introduction.....	73
3.2. Accountability theory.....	75
3.2.1. Process accountability and outcome accountability	76
3.2.2. The social contingency model of accountability	78
3.3. The effect of consequences in ethical decision making.....	80
3.4. Study 1 – The role of context in the formation of judgments about the ethical acceptability	83
3.4.1. Introduction.....	83
3.4.2. Objective and hypotheses	85
3.4.3. Method	86
3.4.4. Results.....	89
3.4.5. Discussion and conclusions	92
3.5. Study 2 – The role of context in ethical intentionality.....	97
3.5.1. Introduction.....	97
3.5.2. Objectives and hypotheses.....	99
3.5.3. Method.....	101
3.5.4. Results.....	104
3.5.5. Discussion and conclusions	107
Chapter 4 • Goal setting and ethical judgment	
4.1. Introduction.....	113
4.2. Goal setting theory	117
4.2.1. The dark side of goal setting procedures	120
4.3. Study 3 – Individual ethical performance: The impact of goal setting procedures	123

4.3.1. Introduction.....	123
4.3.2. Objectives and hypotheses.....	125
4.3.3. Method.....	127
4.3.4. Results.....	129
4.3.5. Discussion and conclusions.....	132
4.4. Study 4 – The role of goal specificity and psychological distance in ethical decision making.....	137
4.4.1. Introduction.....	137
4.4.2. Objectives and hypotheses.....	141
4.4.3. Method.....	142
4.4.4. Results.....	149
4.4.5. Discussion and conclusions.....	152
4.5. Study 5 – Effect of ethical climate in the relationship between goal setting procedure and ethical leadership.....	157
4.5.1. Introduction.....	157
4.5.2. Objectives and hypotheses.....	160
4.5.3. Method.....	161
4.5.4. Results.....	165
4.5.5. Discussion and conclusions.....	168
Conclusion	
General discussion and conclusions.....	175
References.....	181
Notes.....	213
Appendix A.....	215
Appendix B.....	217

Index of tables

Table 1 – Levels and stages of moral development	21
Table 2 – Ethical climates.....	57
Table 3 – Means ratings and standard deviations of ethical acceptability depending on experimental conditions and decision outcomes	90
Table 4 – Mean ratings and standard deviations for ethical intentionality according to the experimental conditions and decision outcomes.....	105
Table 5 – Mean ratings and standard deviations for ethical behavior	130
Table 6 - Means, standard deviations and t-test values for each group of decisions....	148
Table 7 – Means ratings and standard deviations for ethical decision making	151
Table 8 – Means, standard deviations and correlation values between variables.....	166

Index of figures

Figure 1 – Four-component model of ethical decision making 23

Figure 2 – The interactionist model of ethical decision making in organizations 44

Figure 3 – The issue-contingent model of ethical decision making by
individuals in organizations 48

Figure 4 – Mean ratings for ethical acceptability 91

Figure 5 – Mean ratings for ethical intentionality 107

Figure 6 – Participants ethical behavior..... 131

Figure 7 – Effect of goal specificity objectives and psychological
distance in ethical decision making 152

Figure 8 - Multiple mediation model of the direct and indirect relationship
between goal difficulty and ethical leadership..... 167

General introduction

What happens when good people are put into an evil place?

Do they triumph or does the situation dominate their past history and morality?

(Philip Zimbardo)

Organizational ethical behavior is one of the social phenomena that truly arouses most interest and indignation in public opinion. The numerous corporate scandals that marked the early years of this century, which had a strong economic and social impact, resulted in an almost widespread suspicion in relation to the conduct of organizations and their leaders. In response to the pressure to act more ethically, many organizations were involved in the construction and implementation of codes of conduct, as well as other control mechanisms of ethical behavior of their employees. By the legal side have emerged regulation instruments to prevent the occurrence of new ethical failures in business. However, despite these efforts, ethical problems continue to occur.

As pointed by Bazerman and Tenbrunsel (2011), one of the essential aspects of ineffectiveness of these strategies concerns to the assumption that people are able to recognize ethical problems. However, the individual ethical behavior is a complex phenomenon: the way people approach problematic issues in ethical terms depends on how people process information related to the subject of judgment, but also of normative inferences they draw from the interaction with others and the different forms of integration in social groups.

The general hypothesis that guides this work assumes that social context factors decisively affect large part of individual judgments about ethical issues in the organization. In order to find evidence to support this assertion, we delineated a journey of research, mobilizing the contributions of Social Psychology, which have allowed, in particular in the last decade, an empirically supported understanding of decision making processes in ethical issues, favoring a descriptive approach to cognition and ethical behavior, as opposed to the dominant normative approaches.

This thesis is organized in four chapters. The first chapter starts with a review of the main contributions from psychology in order to build a comprehensive view of individual ethical behavior. Firstly, we explore the limits of the normative paradigm. This approach, supported by the philosophical conception of morality, assumes that ethical decisions occur in the field of rationality, i.e., that people orient their behavior based on the observation of pre-established moral rules. In this case, ethical failures are the result of conscious adherence to courses of action where ethical concerns are not present. However, given the complexity that characterizes the current ethical problems, this vision has been considered simplistic and was gradually replaced by a descriptive conception of individual ethical behavior. This is especially concerned in understanding, explain and predict how people react when they encounter ethical problems. The comprehension of the individual ethical behavior starts to sustain itself in the analysis of empirical data obtained from the concrete experience of individuals, creating conditions for the emergence, in the field of psychology, of important theoretical contributions in the area of moral development and behavior.

From the analysis of the theoretical models proposed by Piaget (1965), Kohlberg (1968) and Rest (1986), which emerged from cognitivism, we discuss the idea that ethical behavior does not result from the acquisition of pre-established rules and moral principles but rather, from the level of development and maturation of cognitive structures that support moral reasoning and, also from the social interaction processes initiated by individuals in order to solve ethical problems.

The central aim of this review is to reflect if the individual ethical action depends on social prescriptions about the morality or indeed is the consequence of individual interpretations of the world. Given that the change of perspective in the analysis of this phenomenon withdrew from normative position the exclusivity in dealing with ethical and moral issues, psychology has assumed a prominent role in explaining how people think and behave ethically. In line with this evidence, the first chapter ends questioning the existence of linear relationships between ethical belief, judgment and behavior, as well as discussing the robustness of theoretical models of ethical decision making process exclusively based on internal mechanisms and levels of moral development.

The second chapter proposes to capture the complexity that characterizes the formation of individual judgments and ethical decision making. With a particular focus

on organizational behavior we analyze, from an interactionist perspective, the role of individual and contextual factors in the how people guide their ethical conduct.

In individual terms, we discuss two fundamental issues. First, as we know, when making decisions people do not follow rationality criteria (Simon, 1955). Unless they are specifically motivated to expend time and energy in information analysis, people are likely to simplify the decision process. We departed from this assertion in order to discuss the ways in which this limitation of deliberate action applies to ethical decisions. Second, knowing that some individual characteristics seem to increase the likelihood of unethical behaviors, we also analyze the prominence of the individual ethical values and the propensity to rationalize unethical conduct in the way people deal with ethical problems. The salience that we attribute to this problem stems from the evidence that ethical behavior does not depend exclusively of what people think or feel (e.g., Dubinsky & Loken, 1989; Ferrell & Gresham, 1985; Hunt & Vitell, 1986; Jones, 1991; Treviño, 1986). Hence, it is necessary to evaluate all the features that characterize the situation where the ethical behavior occurs, including the organizational ethical infrastructures and all social influence processes performed by leadership and/or by organizational peers, which emerge from the organizational dynamics.

In sum, although fully aware of the difficulties of analyzing processes involving the interaction between the individual and organizational levels, this chapter aims to contribute to a systematic approach to how people interpret and deal with ethical issues.

The following chapters include a set of empirical studies developed from the previous theoretical reflections. The third chapter discusses the role of accountability in judgment formation and decision making about ethical problems. Accountability refers to a state that is activated when people expect to give justifications about their individual decisions and actions to third parties. We empirically assess the impact of accountability as a possible motivator of cognitive effort (Tetlock, 1983a; Tetlock & Levi, 1982) on the ethical scrutiny of individuals. The two empirical studies that integrate this chapter focus on the influence of accountability, as a relevant variable from the social context, in the judgment formation in ethical questions, special attention being provided to the role of social contingencies associated to it.

The fourth chapter analyses the impact of goal setting procedures on individual ethical behavior. Usually considered as one of the principal approaches to human

motivation, goal setting theory determines the existence of a linear relationship between goal difficulty and specificity and the performance level of people in organizations (e.g., Locke & Latham, 2002; 2006; 2013). Regardless of the widely proven motivational benefits of goal setting procedures, in this chapter we discuss the existence of eventual negative consequences of goal setting procedures regarding the ethical behavior of people in organizations. In three studies – two experimental and one correlational – we sought to inquire how the goal nature affects the way people guide ethical conduct. Assuming that ethical behavior is inseparable from the context in which it occurs, in this last chapter, the effects of how goals are communicated by leaders, which can be perceived as ethical or unethical (e.g., Brown & Treviño, 2006), the influence of the set of assumptions, beliefs and values shared by organizational members (Victor & Cullen, 1988), and the type of structures and control mechanisms of ethical behavior in organizations are also analyzed (Tenbrunsel, Smith-Crowe, & Umphress, 2003).

Chapter 1

From collective to individual ethics

But when the news of his arrest began to spread on Dec. 11, the first thought that struck an old friend who had known him as a pioneer on Wall Street, was, "There must be an error. It must be another Bernie Madoff." Then he added, "But then, there is no other Bernie Madoff." (The New York Times, 19/12/2008)¹

1.1. Introduction

Individual ethical behavior is a complex phenomenon. The growing interest of social sciences in this issue shows that understanding ethical flaws perpetrated by individuals and organizations go beyond general prepositions concerning the nature of individual character. Ethical conduct relates to a particular field of people psychological and social life that stems from the reciprocal interaction between personal, professional and social domains that constitutes the individual universe.

This chapter proposes to analyze the role of psychology in the study of individual ethical behavior. First we establish the necessary distinction between ethics and morality and analyze the main philosophical conceptions concerning ethical conduct. We claim that the deterministic positioning of philosophy is too simplistic given the need to target an understanding of current ethical problems. In this sense, we explore the boundaries of normative paradigm and the proposal to adopt a descriptive alternative able to generate the necessary understanding of the processes leading to judgment and ethical decision making.

The gradual expansion of this area of study led to the emergence of an ethical science based on the analysis of empirical data coming from people concrete experience. Piaget's (1965), Kohlberg's (1968) and Rest's (1986) contributions were decisive in the centrality assumed by psychology in theorizing about individual ethical conduct. The cognitive perspective, which serving as a conceptual reference to them, places these authors in an early stage of the development of the psychological approach to ethical behavior. Specifically, advanced theoretical bases are fundamental to the understanding of ethical action under the contemporary perspectives.

We present a reflection on the evolution of the theoretical models of development and ethical behavior and also on their contributes to the evolution of psychological theorization of decision making and ethical behavior in organizational contexts. As mentioned, we start with an analysis about the role of psychology in the study of individual ethical behavior.

1.2. Psychology and individual ethical behavior

In quotidian language, the distinction between ‘ethics’ and ‘moral’ is not always clear. People tend to consider these expressions as synonyms when in fact there is a conceptual difference between them. Moral concerns to the set of principles, norms and values accepted freely and consciously by a society. It is a reasoning system which provides clear and accurate guidelines about how people should behave. In turn, ethics relates to individual actions translated in concrete behaviors which results from people adherence to the principles of conduct emerging from morality. From this point of view, people are moral agents aware of the consequences of their own actions and so, disposed to consider previous convictions as a result of the observation of these principles of conduct.

However, the general consensus about certain moral principles is not always a sufficient condition for people behave in an ethical manner. For example, most people consider honesty as a fundamental moral principle in the relationship they have with their organization, even if sometimes they use the company’s telephone to deal with particular issues. In many cases, people tend to discount the impact of their actions or to consider that the ethical character of these is based on strict compliance with the law (Simões, 2015). That is why is natural that some behaviors, although not considered illegal, are seen unethical by the majority of society. See the example of government leaders who, after the ending of their mandate, immediately assumes the administration of a corporation under the influence of the cabinet they previously coordinate. Or the example of medical doctors working in the public health system who prescribe medical procedures subsequently made by themselves in a private clinic or a person knowing irregularities in the organizations where he/she works and decide not to denounce them because of concerns about his/her career. In all these cases, people tend to justify their own actions simply evoking the legality of this actions or considering that such behaviors do not constitute ethical misconduct because their performers are guided by high moral standards (Moore, Tetlock, Tanlu, & Bazerman, 2006).

The study of ethical behavior, traditionally seen as in the philosophy field, has been progressively assumed by other sciences as psychology, economy and management. The numerous examples of unethical behavior were made public in recent decades had a

major influence on this process. First, they have shown that philosophy is unable to offer adequate explanations to many of the ethical problems that arise today. Ethical flaws are not the product of isolated actions perpetrated by identifiable individuals. These flaws could be conducted, under particular conditions, by any person. This fact reveals that the existence of prescribed guidelines for ethical behavior, as for example ethical codes, are not enough to prevent the occurrence of unethical behaviors. Second, the recognition of the high complexity which characterizes ethical problems, namely in what concerns to the contexts where they happen, is responsible for profound changes in the way as individual ethical conduct is analyzed.

The exclusively normative focus based on the rationality of the ethical awareness as assumed by philosophy was replaced by a descriptive approach concerned with the explanation and prediction of ethical behavior. Specifically, the analysis of the ethical action was no longer saw under a normative approach concerned in providing pre-established rules of conduct and independent from the context (Werhane, 1994). It began to being dominated by the assumption that the explanation about the nature of individual ethical behavior was beyond the premises advocated by the normative perspective (Over, 2008). So it is necessary an approach that provides clear indications about how people think and act towards ethical issues. Ethical behavior was no longer a matter related to the way people should behave and, began to be regarded as related to the way people actually behave.

In this case, recent contributions by psychology (e.g., Epley & Caruso, 2004; Gino, Moore, & Bazerman, 2009; Jones, 1991; Schweitzer, Ordóñez, & Douma, 2004; Treviño, 1986) are fundamental for understanding the nature of individual ethical behavior translated on individual actions or in the organizational ability to deal with ethical problems. People do not guide the ethical behavior based solely on the observation of pre-determined moral values. The social and cultural components play a key role in the process of ethical decision-making revealing the existence of cognitive limitations that affect individual ability to ethical reasoning. For example, the difficulty in recognizing conflicts of interest (Chugh et al., 2005; Donaldson & Dunfee, 1994) which can lead people to act contrary to their own ethical values or the occurrence of bias in the formation of ethical judgments due to perceptions of self-enhancing (Epley & Caruso, 2004) which lead people to consider themselves more ethical than others.

1.2.1. The nature of ethical behavior

What is an ethical behavior? How do we make ethical decisions? What leads us to act ethically?

From a philosophical perspective, we can distinguish between three orientations of ethical behavior. The deontological orientation proposes the existence of a universal structure, firm and unconditional support to morality. Ethical behavior is prescriptive and categorical, i.e., independent from external intentions and based on the individual rationality. Under this perspective, ethical choices are supported by the observation of explicit formal rules such as professional codes of conduct.

The consequentialist approach in its utilitarian version settles that the ethical value of an action resides on the analysis of the cost-benefit relationship about the consequences produced by this action. Ethical behavior is assessed in terms of the adjustment between individual and collective interest, i.e., is not subjected to inflexible rules. On the contrary, it adopts the utility principle: the production of benefits and/or the least harm to all parties involved, as the decisive criterion to justify an action, i.e., the consequences of an action determine its moral value.

Finally, virtue ethics orientation emphasizes the moral character of the individual and his adherence to principles of conduct. In this case, more than the action itself, is the moral integrity of the individual, i.e., his ability to apply the principles of conduct to specific situations, which determine the morality of behavior. For example, disclose confidential information over the organization is considered unethical, not because of the damage that can cause or because it violates the code of conduct of the organization but because it is simply contrary to the behavior of an honest and loyal employee.

The demand from philosophy for universal guiding principles of conduct of ethical action defines ethical behavior as the product of universally accepted rules whether *a priori* or socially determined laws. However, the specificity that characterizes ethical problems has prompted a debate on the scientific validity of ethical prescriptions. Specifically, the interest of psychology on individual ethical action, alongside with the criticism of the normative position of moral philosophy, is responsible for a growing misunderstanding between psychology and philosophy leading to autonomous and divergent paths. The progressive separation between the two social sciences places the

study of ethical behavior in two distinct grounds: The normative approach characteristic of philosophy and the descriptive approach sustain by psychology. The epistemological debate which opposes philosophy and psychology is based mainly on the discussion about the most appropriate methodology for the study of ethical behavior. Philosophy considers that the exclusive focus on the analysis of the perceptions people had concerned their own reality, as assumed by psychology, devalues the normative bases underlying these perceptions (Victor & Stephens, 2008). For its part, psychology refuses that the theorization of ethical action should be subjected to idealize models of human experience (Werhane, 1994) and considers that normative approaches are unable to provide appropriate responses to current ethical problems. Therefore, is necessary the adoption of a descriptive approach which, based on the analysis of factual and statistical information allows the explanation and prediction of ethical behavior (Donaldson, 1994; Treviño & Weaver, 1994).

1.2.2. Normative approach versus descriptive approach

Normative approaches aim to provide specific cognitive schemata which are rules that reinforce ethical decisions and increase the ability of individuals to act rationally when faced with dubious ethical issues. Following this approach, the interpretation of ethical problems occurs in the field of consciousness and obeys to universal rules (Velasquez, 1996). So, it is expected that people be intrinsically capable to prevent ethical lapses. Normative approaches translate their actions in the production of codes of conduct and ethical guidelines. They assume that people hold the ability to act in accordance with pre-established principles of conduct. In general terms the implementation of codes of conduct seems to have a positive effect on organizational ethical behavior (e.g., Kaptein, 2008; Valentine & Fleischman, 2002; Weaver, Cochran, & Treviño, 1999a) and it is expected that the clearer and more specific they are, greater be their capacity to promote ethical behavior. However, the exclusive reliance on formal mechanisms to promote ethical behavior, such as adopted by many organizations, is in most cases too idealistic and restrictive regarding the nature of ethical behavior. In many cases, these codes of

conduct only provide vague orientations about how people should act when facing specific ethical problems.

In this sense, the need to reduce the level of abstraction in the theorization of ethical issues led to a change of focus in determining how people should act, traditionally assumed by normative approaches, to a concern with understanding how people really act when they meet ethical problems. Psychology has played, in this case, a key role in modifying the focus of ethical behavior analysis. The growing interest about the role of the social context in ethical behavior – for example, achieved through the laboratory evaluation of variables such as individual motivation for cooperation and competition (e.g., Batson, O'Quin, Fultz, Vanderplas, & Isen, 1983; Sanfey, Rilling, Aronson, Nystrom, & Cohen, 2003), or how people judge hypothetical ethical actions (Greene, Sommerville, Nystrom, Darley, & Cohen, 2001; Kohlberg & Hersh, 1977) – led to a gradual change in the conceptualization of ethical conduct linked to prescriptions for judgments about justice, rights and welfare which rule the relations between individuals (Turiel, 1983) and give place to a conception of ethical behavior seen as the result of the interaction between individual and social factors.

Descriptive approaches proposes the explanation of individual ethical behavior based on the analysis of concrete evidences resulting from the interaction between individual factors and contextual elements that characterize the decision making process. Their contribution to the field of psychological research on ethical behavior were reflected initially in the proposal of various theoretical models of development and moral behavior (Kohlberg, 1968; Piaget, 1965; Rest, 1986).

The first period of study of ethical behavior by psychology reflects the need assumed by descriptive approaches regarding an ethical science that would allow reducing the subjectivity in the study of ethical behavior. Strongly drove by the cognitive revolution², these theoretical models characterize themselves by the emphasis on mental processes underlying judgment and by the concern to identify the set of intellectual abilities and interpersonal experiences which made possible the apprehension of moral truth.

However, this perspective has been losing exclusiveness in the last 30 years due the emergence of more holistic perspectives of ethical behavior translated into proposals of theoretical models based on social psychology (Haidt, 2013), as well as due to the

gradual specialization of these models, namely in what regards the applications to specific contexts such as organizations. This has been an important step towards the construction of a comprehensive and multidimensional ethical approach focused on the study of active psychological mechanisms in ethical decision making and their interaction with the social structures that make possible social life (Haidt, 2007; Haidt & Kesebir, 2010; Shweder, 1990).

1.3. Contributes from Psychology

The psychological theorization on ethical behavior was until mid80's of the last century under the dominance of cognitive theory. According to this view, the nature of ethical conduct depends on the conscious ability of individuals to understand the world around them. It assumes that ethical reasoning evolves to the extent that the mental structures which underlie it are developed, allowing that individuals form the ethical judgments suitable to the socially established rules and moral principles.

We can distinguish between three theoretical conceptions that marked the initial approach from psychology to the study of ethical behavior. The work of Piaget (1965) in the field of moral development proposes that individual ethical conduct is independent from learning processes based on the transmission of norms and moral principles. According to the theory of moral development, ethical behavior is intimately tied to the level of individual cognitive development and mental maturation and emerges from the processes of social interaction undertaken to find answers to ethical problems.

Following this work, Kohlberg (1968; Kohlberg & Kramer, 1969) proceeded with the operationalization of moral reasoning development based on a system of six progressive stages of reasoning about the social world. According to this author, people use ethical systems consistently with their own level of reasoning and they are able to evolve in terms of the nature of their own principled conduct.

Finally, the theoretical proposal developed by Rest (1986; 1994) argues that determining the nature of ethical behavior based on the level of development of moral reasoning represents a limitation since it corresponds to the analysis of default cognitive schemes about the meaning people give to social situations and not a way to differentiate

different levels of moral reasoning. As suggested by Rest (1986), one approach to ethical behavior under the moral development perspective only offers intuitive notions to interpret social world, and the proposal of developing moral stages is essentially an analysis about the judgment conceptualization and does not take into account other components of the psychological processes involved. In Rest perspective, ethical behavior is not dependent exclusively on the level of moral reasoning of the individuals, so an approach that considers the psychological processes underlying the formation of ethical judgments is necessary.

1.3.1. Moral judgment development according to Jean Piaget

As proposed by Piaget (1932), people's ability to interpret and understand the world depends on the progressive re-organization of mental processes which result from biological maturation as well, from individual participation in social interaction processes. His interest in the nature of knowledge has guided Piaget to the study of child cognitive development. Bases on the evaluation of children of different ages, Piaget (1928/2002) has established that the process of maturation and cognitive development occurs in progressive and sequential stages organized in cognitive developmental stages. The acquisition, adaptation and utilization of the concepts that mediate the relationship between the child and the world does not depend on innate skills or explanations provided by others. The re-organization of knowledge in cognitive structures progressively more complex results from a process of self-construction that comes out of the relationship of the child with their peers.

Piaget's (1965) research about the nature and development of moral awareness intended to understand the social construction processes and the recognition of laws and rules by societal groups. He defined the psychological nature of moral reality as the result of the relationship between the practical application of rules and the way which rules are conceptualized. From the observation of children playing, Piaget (1965) had determined that the nature of moral judgment evolves in a four stage sequence which reflects the transformation process of moral awareness from a heteronomous perspective subject to authority norms to autonomous perspective ruled by action norms. Depending upon age,

children could conceive rules as sacred and mandatory or, otherwise, as a product of autonomous choices revealing capacities to follow or change rules and resolve conflicts.

The first stage of moral judgment runs until three years old. The moral judgment in this stage is based on the formalization of ritualized schemes and the compliance with rules depends on children's skills and their mobility limitations. Compliance with the rules is detached from social relationships and social reality is perceived by children as not obligatory or compulsory.

From this age, the agreement with the rules assumes a central role in the processes of social interaction. Children perceive the rules as untouchables and their change is seen as a transgression. Is this conception of rules that frameworks the second and third stages of moral judgment development. The second stage, called egocentric occurs between three and six years old. Here, children adopt a self-centered perspective based on the idiosyncratic application of the rules, i.e., children act in an individualistic way with materials that are social. Specifically, they play alone even if they are in a group context. The third stage begins around seven years old and represents an evolution on the understanding about abstract concepts. Children move from individual rituals to the adoption of concrete rules which result from interaction with other children. Relation with rules assumes a cooperative perspective based on equality, mutual respect and reciprocity. Children show a concern with control and rule unification as an underlying condition of social order. The last stage, which begins from 12 years old is characterized by rule perception as a product of mutual consensus between individuals and, for that, liable to changes regarding individual interests.

Moral judgment development could be described as a construction process of social and moral intelligence which depart from mere observation of rule systems with mandatory content externally imposed to the individual to a progressive increase of the ability to interpret and understand these rules which are product of mutual agreement between individuals involved in social interaction processes. Moral awareness development presupposes an increase in children's ability to understand other point of views including the perspectives that are in conflict with their own views. However, as stated Piaget (1965), this ability could be facilitated or constrained by relationships between people. In this case we can distinguish between two types of social relationships: those dominated by constraint related to the unilateral respect to authority and those

which are characterized by cooperation where all individuals are on equal terms and able to consider different points of view to justify their own actions.

These two worlds – constraint and cooperation, coexist in childhood and persist in adulthood (Carpendale, 2000; 2009). Both children and adults make use of the two types of moral reasoning. Its use depends on the situation or on the nature of interaction and not exactly on the individual moral development stage. Specifically, social interaction ranges in a continuous between constraint and cooperation relationships limiting in this way the use of different types of moral reasoning. By this, the nature of social relationships assumes a facilitating or inhibitor role in the awareness process related to others and determines the nature of ethical behavior.

1.3.2. Moral development according to Kohlberg

Inspired by Piaget's seminal work (1965) about the nature of moral judgment, Kohlberg's moral development theory (Kohlberg, 1968; 1975; Kohlberg & Hersh, 1977) remained until the 1980's as the most important approach to the moral reasoning development. Over 20 years, Kohlberg and colleagues (1987; Kohlberg, 1981) followed, through the analysis of the answers to hypothetical moral dilemmas, the moral reasoning evolution in a group of individuals. They concluded that moral judgment is subject to a progressive maturation, organized around a moral structure which develops and changes based on preceding structures of moral reasoning. In Kohlberg's view (1968), moral development is more than a transference of rules aiming the adjustment of the individuals to socio-moral agreements. Children hold their own mental structure and construct meanings about universal categories. The same applies to moral issues, which are subject to an evolutionary transformation resulting from the dialogue between cognitive structures and environment complexity, which impels progress in moral reasoning stages. Specifically, morality results from the universal liability that individuals have to empathize and become aware of others (Kohlberg, 1975). In this sense, the moral evolution does not correspond solely to the internalization of simple social rules, but results from the reconstruction of the sense of justice and reciprocity in response to the social problems that the individual is confronted with.

The assumption of these propositions leads to the moral development theorization taking in account three levels of judgment orientation: pre-conventional, conventional and post-conventional. Each of these levels includes two specific development stages giving rise to an organization in six progressive, sequential and invariable reasoning stages through which the moral information is processed (Colby & Kohlberg, 1987; Kohlberg, 1968; 1981; Kohlberg & Hersh, 1977). Each of these stages corresponds to a structure of principles that define the type of thought characteristic of a particular developmental phase and the acquisition of new structures of moral reasoning presupposes as mentioned above, the development, transformation and replacement of previous structures. The structures that come later corresponds therefore to a higher cognitive sophistication, i.e., they are more complex, differentiate, integrated, logical and organized than the structures they replace. In sum, higher stages – who occurs in later stages – correspond to a larger capacity of individuals to become aware of others yielding prescriptive, universal and impartial moral decisions (Krebs & Denton, 2005). The progression between stages underlies a socio-moral perspective corresponding to the basic criterion that sustains the sequence of proposed stages. In this view, the cognitive component that allows the stage grounding is intrinsically moral rather than a logical or socio-moral structure applied to the moral field.

1.3.2.1. Stages of moral development

In the first level – pre-conventional, moral dilemmas are associated with individual needs. Situations of moral conflict are interpreted based on the perception of the power of those with ability to punish or reward behavior. This assumes that an egocentric or individualistic perspective related to moral problems defines conduct validity in terms of the physical consequences they produce. Individuals can be exclusively motivated to avoid punishments (first stage) or concerned with satisfying personal or other person's needs (second stage). In conventional stage, resolution of moral conflicts changes its focus from an individualistic perspective to the group context. It can be seen a highlight on the need to adjust to social norms of conduct. An action morally right implies individual adherence to stereotyped forms of conduct in order to accomplish

others expectations (third stage) advancing to a concern with social order (fourth stage) translated into behaviors guided by fixed and immutable rules. Finally, the post-conventional level presupposes individual effort in (re)definition of principles and moral values so they can have application beyond socially established conventions. People conceive moral action in terms of its utility and they are clearly aware about the relativity of personal values namely, because these are liable to adjustments in order to build consensus between people (fifth stage). Lastly, the evolution to the final stage of moral reasoning (sixth stage) depends on the adoption of abstract ethical principles that are translated into categorical imperatives focused on the universality of justice, reciprocity, and equity as essential conditions to an individual moral conduct. Table 1 displays the levels and stages of moral development proposed by Kohlberg (Colby & Kohlberg, 1987; Kohlberg, 1975).

Table 1 – Levels and stages of moral development

Level	Stage	Socio-moral perspective
1. Pre-conventional	1. Heteronomous morality	Concrete individual perspective
	2. Individualism	
2. Conventional	3. Interpersonal conformity	Member-of-society perspective
	4. Social system and conscience	
3. Post-conventional	5. Social contract or utility	Prior-to-society perspective
	6. Universal ethical principles	

Adapted from Colby and Kohlberg (1987)

The evolution of the moral reasoning structures defines the way how people perceive and decide about ethical issues. In fact, this evolution increases the individual ability to perceive accurately how decision outcomes affect the others. The progression between stages assumes a cumulative perspective, i.e., reasoning structures previously acquired are organized, along the moral development process, in a more balanced and comprehensive way (Kohlberg, 1968; Rest, Turiel, & Kohlberg, 1969). As already mentioned, moral development follows a linear and invariable sequence. Specifically, an

individual who is in stage three always moves to stage four and not directly to a higher or a lower stage. However, this evolutionary process is not the same for different individuals. It could occur at different paces depending from social, cultural or religious variations (Kohlberg, 1968). As mentioned by Rest and colleagues (1969), progression between stages depends on the individual ability to understand higher reasoning structures which, when presented as a solution for a specific moral problem, can lead individuals to perceive their actual mode of reasoning as functionally inadequate. It is a personal characteristic related to the openness to other modes of reasoning which, not being directly dependent from age, mental age or the level of intelligence (Rest et al., 1969), can be inhibited by specific personality features or lack of moral conflict situations through which individuals are exposed to more differentiated modes of reasoning.

1.3.3. Four-component model of moral behavior

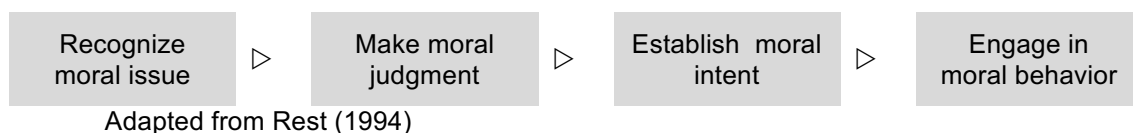
Regarding the critics to the moral development theory concerning the ability of this approach to provide concrete explanations about the relation between moral judgment and moral behavior (e.g., Blasi, 1980), James Rest (1979), Kohlberg' collaborator, advocates that moral judgment stages theory reduces moral judgments to a basic benchmarking of the level of moral reasoning development. Specifically, the analysis of moral development stages refers to the level of moral reasoning conceptualization providing few information about how and under what conditions people act when they face moral situations (Rest, 1994; Thoma, 1994).

The cognitive perspective assumes that moral judgments are directly related to moral behavior. Moral judgment and moral behavior are connected in the sense that the ability to define moral problems with more detail leads to more appropriate actions (Thoma, 1994). The [moral] cognition allows to understand and solve moral problems, i.e., recognize who might be affected by the consequences of the behavior, support the establishment of priorities, and finally, to decide the specific action to be undertaken. As the moral reasoning progresses to more complex levels, individuals are more capable to define more adequately the moral situations they face and, consequently, more able to pursue moral responses in accordance. However, the use of interpretive systems seems to

be insufficient to forecast specific behaviors in specific situations since they fail in the explanation of the process which links the understanding of the situation with the action. This problem requires a model that considers all additional factors that are beyond moral judgment and be capable to describe the process by which specific actions are developed regarding specific situations.

The four-component model of moral behavior (Rest, 1994) proposes that moral actions are a final result of conceptually distinct processes that work together and in an interactive way. Specifically, moral action is accompanied by a focus on processes related to the identification, construction and implementation of ethical behavior. Rest's model maintains the emphasis on cognitive development, but specifies a group of other processes that overcome the existing gap in the understanding of the relationship between moral judgment and moral action, thus providing a new approach on research about morality. This model assumes, to some extent, that moral behavior results from the interpretation of specific situations. In this sense, Rest (1994) proposes a model consisting in four components related to the psychological processes that occur when people pursue moral behavior. Figure 1 presents the four-component model of ethical decision making.

Figure 1 – Four-component model of ethical decision making



The first component, named *recognize moral issue* is related to the interpretation of the situation, i.e., how the individual is aware (or not) of different courses of action and how those actions affect third parties involved in a given moral situation. This first component implies the construction of hypothetical scenarios and the ability to recognize the causality chain between events. In order to be successful in this task, individuals should be able to empathize and to adopt others' perspective in the analysis of moral situations. The second component, called *make moral judgment* is related to the evaluation of the morally acceptable actions from the various courses of action foreseen.

Establish moral intent is the third component and requires a choice between different moral and personal values. The moral behavior depends of the person's motivation to adopt moral values instead of personal interests. Finally, *engaging in moral behavior* is the last component of the moral behavior process and implies the capacity to achieve moral actions. It is possible that people recognize a moral issue and the available courses of action (first component), establish which behavior is morally justifiable (second component) but, confronted with a certain conflict of interest, decides to satisfy individual needs or personal values rather than moral values. In sum, people can be able to recognize moral issues, decide about what is a morally action, put moral values above other values or interests but, finding themselves under pressure they can be easily distracted, discouraged or driven to engage in immoral behaviors.

The order of the components in Rest's model (1994) is more than chronological, is logical. It is possible, for instance, that the establishment of moral intent arises before the recognition of moral issue and, in this case, are the moral values that drive people in the interpretation of the situation. This aspect is based on the assumption that psychological processes underlying moral behavior are distinct and, therefore, can mutually influence each other (Rest, 1986). A moral failure can occur due to an insufficiency in any of the components. Although valuable in understanding how people conduct moral decision process, Rest's model reveal itself unable to explain the reason why the recognition of a moral ethical issue does not necessarily imply an ethical behavior. The perception of ethicality seems to be insufficient to explain or predict an ethical decision or an ethical behavior.

1.4. Conclusion

In this chapter we observed that, more important than producing rational considerations about morality, it is necessary to understand social constrains related to ethical behavior. Until recently, the explanation of ethical misconduct lay in the assumption that ethical behavior occurred in the context of social prescriptions. This conception, of intuitive nature, has gathered over the time quite a number of followers since, in practical terms, it would make easier the identification and punishment of those

responsible for unethical behavior. The widening of ethical behavior research to social sciences led to a significant change of paradigm. The rational and normative position assumed by philosophy was progressively replaced by a descriptive approach interested in understanding how and under what conditions ethical behaviors occur.

As we have seen, from a conceptual point of view, psychology has played a decisive role in the evolution of the perspective of ethical behavior as a result of the interaction between individual and social domains which affect the way people perceive the world. The exclusivity given to the cognitive component in judgment formation and ethical decision making dominated initially the conceptualization of individual ethical behavior. Cognitive models establish a linear path between ethical beliefs, judgment, behavior and, the underlying system of inputs and outputs which attempts to capture the complexity of ethical decision making. In this perspective, ethical values reflect individual moral maturation and they are exclusive in judgment formation. In practical terms, ethical behaviors are examined under perfect conditions, i.e., external influences and their meaning are not contemplated. This aspect results in an objective difficulty from cognitivism to explain the relation between judgment and ethical behavior.

As we will see in the next chapter, the need to establish a holistic approach to ethical behavior gave origin to an attempt to synthesize the individual and situational components of the ethical decision making process. This was a change of focus from the identification of internal mechanisms and individual stages of moral development to a global approach about how people make ethical decisions. Attention began to be focused on the set of factors and influences produced by the specific contexts where ethical decision making processes occur. The influence of individual differences and social contexts on ethical intentions, decisions and behaviors was recognized. In this dissertation, we intend to go beyond the usual assumption that ethical misconduct is a result of an individual orientation that aims self-interest at the expense of the action considered as correct. Taken as reference the work of Herbert Simon (e.g., 1955; 1983) concerned to the bounded rationality, psychological research in decision making area has challenged the basic assumption that humans are aware of their own actions and thoughts. In practical terms, the analysis of ethical situations implies that individuals have available large cognitive resources (Fiske & Taylor, 1991; Simon, 1997). Hence, people may be

led to exclude from the decision making process information related to ethics through the use of cognitive schemata that are insensitive to moral incentives.

The organizational context can constrain or even ignore the ethical dimension of problems that people face in their daily lives. People with limited experience in dealing with ethical issues or when confronted with ethical dubious situations tend to reveal more difficulty in recognizing ethical problems in their own decisions. Therefore, it is not surprising that the attention or the strategies adopted faced to an organizational ethical dilemma often gives priority to strictly organizational information, because this is or is made to be more salient than the ethical component that is present in many situations.

Chapter 2

Judgment and ethical decision making

2.1. Introduction

Over the last decades, research on individual ethical decision making has undergone intense developments (e.g., Barsky, 2008; Bazerman & Gino, 2012; Bazerman & Tenbrunsel, 2011; Brady & Logsdon, 1988; Brown, Treviño, & Harrison, 2005; Chugh et al., 2005; Gino et al., 2009; Gino, Shu, & Bazerman, 2010; Jones, 1991; Jones & Ryan, 1998; O'Fallon & Butterfield, 2005; Schweitzer et al., 2005; Treviño, 1986; Victor & Cullen, 1988), partially motivated by the numerous scandals in the corporate world. A generalized perception of erosion of ethics and moral values in organizations (De Cremer & Tenbrunsel, 2012) has underlined, faced to an increasingly ethical scrutiny in public opinion, the need to devote a greater attention to ethical behavior in organizational context.

In this chapter we examine the set of aspects underlying the formation of judgments and decision making in ethical issues. Departing from the analysis about the limitations of human cognition and the theoretical proposals about the construction of knowledge, we explore the role of individual and contextual factors in organizational ethical decision making.

Evidence shows that people in their judgment are affected both by individual aspects and context elements (e.g., Kahneman & Tversky, 1979; Stanovich & West, 2000; Stanovich, West, & Toplak, 2013). If on the one hand, the use of structures of knowledge developed based on motivations, goals and individual experience (Ashforth, 1988; Fiske & Taylor, 1991) may constrain the decision making process (Bargh & Thein, 1985; Pillutla & Chen, 1999) – for example: the difficulty in recognize ethical issues that can result in unintentional unethical actions (Bazerman & Banaji, 2004; Chugh et al., 2005; Tenbrunsel & Messick, 2011). On the other hand, the influence of external factors can cause the vanishing of moral component and, consequently, increase the difficulty of the individual to acknowledge that is meeting an ethical problem.

This is a limitation of ethical awareness which often leads people to make decisions contrary to their own moral values (Chugh et al., 2005) and personal interests (Sparks & Pan, 2010). In this case, the research about obedience and authority developed by Milgram (1963; 1965) or the *Stanford Prison Experience* conducted by Zimbardo and his colleagues (Haney, Banks, & Zimbardo, 1973) are the initial reference of the moral

behavior interactionist perspective. The works of those author were pioneers in the analysis of the role of context in judgment formation and, represent a fundamental contribution to a change in the focus of analysis about ethical behavior. As we will see, ethical decision making in organizations does not depend exclusively from dispositional attributions, i.e., individual characteristics. Through the analysis of the principal models of ethical decision making in organizational context (Jones, 1991, issue-contingent model of ethical decision making; Treviño, 1986, person-situation interactionist model) ethical behavior is conceptualized as the result of the relationship between individual characteristics and the context attributes where the action takes place.

2.2. Decision anatomy, limits of rationality and cognitive functioning

The notion of bounded rationality (e.g., Simon, 1955; 1997; Thaler, 2000) emerges as an essential element in the rejection of the conception of the human being as an agent which seeks, through decision processes based in the analysis of all available information about options and implications, the maximization of self-interest (Bazerman & Tenbrunsel, 1998; Jurgermann, 2000; Simon, 1959). The use of processes of bounded rationality emerges from the need to obtain sufficient satisfactory decisions based on the available resources. For that, individuals tend to use simplified processes of information analysis which are driven by the demand or need of responses which cannot be obtained by using requirements of rationality.

The simplification of decision making processes stem from the fact that individuals get constrained both by limited attention and memory and the context where decisions take place, such as, all the costs in time and cognitive work associated to search for information. Simon's analogy (1990) related to decision behavior which would be *"shaped by a scissors whose two blades are the structure of task environments and the computational capabilities of the actor"* (p.7) illustrates perfectly how decisions refer to a set of choices identifiable in time and space and under the influence of the emotions, imagination and memories of the decision-maker.

The recognition that individuals do not always make decisions based on criteria coherent and consistent with available decision alternatives (Tversky & Kahneman, 1981) as stated by rational decision making model put the decision process in dependence of personal inferences about the world (Bazerman & Tenbrunsel, 1998; Higgins & Bargh, 1987). So, if on the one hand, individuals try to follow logical, explicit and conscious procedures, on the other hand, frequently they adopt intuitive, automatic and emotion based processes (Bazerman & Moore, 2009; Kahneman, 2003; Stanovich & West, 2000).

The distinction between intuition and reasoning constitute a research topic of great interest in social psychology (e.g., Epstein, 1994; Haidt, 2012; Simon, 1997; Stanovich, 1999; Stanovich & West, 1998; 2000). Specifically, concerned to the distinction between two types of cognitive processing, Stanovich and West (2000) propose two systems: *system 1* and *system 2*. In system 1 mental operations are typically rapid, associative, implicit and do not require large amounts of cognitive effort since they are usually ruled

by emotion. They are based in routines and, consequently, hard to control or change. In contrast, system 2 includes intentional and explicit judgments. Involves mental operations that require great cognitive effort that are conscious and deliberately controlled.

Cognitive functioning based on the use of heuristics and simplified strategies in information analysis (Bazerman & Moore, 2009; Tversky & Kahneman, 1974), although adaptive, generates frequently errors in judgment and biases, putting into question the quality of decisions. Following Simon's (1983) notion of bounded rationality, this is a type of cognitive functioning which can be considered satisfactory. However, from the point of view of maximum expected utility, decision making process could fail. Specifically, although in many cases we can achieve our goals (Over, 2008), the inconsistency that affects many of our judgments makes it difficult to obtain the maximum expected utility of our decisions.

As stated by Tversky and Kahneman (1974), when analyzing information in order to making a judgment, people can lean on decision rules like the probability of occurrence of a certain event (*representativeness heuristic*), in decision rules on the frequency or plausibility of a particular event (*availability heuristic*), or adjust they judgment due to an expected result (*adjustment and anchoring*). Additionally, the process of making a judgment evokes an emotional evaluation which, as stated by Slovic and colleagues (2002), might be a decision rule (*affect heuristic*) with a key role in the complex evaluation of the cost-benefit of the decisions. In sum, people produce judgments and make decisions without revealing great concern with utility maximization or in estimate probabilities related to the results and consequences of their decisions. When an optimal decision is not within reach, people use decision rules previously learned that allow rapid and robust judgments and promote the necessary adaptation to the context in which the decision-making process occurs (Gigerenzer, 2008).

Mental operations are dual in their nature i.e., the process of information analysis underlying judgment formation can occur in two distinct ways (e.g., Chaiken, 1980; Chen & Chaiken, 1999; Epstein, 1994; Epstein, Lipson, Holstein, & Huh, 1992). Regardless of their variations, dual models of information processing converge in the recognition that social judgments vary between analytical and detailed information processing and the use of less hardworking cognitive strategies in the analysis of peripheral information.

2.3. On the construction of knowledge: The dual processing

Dual process theories are one of the most significant theoretical developments in the history of social psychology (Gawronski, Sherman, & Trope, 2014). In the last 30 years, dual process theories were constituted as the dominant paradigm in the field of social cognition (e.g., Cacioppo & Petty, 1984; Chaiken, 1980; Petty & Cacioppo, 1984), examining the set of mental and psychological processes underlying how people interpret and assign meaning to the social world. Additionally, they reflect the confluence of *operating principles* related to mental mechanisms involved in information processing, and *operating conditions* that reflect the circumstances where information processing occurs (Gawronski & Bodenhausen, 2009).

The construction of knowledge envisaged by these theories supposes the existence of two reasoning systems typically associated to two poles of a continuum of information processing modes. Systems such as the experiential-rational system (Epstein, 1994), the heuristic-analytical theory of reasoning (Evans, 2006), the heuristic-systematic model (Chen & Chaiken, 1999), implicit-explicit system (Evans & Over, 1996) or the associative and rule-based system (Sloman, 1996) are examples of a certain theoretical consensus concerning a dichotomous perspective of information processing styles. In the area of social psychology we highlight the theoretical approaches to persuasion (Petty & Cacioppo, 1984; Chaiken, 1980) and the relationship between attitudes and behavior (Fazio & Towles-Schwen, 1999) which together allow us to understand the effect of the characteristics of the information in the formation of attitudes and behavior. In general, people tend to spend little cognitive effort when they are in situations over which they do not have knowledge. In fact, judgments and decisions are frequently based on previously acquired information, on pre-existing stereotypes or cognitive schemes in order to assign order and structure to events. The construction of knowledge and the formation of judgments falls on little reflected cognitive operations, i.e., the analysis and the understanding of new information emerges from the imposition of pre-existing concepts or heuristics considered appropriate by the individual. This process runs unconsciously and is influenced by internal mechanisms of inference and categorization related to the social world. People tend to see judgments as a result of building responses to needs, expectations and goals, and they tend to think that this judgment reflects accurately the

social reality (Asch, 1987). However, under certain conditions or specific stimuli, for example, when people feel that the use of heuristics is not enough, they can be guided to employ large amounts of time, cognitive effort and energy in the analysis of information and, consequently, to establish judgments based on detailed knowledge of the situations. None of these strategies guarantee the absence of errors in judgment. For some authors (e.g., Smith & DeCoster, 2000) these processes work in parallel to form two different courses of action. Both are based on individual cognitive flexibility and serve the purpose of understanding and integrate information in order to form judgments about the social world. However, the notion that the detailed information processing is one of the continuum poles that not necessary means that the use of less demanding cognitive mechanisms constitutes the other end of the continuum. It will be, therefore, a mistake to assume that the processes dominated by the unconscious and automatic processing type are always responsible for cognitive biases, as well as to consider that the processes in which individuals analyze more carefully the available information are always responsible for correct judgments. As we will see, there is no reason to assume that one mode of cognitive processing suppresses or inhibits the use of the other. On the contrary, upon specific conditions (e.g., Gigerenzer, 2008; Tetlock, 1985a) both modes can have a key-role in optimizing cognitive effort. For instance, given the view that the fast processing type is necessarily dominated by automation (Evans & Stanovich, 2013), some authors, such as Kahneman (2012), assume that although processes characterized by speed generate, by default, intuitive responses this does not mean that conscious and detailed information processing can not happen also. In this sense, cognitive processing modes can vary. For example, analytical thinking as the explicit processing of rules and the use of high cognitive resources is, by nature, slow and careful, but can, at certain times and under specific conditions, be fast and causal.

2.3.1. The heuristic-systematic model

The heuristic-systematic model (Chaiken, 1980; Chen & Chaiken, 1999) suggests that when people are not motivated or are limited to think about the content of a message (e.g., low personal relevance, time constraints) they adopt a heuristic cognitive processing

mode which reflects less cognitive effort. This type of mental operation only requires the use of heuristics – decision rules which correspond to learned knowledge structures, stored in memory (Chen, Duckworth, & Chaiken, 1999) which are available, accessible and applicable to the judgment in question. In contrast, systematic processing seems to occur in situations where individuals are highly motivated and able to analyze message content (e.g., high personal relevance, absence of time pressure). This is a type of cognitive functioning that involves a comprehensive analytical approach to relevant information and require cognitive skills regarding information processing (Chen et al., 1999). The heuristic-systematic model assumes that individuals are guided by the “*principle of least effort*” which means that heuristic processing mode prevails over the systematic processing mode. However, when processing information about judgments, individuals tend to balance the maximization of cognitive effort and the need to satisfy motivational aspects, like social identity maintenance or impression management, in order to satisfy their goals. In general terms, people are engaged in cognitive process until they feel a satisfactory level of confidence in their judgment.

For example, the decision to buy a personal computer of a particular brand may simply be based on the knowledge that many people chose a given brand, i.e., people base their decision on an indicative heuristic that a consensus view corresponds to a good decision. On the contrary, people can try to obtain information about the quality and reliability of the personal computer in question, compare it with other brands and decide based on a wide range of information.

However, the specific motivation for the selection of the information may not be sufficient to promote cognitive systematic processing. People may be moved by the desire to establish themselves as competent, moral or successful. This idea is reinforced by Simões (2005) when he says that even after analyze the information in a systematic manner, individuals who are heavily involved with the situation on which they have to make a decision can focus on irrelevant information and impair the quality of their judgments. Referring to the previous example, people may, after analyzing all available information on the characteristics of the personal computer, base their purchase on the basis of consensus opinion as a matter of group identification.

This specific situation is due to the fact that individuals do not handle all situations equally. In fact, they may wish to hold information and knowledge concerning some

particular issues while neglecting others (Kruglanski and Webster, 1996). So, the cognitive functioning concerned to the decision making involves a number of assumptions that mediate the relationship between personal beliefs and motivational aspects of decision making process (Jost, Glaser, Kruglanski, & Sulloway, 2003). On the motivational aspects, they can be directional and not directional and determine the amount of information and how this information is processed by individuals (Jost et al., 2003). Individuals are directly driven by the need to provide, at all costs, a response to a given problem in order to avoid prolonging the state of confusion and ambiguity caused by the lack of response (*need for closure*) or, on the other hand, by the desire to delay as possible the problem resolution, allowing the analysis of the maximum available information in response to the perception of inherent costs to give it terminated (*need for disclosure*) (Kruglanski & Webster, 1996; Webster & Kruglanski, 1994).

Overall, the heuristic-systematic model allows a comprehensive approach of motivated cognition (Chen & Chaiken, 1999), i.e., the extent to which the presence of specific motivational factors determines the adoption of heuristic or systematic cognitive processing (Tetlock & Levi, 1982). Through specified conditions, people can be led to think deliberately about a problem and make decisions where all courses of action were considered and reflected. However, cognitive processes occur in the context of social relationships between individuals and groups. So, even the motivation to think systematically can be affected by less diligent cognitive patterns resulting from the influence of certain social objectives as, for example, the individual expectation of third-party judgments.

2.3.2. The elaboration likelihood model of persuasion

The elaboration likelihood model face to persuasive messages establishes the existence of two types of cognitive mechanisms: central and peripheral mechanisms. Each of these mechanisms describe different cognitive processes. The central cognitive mechanism assumes that when people evaluate the arguments of a message, make use of a great cognitive effort. They tend to consider the message arguments carefully and try to establish relationships with their own knowledges and values. In this case, individuals are

motivated and feel that they have the ability to think about a message and about all the issues that it involves (Cacioppo & Petty, 1982; 1984). Central cognitive mechanism produces decisions that reflect individuals' attitudes and allow predicting the behavior. On the other hand, people can make decisions using peripheral cognitive mechanisms. In this case, information analysis reflects the allocation of minimal cognitive resources. People tend to focus on clues or in marginal information related to the message and not on the quality or validity of the message arguments.

The message elaboration likelihood depends on two key factors: motivation and competence. Motivation refers to the desire of the individual to process the message and competence is related to individual capacity to, in a critically way, analyze the message (Petty, Wells, & Brock, 1976).

Usually, people desire to form judgments and make decisions in a right way. However, this does not mean that the allocation of cognitive effort is the same in all situations. People can try to analyze the information about an issue in detail or based on sources they consider credible as the opinion of someone they believe to be an expert. Thus, the desire for accuracy may vary depending on individual and situational factors. If an individual is not motivated to think about a certain message or do not has the necessary skills, he tends to reveal higher propensity to use peripheral information to decide how to act. For example, observing the reactions of third parties or focus on external rewards. In this case, as pointed by Petty and Wegener (1999), the use of a peripheral cognitive mechanisms will result only in a temporary change of attitude or even in a lack of attitude change. Because of this, the use of peripheral cognitive mechanisms has little weight on behavior prediction. However, evidence from social psychology supports the view that the focus on information from the context which includes peripheral cues but also the message sender level of expertise or its attractiveness can determine the change in attitude and consequent behavior.

2.3.3. Attitude-behavior process model

This model describes the processes by which attitudes can affect the formation of judgments and behavior: spontaneous processes and deliberative processes. Behavior

may result either from attitudes automatic activation or from careful and detailed information which underlie the activation of these attitudes. Spontaneous processes are in their nature, unconscious and based on pre-existing memory schemes. In contrast, deliberative processes involve considerable cognitive work related to information processing and the analysis of costs and benefits relating to the choice of a particular course of action (Ajzen & Fishbein, 1973; Fishbein & Ajzen, 1975). People are led to consider the implications of their actions and also the impact of those actions according to their own perception of how others will evaluate behavior.

An attitude which is salient in the memory is more likely to be activated. For that, it is sufficient that people face a situation congruent with that same attitude. In this sense, positive attitudes, when they are activated, emphasize the positive aspects of a situation, in the same way, negative attitudes focus attention in the negative elements of the situation (Ajzen & Fishbein, 1973; Fishbein & Ajzen, 1975). For instance, an ethically dubious work instruction associated with rewards which are valued by the individual may increase his propensity to discount the ethical implications of his action by focusing exclusively on information seen as positive. This is a case where the behavior results from the concrete definition of the situation and where deliberative cognitive processes are not involved.

However, the daily lives show that the use of spontaneous and deliberative processes does not occur separately. A careful information analysis does not happen as opposed to the use of unconscious mechanisms. In the same manner, automatic activation of attitudes does not nullify the deliberate and conscious planning of a particular course of action. For a deliberative process occur it is necessary, first of all, that the individual be motivated for cognitive work and, secondly, the existence of conditions for this cognitive work be carried out. As stated by Fazio (1980), the motivation and opportunity determine the relationship between attitudes and behavior and may give rise to hybrid information analysis process involving a combination of automatic and deliberative components. For example, it is known that accountability (Tetlock & Levi, 1982) increases the people motivation to think about the issues. However, in certain cases, it can promote the adoption of automatic mechanisms of information processing in order to adapt the attitudes and behavior to the audience. Regarding to opportunity, research shows that in the presence of appropriate conditions individuals tend to employ higher

cognitive effort in information analysis. However, contexts characterized by high pressure on the individual performance or the existence of high levels of fatigue appears to increase people tendency to use a combined version of deliberative and automatic processes (Fazio, 1980).

2.4. Ethical decision making: The case of bounded ethicality

As we have been seeing, people usually tend to drive the decision making process on the basis of unintended and uncontrollable psychological mechanisms which are inaccessible to reflection. Specifically, the existence of cognitive limitations in attention and capacity to retain, analyze and process all available information means that, in the absence of specific motivational elements, people resort to using simple decision rules commonly known as heuristics. These rules allow, despite the errors of judgment that may cause, that individuals conduct the decision making process quickly enough as often is required.

The easiness and speediness with which people decide about ethical issues on their day lives puts this particular type of decision on dependence of some psychological mechanisms which are different from decisions considered common. In the specific case of ethical decisions, people tend to rely on automatic mechanisms and based themselves on intuition (Haidt, 2001). This way, people restrain the quality of ethical reasoning and, in many cases, make decisions which are contrary to their own values and ethical principles (Kellaris, Dahlstrom, & Boyle, 1996). Therefore, it is considered that people are limited in their ability to make ethical decisions (Chugh, Bazerman, & Banaji, 2005; Donaldson & Dunfee, 1994). It is also considered that ethical failures result both from cognitive limitations and the influence of individual and contextual psychological factors. People tend to consider decisions that benefit themselves as not only desirable, but also morally justified (Epley & Caruso, 2004). This aspect becomes more important when people envisage personal gains.

Everyday people are confronted with the need to make decisions on matters with potential impact on the lives and welfare of third parties. In general, people wish to maintain a positive image of themselves trying to act in accordance with rules and ethical

principles. However, in many cases, the ethical dimension of decisions is not noticeable and people can perform ethical lapses without being aware of it (Palazzo, Krings, & Hoffrage, 2011).

Research in this area has been showing that the individual ethical decision is subject to the same thought processes and cognitive impairment that common decisions. The same way that the notion of bounded rationality suggests the systematic occurrence of cognitive errors in the decision making process, the notion of bounded ethicality proposes that people tend to make ethical mistakes in a regularly way (Chugh et al., 2005) because they tend to simplify information related to decision making processes on ethical issues. Ethical decisions can be performed through two distinct pathways. They can result from systematic reasoning processes, conscious, careful and detailed analysis of the available information or, as frequently happens, they can be based on a type of rapid cognitive functioning, unintentional, unconscious and characterized by the persistent use of heuristics (Bargh, 1994). For this reason, ethical decisions suffer from accuracy problems because individuals tend to be motivated in their judgment by perceptions about what is socially accepted as ethical or unethical (Chugh et al., 2005). If in common decision making the use of heuristics in bounded rationality processes can cause biases related to solutions which comply to the strict parameters of rationality, likewise, in ethical decision making the motivational processes which interfere with information analysis can cause unintended biases. In an implicit way, people tend to assume themselves as moral competent (Epley & Caruso, 2004). They tend to not recognize potential ethical problems and conflicts of interest which may be present in a particular situation. Generally, ethical decisions are based on intuition (e.g., Blasi, 1980; Haidt, 2001; Kohlberg, 1968; 1981) leading people to choose to act on what they consider correct, even if it means going against their own moral values and principles (Kellaris et al., 1996). It is a case of automatic perceptions formation regarding how the world works where prevails an egocentric position to the ethical problems (Epley & Caruso, 2004). People tend to focus on self-interest and evaluate ethical issues to the extent these can bring benefit or prejudice to them. For example, return a wallet with money that was found on the street is considered the most appropriate ethical behavior. However, few people do it. Specifically, the expectancy of personal gain motivates people to discount ethical content in their own decisions and, consequently, the impact that their behavior

has on others. However, as has been shown by research in this area, ethical lapses are not due to any moral predisposition which would lead certain people to behave deliberately in an unethical way. As pointed by Treviño and Youngblood (1990), ethical questionable behaviors are not the result of the specific action of some people considered “bad apples” but, the product of interactions between individual and contextual factors which determine the ethical nature of situations (Treviño, 1986). Organizational settings are, in this case, a very specific environment where interpersonal relationships largely determine the ethical behavior of individuals.

2.5. Ethical decision making in organizational context

Considered as a reference in ethical decision research area (e.g., Beu & Buckley, 2001; Jones, 1991; McDevitt, Giapponi, & Tromley, 2007), the model of individual ethical decision making (Rest, 1986), developed from Kohlberg’s work (e.g., Kohlberg, 1968; 1981; Kohlberg & Hersh, 1977; Kohlberg & Kramer, 1969), conceives the process of individual ethical decision making as a succession of four phases: the decision maker recognizes the *moral issue* (1), formulate a *moral judgment* (2), places the moral aspects above other aspects establishing a *moral intent* (3) and acts on the basis of this moral intent (4) (Rest, 1986; 1994).

Nevertheless, the mere identification of steps relating to the decision making process does not establish the existence of an individual intrinsic capacity to solve ethical problems. This happens even when individual can successfully identify the ethical issue, establish the moral intent and develop a judgment in order to make a decision (McDevitt et al., 2007). The more ethical complexity a problem has, the greater the amount of information the decision maker must handle. In this case, allowing the influence of factors which promote the occurrence of errors in judgment. Although valuable in understanding how individuals drive the decision making process, this model reveals itself unable to explain why the recognition of an ethical issue does not imply its successful resolution. Indeed, the perception that something is ethical or not seems clearly insufficient to explain or predict an ethical decision.

The models proposed by Treviño (1986) and Jones (1991) contributed significantly to the identification of the factors that influence individual ethical decision-making. These authors introduced the idea that the decision maker is driven by individual and contextual factors which interact with the cognitive component. This aspect is essential in the understanding of how people act face an ethical situation. From Treviño's (1986) perspective, ethical behavior occurs in the context of social interaction between individuals in organizations, and is influenced by the set of situational variables that emerge from the work context. For his part, Jones (1991) suggests that the decision maker assigns a given *moral intensity* to ethical issues that plays a moderating role between the nature of ethical issue and the decision itself. Moral intensity concerns to the apprehension ability of the moral imperative in a given situation. Decision makers, based on perceived social acceptability of their action, tend to decide more easily when the probability of negative consequences occur in the distant future and affect a small number of unknown persons or when these persons do not have physical, social, psychological or cultural proximity with the decision maker (Jones, 1991).

2.5.1. The interactionist model of ethical decision making in organizations

Ethics is one of the most relevant aspects of behavior analysis in organizations. The submission to social norms and prescriptions – translated into pressures, expectations or messages sent by superiors, subordinates or peer group members – emphasize the social systems as a source of morality. Organizational socialization process in some cases lead individuals to compliance with the rules and practices (Smith & Carroll, 1984) and may promote the occurrence of unethical behavior. For example, certain norms and organizational systems such as rewards schemes may have an inhibiting effect on the development of moral reasoning (Kohlberg, 1981). Following the well-known scandal "Watergate case" we assist, according to Treviño (1986), to an increasing in people's negative perception related to corporate behavior. Also, to a growing opinion that conflicts between personal values and organizational pressures have a negative impact on ethical behavior. Despite the existence of some work in the field of organizational ethics,

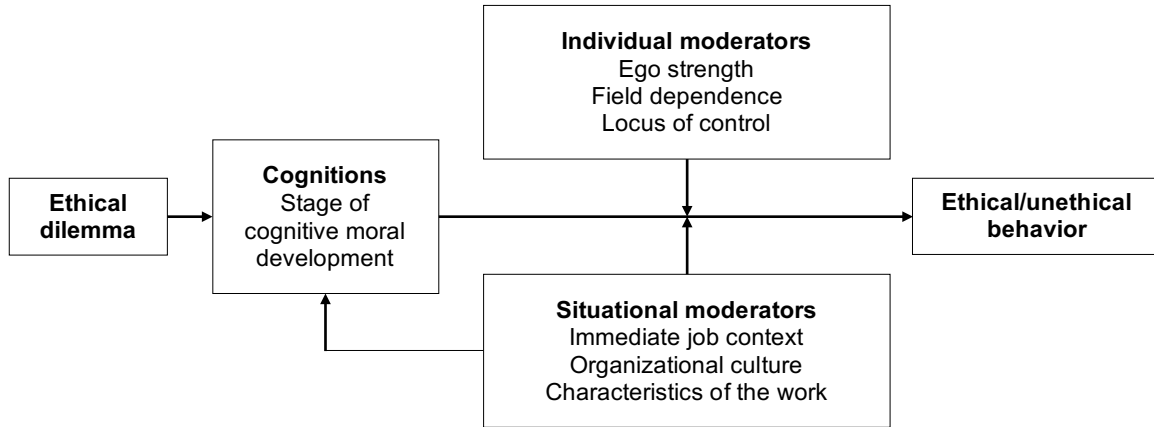
research has focused primarily on the production of behavioral prescriptions so that empirical research in organizational ethics held an almost peripheral status.

“[...] business ethics is a ‘Sunday school’ subject not worthy of serious investigation [...]” (Treviño, 1986, p. 601)

Previously to Treviño’s theoretical proposals (e.g., Carroll, 1978; Fritzsche & Becker, 1984), the aim of the analysis was targeted to the individual aspects of ethical behavior or to variables related to the context. However, the interactions occurring between the two domains were neglected

The person-situation interactionist model of ethical decision making in organizations (Treviño, 1986) proposes an holistic and comprehensive view of ethical behavior which results from the interaction between the individual characteristics of the decision maker and the specificities of the context in which the decision occurs. It is established that ethical decision making process results from the relationship between cognitive components involved in moral judgments formation, i.e., the way people think about the ethical issues, and the behavior itself. The moral development theory (Colby & Kohlberg, 1987; Kohlberg, 1981; Kohlberg & Hersh, 1977) emerges as the reference in the conceptualization of the cognitive base of ethical decision making. By clearly defining the moral judgment construct it allows, according to Treviño (1986), to set the necessary distinction about how organizational decision makers think about moral issues and, consequently, develop operational assumptions regarding the underlying cognitive component in ethical decision making in organizations. For example, it is expected that individuals with more differentiated moral reasoning reveal greater resilience to the pressures exerted by organizational context. However, the results regarding the relationship between moral reasoning and behavior are not clear (e.g., Blasi, 1980; Kohlberg, 1968; 1981). The premises of moral development are limited with regard to the explanation and prediction of behavior. In this sense, it is necessary to consider the set of individual and environmental factors that interact with cognition in determining the behavior face to an ethical problem. Figure 2 presents the interactionist model of ethical decision making in organizations.

Figure 2 – The interactionist model of ethical decision making in organizations



Adapted from Treviño (1986)

The ethical decision making process is determined both by the individual perception of what is morally acceptable and the organizational context defined by Denison (1996) as the “internal social psychological environment of organizations and the relationship of that environment to individual meaning and organizational adaptation” (p.625). According to Treviño (1986), the consistency between the cognitive basis of moral judgment and behavior is moderated by individual variables such as:

Ego strength. Concerns the ability of self-regulation face to ethical problems, i.e., a strong conviction concerning certain moral values that allows people resist to act unethically and contributes to greater coherence between moral judgment and behavior.

Field dependence. It is related to the ambiguity that characterizes the information involving ethical problems. The individual autonomy level face to external influences on the analysis of ethical problems determines the relationship between moral judgment and behavior.

Locus of control. Concerns a characteristic of personality related to the perception of individual control over events. Individuals can make internal

attributions about the consequences of behavior and assume that the consequences result from their own action or, otherwise, they may perceive the outcome of their unethical behavior as beyond their control and dependent on external factors.

With regard to the situational factors, Treviño (1986) suggests that moral action takes place in the social context and is strongly influenced by social factors. The moral behavior in daily situations does not correspond to the product of fixed individual characteristics but results from the interaction between the individual and the situation. The individual susceptibility to environmental factors varies according to the level of differentiation of moral reasoning. Hence, it is expected that some individuals, when involved in moral judgments processes, are more able to structure the external world and, therefore, to resist better to the influences from the environment than others:

Immediate job context. It refers to the most pressing aspects of the context in which the ethical problem occurs. An organization has the ability to influence ethical behavior of its members by introducing contingent reinforcements by rewarding ethical actions and punishing unethical actions or other external pressures with influence in the ability to think about ethical problems. For example, in negotiation settings decisions are made in contexts characterized by resource scarcity, competition and time pressure.

Organizational culture. According to Treviño (1986), organizational culture is a situational moderator of the relationship between the cognitive basis of moral judgment and ethical conduct. It corresponds to the common set of assumptions, values and beliefs shared by organizational members (Schein, 1984) and provides normative standards that guide behavior based on a normative structure from which emerges a clear indication of what is considered appropriate, shared between organizational members and in use in the organization. The strength of the

normative structure is related with the coherence between organizational members about what is ethical and unethical. On the contrary, a weak organizational culture, which fails to clarify organizational values, beliefs and goals, promotes among its members the predisposition to adhere to subcultures, to be influenced by referent others, or focus on the need for obedience to authority regardless of the existence of moral conflicts and the diffusion of accountability face to negative ethical consequences. Taking the theory of social learning as a reference (Bandura, 1969), individuals try to conduct their decision making processes based on the perception of what referent others in the organization - leaders, for example - would do if they were faced with an ethical problem. This is crucial in ethical behavior as it is closely related to the type of existing relations of power in the organization, as well as with the practices related to the assumption of responsibility for the behavior. First it is expected that individuals comply with orders given by the authority even if these orders go against what people consider morally appropriate. Obviously, people who are in lower hierarchical positions are more prone to this type of pressure and show less consistency between moral reasoning and subsequent actions. Moreover, responsibility for the consequences resulting from individual action suggests that awareness related to behavior impact and accountability are necessary conditions for the activation of individual norms and, consequently, for ethical behavior.

Characteristics of the work. These are also active components in the formation of moral judgment. In particular, role taking which corresponds to taking account of the perspective of others and the experience in the resolution of moral conflicts which allows individuals to be aware of the different sensitivities about an ethical problem and, therefore, to reveal a greater consistency between moral reasoning and ethical behavior.

Treviño's proposal (1986) of a theoretical model concerning ethical decision making process in organizations came to operationalize the role that individual and situational variables play in moral conduct. It is from the interaction between these two fields and from their influence in the way people think about ethical problems that it is possible to understand, investigate and predict the behavior. The exclusive focus on moral development reveals itself unable to explain ethical decisions and behavior. However, moral cognition is considered the main variable concerning to the individual. People tend to search for clues about what is socially appropriate so, it is assumed a relationship between moral reasoning and the ability to make ethical decisions. However, this preposition has based in the analysis of hypothetical situations (e.g., Kohlberg, 1968; 1981). Real situations are complex whereby moral action could be influenced by other variables that determine the personal involvement with the situation. In this sense, individual and situational factors have a key role in the explanation of ethical behavior (e.g., Butterfield, Treviño, & Weaver, 2000; Church, Gaa, Nainar, & Shehata, 2005; Treviño, 1992a; Treviño & Youngblood, 1990).

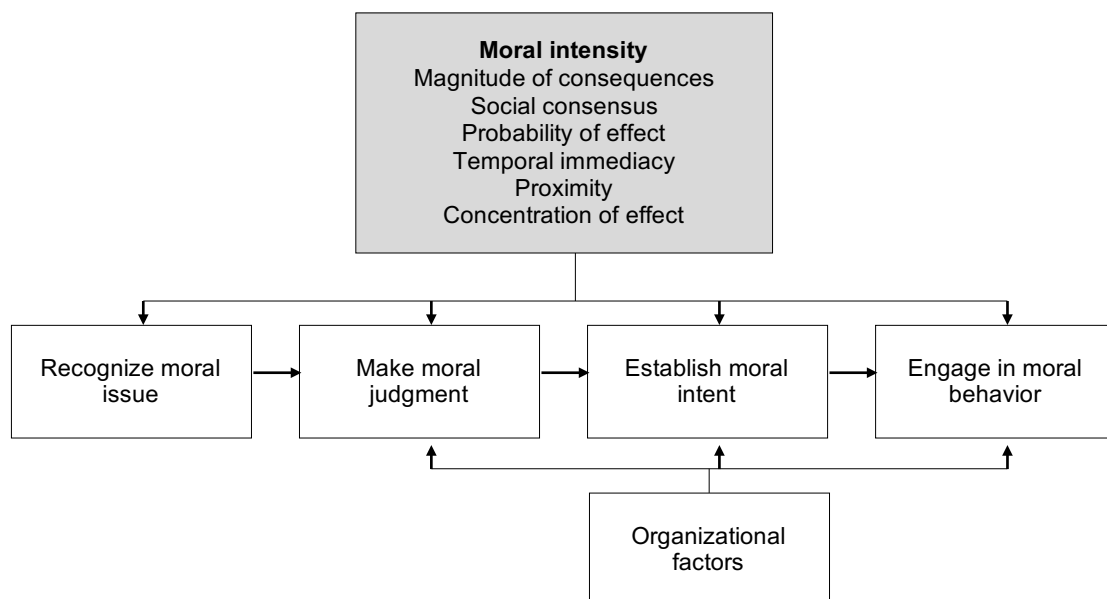
2.5.2. Issue-contingent model of ethical decision making by individuals in organizations

Based on the analysis of existing ethical decision models (e.g., Dubinsky & Loken, 1989; Ferrell & Gresham, 1985; Hunt & Vitell, 1986; Rest, 1986; Treviño, 1986) Jones' theoretical proposal (1991) represents the most significant advance in theorizing about ethical decision-making processes (Haines, Street & Haines, 2007) since it captures, through its multidimensionality, the variation of the intensity with which an ethical problem arises. In the genesis of issue-contingent model of ethical decision making is the recognition that previous theoretical models ignored the effect of the moral issue in the decision making process and ethical behavior in organizations. Jones (1991) takes as a starting point the ethical decision making process components as proposed by Rest (1986) and, from there, develops an optimization of other existing models. He assume that ethical choices do not correspond exclusively to individual decisions but also to the product of learning processes taking place in organizational context. Figure 3

presents the issue-contingent model of ethical decision making by individuals in organizations.

Jones (1991) proposed three basic definitions: (1) the *moral issue* which is the central component of individual action, (2) the *moral agent* that corresponds to the individual responsible for moral decision even if he does not recognize that is facing a moral issue and, finally, (3) the *ethical decision* defined as “a decision that is both legal and morally acceptable to the larger community” (p.367). Previous research (e.g., Dubinsky & Loken, 1989; Ferrell & Gresham, 1985; Ferrell, Gresham, & Fraedrich, 1989; Hunt & Vitell, 1986; Rest, 1986; Trevino, 1986) identified the characteristics of moral issues which influence the decision making process. However, this research did not regard moral issue as a decisive aspect of individual ethical decision. Ethical decision is contingent on the moral issue and its characteristics determine decisions and individual ethical behavior. In this sense, Jones (1991) introduces the construct of moral intensity suggesting that it holds a decisive role in the individual ability to recognize ethical issues and, consequently, in ethical decision making process.

Figure 3 – The issue-contingent model of ethical decision making by individuals in organizations



Adapted from Jones (1991)

Decision making processes are usually activated by the presence of a problem that requires a solution and some kind of action (Bazerman & Moore, 2009). Moral decisions are no exception. The process begins with a problem that includes a moral component and is this component or moral issue that can be characterized in terms of moral intensity. For this process to start it is necessary that the individual be able to recognize the moral issue. Recognize a moral issue involves two elements: people should be able to recognize that their decisions will affect others and, that decision making process involves an individual choice. It is the recognition that, faced to moral problems, people constitute themselves as moral agents. If an individual fails to recognize a moral issue he will fail in applying the ethical decision making cognitive schema and he will make a decision according to another cognitive schema such as economic rationality.

Moral intensity is the construct that refers to the extent of the moral imperative regarding a specific situation. It is multidimensional and consists of six components corresponding to the specific characteristics of the moral subject. *Magnitude of consequences* is defined as the sum of the benefits or damage inflicted on others through an action with moral characteristics. It assumes that an action always involves the occurrence of consequences for others and, the more damaging these are the lower the likelihood of occurring an unethical behavior. *Social consensus* is the level of social agreement on whether an action is or is not considered ethical. It helps to reduce the ambiguity and, provides to the moral agent information about what the ethics prescribes for a given situation. Social consensus provides instructions for behavior and influences not only behavior, but also social learning processes that underlie individual beliefs about ethical or unethical behavior (Harrington, 1997). The *probability of the effect* refers to the joint function of the probability that a particular action will actually take place and cause the anticipated harm or benefit. *Temporal immediacy* corresponds to the length of time between the present and the onset of consequences of the moral action. The higher the length of time is, the higher the likelihood for the moral agent to discount the impact of his decisions, i.e., to perceive his decisions as probably less harmful. According to Jones (1991), people tend to demonstrate more concern for those who are socially, culturally, psychologically or physically closer than with people they perceive as being more distant. *Proximity* refers to the perception of distance that the moral agent has about victims or beneficiaries of his moral action. *Concentration of the effect* corresponds to the inverse

function of the number of people affected by an action of a given magnitude, i.e., as more concentrated are the effects of moral action, higher is the probability of an action to be considered unethical (Rawls, 1999).

Despite the suggestion concerning the existence of a correlation between moral reasoning and behavior (Blasi, 1980; Kohlberg, 1968; 1981; Treviño, 1986), in Jones' viewpoint (1991) a decision about an ethical issue only establishes a moral intention. Specifically, the moral agent initiates the decision process trying to balance between moral elements and other elements which are part in the decision process. In this sense, individuals could be able to make a moral judgment but fail to establish a moral intent. The establishment of moral intentions is the best predictor of behavior (Fishbein & Ajzen, 1975) and depends on the moral intensity as the element that allows the characterization of the issue under analysis.

Usually, people act unethically even though they know that this behavior is wrong. The moral intent corresponds to what the individual intends to do about an ethical issue. The reason for the inconsistency between judgment and behavior lies in the personal evaluation about the consequences of individual action. So, personal values can take higher priority than the moral values, the individual may fail in ethical recognition or the previous exposure to an ethical problem could lead individuals to take into account the knowledge they already have about impact (Harrington, 1997). In this sense, decision and behavior are seen in terms of cognitive schemata, or as knowledge structures "that represent organized knowledge about a given concept or type of stimulus" (Fiske & Taylor, 1991, p. 140) based on which a decision maker, recognizing that it is facing a moral issue, activates relevant cognitive schemes to the issue under consideration. High moral intensity issues positively affect moral recognition process and, consequently, increase the likelihood for a cognitive schema of moral decision to be used.

It is commonly accepted that individuals vary considerably as regards the approach to moral issues (e.g., Kohlberg & Candee, 1984; Rest, 1986; Treviño, 1986). The theoretical perspective of moral development is too stable to allow the understanding of how individuals deal with a wide range of ethical issues which require different approaches. The "moral atmosphere" (Higgins, Kohlberg, & Power, 1984) in which ethical decision occurs comes as the appropriate element to explain how individuals use different levels of moral reasoning. As suggested by Levine (1979) or Treviño (1986),

the individual level of moral reasoning tends to be adversely affected by the context, that is, there are differences between decisions about hypothetical and real situations. Additionally, Weber (1990) states that people respond differently to different moral dilemmas and that these differences are due to the context. Therefore, the nature of the moral issue may be decisive to the kind of response that people give. This evidence supports the fact that moral thinking patterns not only vary from moral issue to moral issue, but also take into account the proportion of moral intensity. In sum, high intensity moral issues allow more sophisticated ethical reasoning. Specifically, Jones (1991) suggests that intuitively, decision makers tend to save on cognitive effort if they perceive moral issue as having little support, that is, if the process of evaluating the magnitude of the consequences or the operationalization of the social consensus level is challenging. People tend to behave as *cognitive misers* (Chen & Chaiken, 1999), moderating the relationship between the perception of moral intensity and the level of moral reasoning adopted. Limitations in cognitive capacity promote the demand for quick solutions that are minimally adequate instead of more accurate solutions, that are more time consuming and require greater cognitive resources (Fiske, Gilbert, & Lindzey, 2010). For example, the magnitude of consequences affects the amount of time and information that a person considers in the cognitive processes. People tend to make use of external cues when they perceive that the quantity of damage caused on others as being low and, conversely, invest more in seeking information when they perceive the amount of damage as high (Taylor, 1975).

The proposed model suggests that organizational context has a decisive role in the ethical decision making process. However, in conceptual terms, Jones (1991) opted to maintain the definition of moral intensity in the strict dependence of proportionality relationship between damages and benefits caused by individual action. Contextual variables such as organizational culture and the ethical climate, or other organizational variables with influence in individual ethical behavior are recognized as constituent elements of ethical decision making process. However, the author does not propose any direct relationship of these variables in defining the moral intensity of a subject. As stated by Haines and colleagues (2007) moral intensity focuses solely on the characteristics of moral issue without considering the role of the decision maker or the context in which it occurs. This aspect seems, according to the authors, to constrain the predictive power of

moral intensity concerning ethical behavior. Moral intensity emerges in ethical decision making process as a moderator rather than assuming the role of causal variable that precedes judgment and moral intention. Jones' model (1991) assumes that the perception, evaluation and individual response to a moral issue stems from the characteristics of the issue itself and, social consensus emerges as the most predominant component of the set of components integrating moral intensity (Kelley & Elm, 2003). In this sense, context may have an important role in determining moral intensity, but there are characteristics of the ethical issue that are assumed as the dominant force. However, more recently (May & Pauli, 2002; Weber & Wasieleski, 2001) have advanced some proposals in order to considering organizational factors as elements directly related to the degree of moral intensity of a moral issue. According to Kelley and Elm (2003), since moral intensity is decisive for ethical decision, the context in which it occurs is necessarily responsible for the increase or decrease in moral intensity. That is, by reducing the influence of social context it reduces the moral intensity of an ethical issue.

The role of context in the ethical decision making process is well documented (e.g., Ferrell & Gresham, 1985; Hunt & Vitell, 1986; Schein, 1984; Victor & Cullen, 1988; Vitell & Hunt, 1990). The recognition of an ethical issue is a function of individual attributes (e.g., Elm, Kennedy & Lawton, 2001; Fiske & Taylor, 1991; Liedtka, 1991) but also a function of social context. In fact, the work of Kahneman, Slovic and Tversky (1982) and Messick and Bazerman (1996) supports the role of context in the ethical recognition process. These authors suggest that people evaluate situations based on a set of information and prior knowledge perceived as adequate to establish reference points that allow, in the case of ethical decisions, to recognize ethical issues and conduct decision making process in accordance. Individuals differ in their ability to filter situational cues and, therefore, context plays an important role in how an issue is perceived and framed. Jones (1991) argues that the nature of the issue is by itself the element with the largest influence in ethical decision making process. However, cognitive processes, such as those concerning the ethical recognition, are securely placed in a specific context where behavioral cues and norms are merged. The sequential nature of this process implies that a person who fails the moral recognition, flows in the activation of cognitive schema related to the process of ethical decision making and therefore, is unable to make a decision based on moral considerations (Street, Douglas, Geiger, &

Martinko, 2001). In these situations, decisions are based on considerations about issues not related to ethics but with personal or economic aspects. In sum, subsequent to the moral recognition process should occur the assignment of a certain degree of (personal) importance to the moral issue, which in turn affects the development of a moral intent and subsequent behavior. This is related to the assumption that ethical decisions require a certain level of moral involvement (Haines et al., 2007) namely, the assignment of a degree of importance to a moral decision which determines how the individual behaves taking into account the combination between internal states and moral issue external characteristics.

2.6. Contexts of ethical behavior in organizations

There are two possible approaches to ethical behavior in organizations (James, 2000). The first assumes that people are guided exclusively based on internal motivations. In this case, ethical decisions result directly from individual predispositions, such as the level of moral development or the sensitivity to deal with ethical issues. People act (un)ethically regardless of context so, the promotion of ethics in organizations is dependent on the appeal to employees' sense of responsibility. The second approach only emphasizes the organizational aspects. Management assumes that organizational ethical behavior depends on external factors such as the existence of rewards and punishments, organizational culture or other conditions inherent to organizational context.

Taken together, organizational ethical decision making models proposed by Treviño (1986) and Jones (1991) show that, if on the one hand we cannot focus exclusively on individual characteristics to understand and try to predict ethical behavior, on the other hand, organizational ethical behavior is not solely dependent on the influence of contextual factors. Ethical behavior is multi-determined, i.e., results from the interaction between individual characteristics relevant to ethical conduct and situational factors that influence the evaluation of ethical situations.

2.6.1. The role of ethical infrastructure in organizations

The growing interest in organizational ethical behavior verified in the last 20 years has motivated the research community to adopt a particular approach to the organizational context as a crucial element for understanding the moral dimension of individual ethical behavior in organizations. The capacity to mobilize human capital around ethical issues – through the promotion and reinforcement of appropriate behavior, as well as monitoring and punishment of unethical conduct – is a characteristic of the so-called “ethically intelligent” organizations (Wickham & O'Donohue, 2012). Specifically, these organizations are able to communicate effectively among its employees and the community at large their concerns with the ethical performance.

Overall, ethical behavior in organizations results from the alignment between the various elements that make up the so-called “ethical infrastructure” (Tenbrunsel et al., 2003) which can be defined as incorporating formal, informal systems and organizational ethical climate. Concretely, both systems, formal and informal, aim the communication, surveillance and sanction of organizational members' ethical conduct and they can be distinguished both at the level of formality that come up in the organizational context and the mechanisms used to implement ethical principles. Formal systems relate to the adoption of institutional strategies, such as the dissemination and implementation of ethical codes and other mechanisms in order to guide employees ethical conduct. Informal systems include unofficial mechanisms of ethical control translated into verbal and nonverbal behaviors reflecting ethical principles, such as peer behavior or other non-institutional mechanisms that are a common practice in how the organization deals with ethical problems and ethical behavior of its employees. For example, peer pressure on decision making process and whistleblowing against unethical behaviors. Both systems are part of the organizational climate that supports the ethical infrastructure. Organizational climate corresponds to the set of perceptions shared among organizational members about the practices, procedures and the type of behaviors that are expected and rewarded regarding, in this case, ethical questions (Schneider & Reichers, 1983; Victor & Cullen, 1988). Ethical codes are undoubtedly the most visible element of the ethics infrastructure of an organization. Alongside with other unethical behavior formal surveillance and sanctioning procedures, the implementation and dissemination of ethical

codes aims to institutionalize moral principles and the organizational core values. Ethical codes are assumed as a socialization tool for new employees (Weiss, 1994) either through the promotion of dialogue on ethical issues, whether communicating what kind of conduct is appropriated, valued and rewarded by the organization. Although some research (e.g., Adams, Tashchian, & Shore, 2001; Weaver, Cochran, & Treviño, 1999a) suggest that the mere existence of ethical codes is, in many cases, enough to guarantee the compliance of the decision making process with organizational ethical principles, existing data on the effectiveness of such instruments reveals that this relationship is still unclear (e.g., Kish-Gephart, Harrison, & Treviño, 2010; Tenbrunsel & Messick 1999; Treviño & Nelson, 2010).

In practical terms, the mechanisms of ethical promotion advocated by formal systems are usually seen as artificial and unfitted given the complexity that defines many of the situations with which people have to deal daily in organizations. In this sense, promoting organizational ethics results from the existence of a strong ethical infrastructure which is possible, not only through the implementation and dissemination of formal control systems and ethical orientations, but also through a clear awareness of managers of the importance that informal systems and organizational ethical climate hold on the ethical behavior of employees. Together these two elements reflect the set of perceptions about the ethical practices in use in the the organization and, therefore, the most accurate level of employee commitment to ethical conduct.

2.6.2. Effects from culture and organizational ethical climate

Organizational socialization corresponds to a series of deliberate or occasional interactions in order to transfer formal and informal rules, principles and values which guide the daily behavior of organizational members. It is the process through which people attribute personal meaning and adapt to a normative structure composed by systems and organizational practices that emerge from the set of assumptions, beliefs, values, symbols and rituals shared among the members of an organization commonly described as organizational culture (Schein, 1996). For example, this is especially noticed

in the dress codes of certain organizations or in specific practices relating to the welcoming of new organizational members.

This normative structure naturally includes a set of ethical guidelines about what is the appropriate conduct, namely about what the organization considers morally acceptable. The ethical dimension of organizational culture so-called "ethical culture" (Treviño, 1990; Treviño, Butterfield, & McCabe, 1998) is a subset of organizational culture with a specific focus on practices carried out in the organization in order to deal with ethical issues. As suggested by Treviño (1990), ethical culture has a direct influence on individual ethical behavior, i.e., people tend to drive their behavior based on what they observe as being valued by the organization. It will be therefore normal that individuals express concern about ethics when they are in a group or organization where ethical standards are widely shared by most people in the organization (Simões, 2015).

Also being an aspect of organizational context with influence on individual behavior, organizational climate distinguishes itself from organizational culture because it relates specifically to the shared perception regarding formal and informal practices and procedures and not to the tangible aspects which supports the normative structure. People as members of an organization and of subgroups inside the organization perceive and respond to behavioral norms. These norms involve various normative systems sufficiently known to be perceived as organizational climate (Cullen, Victor, & Bronson, 1993). Decision making in organizations cannot be understood without considering the context in which decisions occur. Decision making models generally include not only individual influences in the decision making process, but also a set of organizational factors such as rewards systems, norms, codes of conduct and the organizational climate (Dubinsky & Loken, 1989; Ferrell & Gresham, 1985; Hunt & Vitell, 1986; Jones, 1991; Treviño, 1986).

The ethical dimension of organizational climate conceptualized by Victor and Cullen (1988) is a multidimensional construct named ethical climate which is formed by the "prevailing perceptions of typical organizational practices and procedures that have ethical content" i.e., the "aspects of work climate that determine what constitutes ethical behavior at work" (Victor & Cullen, 1988, p. 101) and is affected by organizational normative systems. By definition, ethical climate corresponds to a macro level construct that is, nevertheless, relevant to individual ethical decision at the micro level (Barnett &

Vaicys, 2000), since it indicate what behaviors are ethically desirable and acceptable in the organization.

Ethical climate is a particular type of organizational climate which includes a set of prescriptions concerning moral obligations that inform individuals about “what is right to do in this organization?” or “how should I deal with ethical issues in this organization?” In this sense, we do not speak about ethical climate (singular) but about ethical climates (plural). The most common approach (Victor & Cullen, 1988) proposes the existence of nine different ethical climates (Table 2) resulting from the relationship between three ethical criteria (egoism, benevolence and principle) and three levels of analysis (individual, local, and cosmopolitan). In general, people can guide their behavior egoistically dealing with ethical issues solely in the satisfaction of self-interest, guide their action being benevolent or utilitarian dealing with ethical issues in order to produce the greatest good for the greatest number of people or, assume that decisions and actions undertaken should be above all laws, rules, codes and procedures by adopting a deontological approach based on principles. With regard to the level of analysis, people can make decisions solely based on their personal beliefs, considering the interests of the organization or taking into account the community or society interests.

Table 2 – Ethical climates

Ethical criterion	Locus of analysis		
	Individual	Local (organization or group)	Cosmopolitan (society)
Egoism (maximization of self-interest)	Self-interest	Company profit	Efficiency
Benevolence (maximization of joint interests)	Friendship	Team interest	Social responsibility
Principle (adherence to rules and principles)	Personal morality	Company rules and procedures	Laws and professional codes

Adapted from Victor and Cullen (1988)

Despite the nine different ethical climates be theoretically possible, only five occur more frequently (Simha & Cullen, 2012). In *self-interest or instrumental climate*

people tend to consider that the organization expects from its members the adoption of an ethical conduct based on self-interest over others interests. On the contrary, in *benevolence or caring climate* people perceive their organization as concerned about others' welfare leading organizational members to guide their behavior in order to achieve benefits for the largest number of people possible. People's action can be based solely on personal ethical values excluding any external influences such as in the *independence climate* or, find themselves dependent on the observation of ethical conduct rules as in the *rules climate*. Finally, in the *law and code climate* ethical choices are seen as externally regulated through laws and normative guidelines such as professional codes.

In general, people tend to behave according to what they perceive as being expected and rewarded by their organization. The ethical dimension of organizational climate is, therefore, crucial in the way people deal with ethical issues. For instance, if on the one hand the focus on reward systems seem to motivate individuals to self-interest (Wang & Hsieh, 2011), on the other hand, individual perception that the organization cares about their employees' ethical decisions seems to decrease individual propensity to engaging in unethical behavior.

2.6.3. The influence of ethical leadership

For a long time, the study of leadership has focused exclusively on the action of the leader and has excluded followers from the process, in many cases, considered as passive or even non-existent agents. However, more recently, the research around the identification and integration of the components of leadership has shown that we deal with a relational phenomenon, based on complex social dynamics (Avolio, Walumbwa, & Weber, 2009) which do not depend exclusively on the leader individual characteristics (Avolio, 2007). For instance, the leader-member exchange theory (Graen & Uhl-Bien, 1995; LMX Theory) is a clear example that the quality of the relationship between leaders and subordinates is critical to the quality of the leadership process. Leadership concerns to "the process of being perceived by others as a leader" (Lord & Maher, 1991, p. 11) and presupposes, in general terms, the existence of influence processes involving leaders and followers on which cognitive aspects, the nature of interactions and, specific contexts in

which these influence processes occurs define the quality of leadership (Vroom & Jago, 2007).

This view is particularly important for the comprehension of the ethical dimension of leadership. Research has been indicating ethical leadership as central to the development and maintenance of ethical climate and organizational ethical culture (Treviño, 1990; Treviño et al., 1998; Weaver, Treviño & Cochran, 1999b).

In behavioral terms, ethical leadership can be defined as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision making” (Brown et al., 2005, p. 120). Taking as a reference the sociocognitive basis of the social learning theory (Bandura, 1969; 1989), conceptualization of ethical leadership assumes that people develop their behavioral patterns by observing the behavior of others which are considered role models. Most people guide their ethical conduct based on the observation of significant others (Kohlberg, 1975; Treviño, 1986) and the leaders, are seen as mentors of the individual ethical behavior in organizations (Simões, 2015). Leaders values and interests affect how decisions are made and determine the importance given by employees to these decisions. The first empirical studies on the ethical dimension of leadership (Treviño, Brown, & Hartman, 2003; Treviño, Hartman, & Brown, 2000) indicated the existence of two dimensions of ethical leadership. The personal dimension of ethical leadership based on the perception that the leader is honest, conscientious and concerned with others well-being. And, the ethical dimension of management that corresponds to the leader efforts to influence the ethical behavior of his employees. In this regard, ethical values are an explicit component of leadership, achieved through the adoption of intentional behaviors that aim to model the ethical conduct of employees. In other words, ethical leaders often communicate with their subordinates about ethics, establish clearly standards of ethical conduct and use rewards and punishments to ensure that these standards are followed (Brown et al., 2005; Treviño & Brown, 2004).

The perception of ethical leadership depends on the existence of coherence between the personal dimension of ethical leadership and the ethical dimension of management. A strong focus on the ethical dimension of management without the same focus at personal level may disclose an image of hypocrisy. In the same manner, behavior

strongly guided by moral values but, passive related to the ethical dimension of management can express an idea of silence faced to ethical issues or slightly concerned about ethical issues.

A person may behave ethically as result of personal values without this implying that is exercising an ethical leadership. Specifically, the leader can guide his personal behavior on high ethical standards, but take a passive action with regard to the intentional influence on ethical conduct of his subordinates. Promoting an ethical focus on actions and decisions capable to inculcate in the organization principles who guide the behavior of employees is a visible cornerstone of the ethical leadership. However, it is the leader's behavior, projecting his role model, which is one of the key factors in ethical orientation of those around him.

People guide their behavior based on the observation of attitudes and role models considered attractive and credible. It is more likely that employees do what the leaders do than what the leaders say. The anticipation of the expected behavior occurs through the process of social learning (Bandura, 1969; 1989) and is based on the leader's behavior and its consequences. Ethical leaders are, therefore, a source of guidance due to its attractiveness and credibility as role-models. Power and status are two characteristics that contribute to the attractiveness of the leader (Bandura, 1969; 1989), calling the attention of followers to his ethical behavior. In fact, leaders usually find themselves on resource control positions which affect subordinates (e.g., strategy, goal setting, promotions, resources, etc.) (Brown & Mitchell, 2010). According to social learning theory (Bandura, 1969; 1989), leader's authority refers to the fact that he occupies higher status positions making more salient his behavior and, therefore, more able to be used as a model for employees' behavior.

The leaders are in a unique position to influence the conduct of their employees. This is particularly important on unstructured and ambiguous contexts such as the ethical decision context. The ethical dimension of leadership assumes here a key role in enhancing the capacity of ethical scrutiny organizational members.

2.7. Individual determinants of ethical behavior in organizations

Despite the evident importance of contextual factors in individual ethical behavior, a comprehensive approach to this phenomenon implies a necessarily reference to the individual processes in ethical decision making. This approach lies both in psychological mechanisms used to deal with ethical problems, and in personal characteristics which affect people's ability to act ethically. Research shows that most ethical lapses occur due to failures in the ethical evaluation of situations. People tend to consider themselves more ethical than others and rely on cognitive maneuvers, even if not intentionally or consciously, in order to minimize the ethical impact of their actions. It is about the use of simple decision rules, which are driven by two types of factors. In the first place, the mental mechanisms underlying the decision making process are cognitively demanding. As we have discussed above, people have limited cognitive resources and, with complex decisions such as the ethical decisions, they tend to emphasize courses of action in their favor, especially when they predict the possibility of personal gains. On the other hand, people have difficulty to foresee the consequences of their actions. The ethical valence of a decision seems to depend on the nature of the results and, a decision that does not produce harm to others is considered ethically appropriate.

The use of these psychological mechanisms occurs in an unconscious way and depends on contextual factors that, in many cases, contribute to reduce or even cancel individual ethical concerns. However, the intensity and frequency with which these psychological mechanisms dominate the decision making process may depend on personal characteristics. For example, machiavelhanism is one of the most studied individual characteristics (e.g., Singhapakdi, 1993). Individuals assume a calculating and merely instrumental position with regard to relationships with others. It is considered that the end justifies the means tending to isolate moral considerations related to actions that result in personal benefits. People with this characteristic reveal themselves more prone to adopt unethical behaviors such as lying or taking bribes.

Another individual characteristic is the locus of control, i.e., an individual belief concerning the control that the individual has about the events of his life. People with an internal locus of control perceive events as the product of their own action. They hold control over the events and consequently, the possibility to determining the nature of his

conduct. People with an external locus of control believe that events are beyond their control because these events are exclusively determined by external factors. In this sense it is expected that people with an internal locus of control hold more resources to foresee the consequences of their actions, revealing greater capacity to resist for instance to the influence of a leader with an ethically dubious profile (Simões, 2015).

Other individual predispositions seem to increase the likelihood of unethical behaviors. It is the case of creativity, usually associated with socially desirable behavior, which seems to increase the propensity of individuals to behave unethically (Gino & Ariely, 2012). Apparently, greater creativity is associated with greater availability of cognitive resources used to mitigate the evaluation of ethical nature of dishonest behavior and, simultaneously, to allowing the protection of self-interest and a positive self-image. In sum, people are dishonest to the necessary extent that can profit with unethical behavior, but honest enough to ensure that their image is not compromised.

2.7.1. Mechanisms of moral disengagement

The involvement of numerous organizations in cases of corruption and fraud shows that employee ethical behavior is determinant on the type of results obtained by the organization, particularly with regard to the survival of the organization itself. In many cases, the existence of clear signs that people acted contrary to their own principles leads to the question: *How is it possible that people adopt clearly unethical conduct without feeling any discomfort or disruption?*

Usually people act consistently with their ethical principles. Conduct is regulated internally, based on self-sanctioning mechanisms and, taking into account the anticipation of the consequences of the action (Bandura, 1999b; Detert, Treviño & Sweitzer, 2008). However, self-regulatory processes do not arise unless they are activated and, the inhibition of the self-sanction mechanisms can be explained by higher or lower individual propensity for moral disengagement (Bandura, 1990; 1999b; Bandura, Caprara, Barbaranelli, Pastorelli, & Regalia, 2001) which appears to be at the root of many unethical decisions.

In the first place, people can cognitively restructure unethical behavior through

the use of moral justification mechanisms. They base ethically questionable actions on moral imperatives such as when they hide important information to customers claiming the protection of organizational image. The use of euphemistic language serves the same purpose. It allows them to change the appearance of unethical actions transforming them into respectable behavior. An example of such a mechanism can be seen when someone responsible for the unemployment of others refers to the situation as “a requalification circumstance or an adjustment in expenses on human resources”. Finally, the cognitive restructuring of ethically questionable behaviors may involve the use of advantageous comparison mechanisms, i.e., the use of examples in order to make unethical behaviors seem harmless such claim that hiding information to the IRS regarding a small amount of money is less severe compared to some highly mediatized cases of tax evasion. The mechanisms of cognitive restructuring through moral justification, language softening, or by comparisons that aim to favor the unethical behavior are together the more robust mechanisms of moral disengagement allowing individual the activation of self-approval when they behave unethically enabling that what is usually condemned, be viewed as a source of self-worth.

The -regulatory mechanisms of ethical behavior self are more salient when people are aware that unethical behavior may result in negative consequences for themselves. A second set of moral disengagement cognitive maneuvers aims to minimize the individual role in ethically questionable actions. People cannot feel truly responsible for their actions attributing to others the responsibility for unethical behavior. For example, moving responsibility towards hierarchical superiors or diluting this responsibility arguing that a given unethical action results from a team decision. The displacement of responsibility has in its base the perception that certain unethical behavior is required, authorized and accepted by those to whom the individual recognizes authority. The studies conducted by Milgram (1963) have shown that people tend to adopt ethically questionable behaviors if someone with authority takes responsibility for the consequences of such conduct. The diffusion of responsibility aims, through the distribution of responsibility for various stakeholders, to decrease the perception of individual responsibility for the consequences of unethical actions.

Moral disengagement may also result from the adoption of cognitive mechanisms aimed to distort consequences, dehumanize or attribute blame to the victims of ethically

questionable actions. It is a behavior reframing process in order to weaken the self-censorship mechanisms which are usually activated when people are confronted with the consequences of their actions. Specifically, these mechanisms allow inhibit the set of empathic and emotional reactions generated by the perception of similarity and the sense of social obligation (Bandura, 1999a) that lead individuals to refrain their action when it involves harm to third parties.

Together, these eight moral disengagement mechanisms allow individuals to restructure their actions so that they appear less harmful, and also to minimize their own role in the consequences engendered by their actions and, besides allowing to mitigate the perception of suffering caused to third parties (Moore, 2007). In this sense, moral disengagement is a cognitive orientation about the world that develops over time and that results from the combined interaction of individual and social elements. By facilitating individual unethical decisions, moral disengagement can play an important role in the emergence organizational corruption. The inhibition of internal control mechanisms for unethical behavior seems to support the emergence and perpetuation of corruption if we consider that organizations tend to reward individuals who usually do “*what has to be done*” allowing them to stand out and evolve in the organizational structure.

2.7.2. Moral identity and ethical behavior

In general, people are aware of moral norms, consider them important and aim to guide their conduct according to these same moral norms. In organizations, for example, the use of certain mechanisms of ethical diffusion aims to inform employees about the desirable moral conduct. However, the moral awareness not always results in ethically acceptable actions because ethical flaws are usually committed by individuals knowledgeable of the rules and ethical principles.

One aspect to consider seems to be the level of commitment that each individual has with morality, in other words, the consistency between moral beliefs and the ethical behavior itself. Aquino and Reed (2002) discussed the type of mental representations that each person has about his/her own moral character through the conceptualization the construct of moral identity which is defined “as the cognitive schema a person holds about

his or her moral character” (Aquino, Freeman, Reed, Lim, & Felps, 2009, p. 124) which determines, based on the centrality that morality assume on self-concept, the higher or lower propensity for people to behave ethically. Moral identity is a structure of knowledge that, if available and activated, allows to process social information and to normalize individual ethical behavior. Whereas these structures of knowledge emerge from personal experience, the importance and centrality of moral identity may differ from person to person. At one hand, the components of identity affect the way individuals interpret the world, namely in the way they produce judgments about ethical issues, on the other, it is known that people need to perceive themselves as congruent (Festinger, 1985). As the more prominent is the moral identity, greater is the motivation for consistency between reasoning and ethical action (Aquino & Freeman, 2009; Blasi, 1984). According to Shao and colleagues (2008), moral identity assumes a private dimension through the internalization of moral constructs – moral traits and behavioral instructions that influence personal evaluation of ethical situations and, a public dimension through the symbolic projection of these constructs into practical ethical actions. With regard to the private dimension, high levels of moral identity internalization correspond to greater access in terms of quality and speed to moral constructs and, consequently, to a greater need for coherence between moral awareness and ethical conduct. However, a smaller salience of the moral identity private dimension does not correspond directly to the lack of associations between moral traits, but only to a lesser easiness with which these moral traits are brought into memory when compared to people with higher levels of moral identity internalization (Aquino & Freeman, 2009). On the other hand, the public dimension of moral identity called symbolization is the degree to which each person takes his/her moral identity through concrete actions. A person for whom the symbolic dimension of moral identity is important tend to engage in activities that communicate to others his/her commitment to certain moral ideals.

In this perspective, some people may consider morality as being central to their identity while for others morality takes only a peripheral status. This is particularly relevant if we consider the many ethical challenges that characterize organizational context. If on the one hand, the cases in which people - exclusively focused on self-interest - adopt unethical conduct have centered the biggest concerns of the research in the field of organizational ethics, on the other hand, it is necessary to consider the fact

that in many situations people behave according to the rules and ethical principles. The sociocognitive theory (Bandura, 1989) that underlies the conceptualization of moral identity highlights the existence of variability in individual ethical behavior. The same way as some situational pressures may lead people to violate their own ethical principles (Ross & Nisbett, 1991), also some organizational contexts have the capacity to promote access to cognitive structures that enable the adoption of ethically desirable behaviors. For example, as noted by Aquino and Becker (2005), the existence of a positive ethical climate seems to increase the individuals' ability to access their moral attributes and promote ethical behavior. In contrast, the presence of financial incentives fosters unethical behavior even among people for whom moral identity is central for their self-concept. In sum, moral identity seems to be an important element in the regulation of individual ethical behavior. However, it is necessary that the presence of incentives which promote unethical behavior be avoided or minimized in organizational contexts.

2.8. Conclusion

Decisions reflect the way people see and interpret the world around them. Understanding the phenomenon involving the process of choosing between several courses of action has always been a central problem for psychology. The needs, expectations and objectives underlying human behavior assume, in the case of ethical decisions, particular relevance. The decision making process concerning ethical issues, considering their impact and complexity, refers to a particular type of decisions with particular relevance in people and organizations' lives.

Departing from the analysis of the limitations of human cognition and from the specific constraints that people have when they are dealing with ethical problems, in this chapter, we tried to examine the set of individual and contextual factors that affect the formation of judgments and ethical decision making in organizations.

Research shows that generally decisions do not result from the observation of strict criteria of rationality. Unless they are motivated to spend large amounts of time and energy, people tend to use simplified procedures in the analysis of information. For decisions on ethical issues, it is considered that individuals have a bounded ethicality.

Hence usually the analysis of ethical problems tend to rely on automatic and intuitive considerations. As we have seen, this aspect results in objective difficulties to recognize conflicts of interest which results in errors in judgment with negative effects on individual ethical behavior. Specifically, people tend to take a self-centered perspective when dealing with ethical issues, discounting the moral content of their own actions as a result of self-enhancement perceptions. Overall, people tend to consider themselves more ethical than others.

However, ethical behavior does not occur in rigid dependence of what people think or feel. As observed through the analysis of the principal models of ethical decision making, characteristics of the context in which the ethical behavior occurs are fundamental to determine individual ethical conduct. Specifically, the assumption of an interactionist position, i.e., that individual ethical reference framework is multidetermined puts ethical behavior in the dependence of both individual characteristics and the nature of the environment where ethical action takes place.

Ethics is an important dimension of organizational life. Management should be responsible and safeguard that organizational activity does not result in negative consequences for society and its members. In this chapter we observed that the establishment of ethical infrastructure is not always a guarantee of ethicality. Monitoring employee's behavior through formal rules and regulations such ethical codes seems to have mixed effects. If on one hand, the extension given by the organization to ethical issues can increase moral decisions quality, on the other, the set of variables that contribute to the organizational dynamics can, by itself, influence the ethical behavior of employees. The establishment of an ethical culture that results from all the assumptions, beliefs and explicit and implicit prescriptions shared among organizational members is critical to enhancing organizational ethical scrutiny. People tend to more easily recognize ethical issues when they have social and symbolic salience, what happens within a group or organization with ethical concerns. Leadership should guide ethical behavior by explicitly and continued promoting moral values among employees, showing concern about the ethical quality of decisions and behaviors, rewarding appropriate behavior and punishing ethical failures.

Usually people want to act according to ethical principles. Research shows that dishonest behavior does not constitute a particular characteristic of some people. On the

contrary, under specific conditions, everyone can engage in ethical abuses. However, some individual characteristics seem to increase the likelihood of unethical behaviors. The relevance that moral aspects assumes for the individual or the propensity to cognitively restructure his own actions in order to make them more ethically appropriate are some of the individual mechanisms used to reduce conflict experienced by people when faced with ethical dilemmas.

Understanding ethical behavior involves the study of how individuals make ethical decisions or judge ethical decisions made by others based on social norms and prescriptions (Ambrose, Schminke, & Reynolds, 2014; Bazerman & Gino, 2012). Implies the understanding and explanation of (un)ethical behavior in a systematically way, the antecedents and consequences of (un)ethical actions as well as identifying the individual and institutional levels where ethically questionable behaviors occur. Understanding ethical behavior in organizations requires examining how people interpret ethical issues and how they deal with this phenomenon that occurs in specific social contexts where tacit rules and third parties' judgments reinforce, discourage or ignore ethical problems.

In the following chapters we will examine how an organizational culture of accountability or a management by objectives (MBO) based on setting challenging and specific goals can impact organizational ethical behavior.

Accountability (Lerner & Tetlock, 1999a; 1999b; Tetlock, 1983a) concerns to the implicit or explicit expectation that a person has about the need to justify to others his/her own behavior. Recent research suggests that, in matters of ethics, people accountable by their own decisions, especially when they have to justify the way they took their decisions, tend to make fewer errors in judgment (Silva & Simões, 2011). However, the process of being accountable is contingent on the complex network of social relations that characterize decision making contexts. In situations of dubious ethics, people can be led to adjust their ethical judgments according to the audience and to discount the moral content of their actions. In chapter 3 we present two experimental studies on the effects of accountability in ethical decision making. Both studies analyze the role of social contingency of accountability. In the case of study 1, the focus is on its effects on the formation of ethical judgments about others ethical decisions and in the study 2, on the establishment of ethical intentionality.

The individual perception about what is a desirable and acceptable behavior in the

organization is determinant for the individual propensity to engage in unethical behavior (Victor & Cullen, 1988). Goal communication establishes, in many cases, what is the nature of organizational practices regarding the treatment of ethical issues. The goal setting procedure is a management practice recognized as having high impact on organizational outcomes (e.g., Latham & Locke, 2007; Locke, 2001; Locke, Shaw, Saari, & Latham, 1981). However, recent research (e.g., Barsky, 2008; Schweitzer, Ordóñez, & Douma, 2002; 2004; Welsh & Ordóñez, 2014a) has alerted to the potential ethical consequences of goal setting. Setting highly challenging and specific performance goals may lead individuals to restrict their attention only to goal attainment, minimizing or even nullifying any concerns with the ethical impact of their actions. In chapter 4 we present three studies where we analyze the role of goal setting procedures on ethical judgment. Study 3 examines the influence of ethical control mechanisms in the relationship between setting challenging goals and the occurrence of dishonest behavior. Study 4 examines how goal specificity influences ethical decision making, taking in this case, moral disengagement as control variable. Finally, study 5 analyses the role of ethical climate in the relationship between goal setting procedures and people's perceptions about ethical leadership.

Chapter 3

Effects of accountability in ethical decision making

3.1. Introduction

Ethical behavior is, by its nature, a social phenomenon that emerges in the context of relations between individuals in the various domains of their lives. People learn rules, appropriate standards and principles of conduct based on the observation and association with other individuals or groups. From this process results specific guidelines for what are the appropriate, legal and moral behavior accepted by society (Jones, 1991). However, a fundamental question arises: *why do some people reveal unethical behavior and others do not?*

On the one hand there is the perspective that unethical behavior results from the fact that people tend to prioritize self-interest when making decisions, on the other hand, the existence of contexts where ethical abuses are most likely to occur are undoubtedly a key factor to understanding the nature of ethical behavior in organizations (Treviño & Youngblood, 1990). People seem to be more likely to make unethical decisions if these, in addition to the self-benefit, are also a common practice, unsupervised or even rewarded by the organization. In general terms, as we noted previously, ethical behavior results from the interaction between individual and situational factors (e.g., Brass, Butterfield, & Skaggs, 1998; Dubinsky & Loken, 1989; Ferrell et al., 1989; Ferrell & Gresham, 1985; Hunt & Vitell, 1986; Treviño, 1986; Zey-Ferrell & Ferrell, 1982) that determine both the ethical nature of the situations (Jones, 1991) and the consequent ethical action.

The expectations shared among organizational members, namely about ethical behavior, introduce in the system of interpersonal relationships that characterizes the organizational context the need to justify personal actions, behaviors or decisions. Individuals feel accountable for their own actions and know they will be evaluated by third parties (Frink & Klimoski, 2004; Tetlock, 1985b) and that may be rewarded or punished as a result of the analysis of the nature of these actions and their consequences (Beu & Buckley, 2001). Accountability is seen as a motivational mechanism of cognitive effort (Tetlock, 1983a; Tetlock & Levi, 1982) with a potential debiasing effect in judgment formation. Specifically, when they are accountable, people tend to examine large quantities of information which allows, in the case of ethical decisions, greater attention to decision consequences.

However, accountability occurs in the context of social relationships and cannot

be isolated from the influence processes between individuals and groups. In addition to accountability based on observation of laws, rules and principles, usually translated into formal mechanisms of ethical behavior monitoring, we need to consider the existence of audiences in the organization to whom individuals are called upon to justify their own actions. This chapter examines the role of social contingency of accountability on ethical decision making. From the development of two experimental studies we examined how the information about audience characteristics affects individual capacity to analyze ethically dubious situations. Accountability involves justifying actions, behaviors or decisions to audiences with whom individuals maintain relations of dependence. Therefore, in many cases, decision making process may be influenced by the existence of pressures to individuals adjust their own behavior to what they perceive to be expected by the audience (Lerner & Tetlock, 1999b), even if it means acting in an ethically questionable manner.

3.2. Accountability theory

An individual is held accountable when he has the expectation, implicit or explicit, that may have to justify his beliefs, feelings and actions to others. Involves the need to present appropriate and satisfactory justifications for his actions, under penalty of negative consequences (Tetlock, 1983a; Tetlock & Levi, 1982). From this point of view, accountability is activated whenever there is an expectation that someone's behavior is under observation and evaluation by an audience, who may or may not be known, and implies the production of justifications (Lerner & Tetlock, 1999b). More than an *intuitive scientist* (Lerner & Tetlock, 1999a) trying to understand the world around him and get maximum utility in his actions, by identifying underlying causes for the events, an individual who believes that his actions will be the subject of another person scrutiny tends to think and act like an *intuitive politician* (Malle, 2006) impelled to protect his social identity in the eyes of those to whom he is accountable.

The study of the nature of accountability as a multidimensional construct falls into the debate about the motivational basis of social cognition. As previously observed, it is proposed that information processing occurs in two ways (e.g., Chen & Chaiken, 1999; Kelley & Michela, 1980). Dual-process theories argue that social judgments can be formed by more or less thoughtful cognition. Therefore, individuals adopt minimal cognitive demand strategies that involve the use of judgmental rules and heuristics, or they use a relatively comprehensive and analytic scrutiny of information. According to Janis and Mann (1977), when expecting to justify their actions to others, people tend to be more involved in cognitive tasks to produce better quality decisions. In fact, as shown by Tetlock (1983b) by the manipulation of task motivational significance, accountability promotes the use of more complex patterns of information processing that increase resistance to cognitive biases. This effect is due to the retention of information for longer periods of time, thus allowing individuals to make more coherent decisions. This aspect is more notorious in predecisional accountability. Based on the replication of the *primacy effect* (overvaluation of the information accessed earlier) into three groups of participants: those who were informed before the task they would have to justify their decision, those who were informed during the task and, finally, the group that was not held accountable for their decision, Tetlock (1983b) noted that, in contrast to the others, the group of

participants accountable before the task did not show any bias in decision making. In fact, the effect of predecisional accountability is due to the retention of information for longer periods of time allowing individuals to decide in a more consistently manner. Another reason advanced by the author is that accountability seems to generate a tendency in people to avoid committing themselves to rigid positions (Tetlock, 1983b).

In sum, accountability implies on the part of individuals the production of justifications for behaviors and actions that are under the scrutiny of others. Under this condition, people tend to analyze in more detail larger amounts of information before making a decision. This aspect allows for a greater resistance against cognitive biases, for instance, through the use of automatic decision rules as a way to abbreviate decision making process.

3.2.1. Process accountability and outcome accountability

Depending the nature of accountability, individuals may be asked to account for the way they made a decision (process accountability) or for the outcome of the decision (outcome accountability). Specifically, process accountability motivates individuals to pay more attention to decision making procedures while, in outcome accountability the cognitive effort is directed to justifying the results. Research around the nature of cognitive effort motivated by accountability shows that decision makers who are accountable for outcomes tend to adopt self-justifying patterns of thought and have a high tendency to commit themselves to past actions (Simonson & Staw, 1992). Differently, under process accountability, individuals tend to engage in preemptive self-criticism, leading to a more debiased evaluation of decision alternatives (Lerner & Tetlock, 1999b) when compared to outcome accountability condition. Moreover, individuals who are accountable for process show more consistency in the way they make judgments (Ashton, 1992) and feel encouraged to use analytic thinking modes over large amounts of information (Tetlock, 1983b). In turn, outcome accountability is characterized by a cognitive investment in the justification of results and a constant adjustment to meet the expectations of the audience. In a study developed by Siegel-Jacobs and Yates (1996), participants revealed that under the process accountability, their decisional strategy

considered the analysis of larger amounts of information when compared with non-accountable participants or participants under outcome accountability. Participants accountable for outcomes had a worse performance than those who were non-accountable. According to the authors, this is due to the relationship between getting results and the attribution of rewards, which is essential in the increase of stress associated with the task and, consequently, to the simplification of the decision making process. In fact, as pointed by Lerner and Tetlock (1999a), individuals in outcome accountability are subject to biases identical of those that occur in individuals who are in a non-accountable condition.

In the case of ethical decisions accountability it seems to be a similar effect. In a previous study, Silva and Simões (2011) asked participants accountable to unknown audiences to judge the ethically of another person's decision with positive, negative or neutral outcomes. When accountable for the *manner* they had judged the target decision (process accountability), participants were more severe in their judgments than participants who only had to justify their judgments (outcome accountability) or who were not-accountable at all. However, this is true solely when decisions had positive or neutral outcomes, not in the case of negative outcomes. These results are due to the high salience of the negative outcomes which allows participants to identify the effect of the decision on third parties resulting in greater culpability of those who perpetrate an unethical behavior (e.g., Alicke & Davis, 1989; Mazzocco, Alicke, & Davis, 2004).

In sum, accountability can promote cognitive effort and prevent cognitive biases, but it is not by itself a guarantee of an increase in judgment accuracy (Simões, 2008). Important decisions are not the product of information processing by isolated individuals, but rather the result of intense interactions between individuals who are part of groups which share values, norms and social practices. As an universal feature of social life, accountability calls for considering the complex network of social relations and the specific contexts in which these occur. The social contingency model of accountability (Lerner & Tetlock, 1999b) suggests that accountable individuals are driven by the need to protect their social identity and preserve a positive image of those who are accountable and tend to behave consistently with the decision they believe the audience would expect. In this way, accountability to known audiences might decrease the quality of ethical judgment since individuals might be prone to adjust their views to the audience's views

(e.g., ethical vs. unethical views) regardless of the decision outcome, as well as be sensitive to the asymmetry of the relationship with the audience (e.g., information about the audience's power to punish or reward the decision maker).

3.2.2. The social contingency model of accountability

The reduction of accountability to a simple motivator of cognitive effort seems not to take into account, as mentioned by Lerner and Tetlock (1999), the complex network of social relations and specific contexts in which it occurs. Social systems are usually defined in terms of shared expectations about behavior in which, the opportunity to call individuals to account for their actions is the basis of social order and maintenance of the social system itself (Edgerton, 1985; Frink & Klimoski, 2004).

Research in the area of human information processing was focused for a long time, according to Tetlock (1985a), in the observation of the phenomenon in normatively abstract contexts. In this case, removing accountability from social life puts it in a kind of social vacuum where individuals are not truly concerned about the consequences of their behavior (Tetlock, 1985a). The proposal of a model that observe the nature of accountability as a universal problem of social life, emerges from the fact that the approach to this phenomenon as a cognitive-motivational mechanism for judgment precision is not enough to explain, on the one hand, the fact that certain *response-reactions* contribute, under specific conditions, to increase cognitive effort, and on the other, to explain why decision making processes supported by automatic decision rules constitute, by allowing individual adjustment to the context, relevant adaptation mechanisms. Actually, accountability is a high cognitive complex phenomenon that can promote a greater cognitive effort and prevent the emergence of bias but “does not ensure by itself an increased in judgement accuracy” (Simões, 2008, p. 191).

The social contingency model of accountability (Lerner & Tetlock, 1999b) proposes the negation of the central role if the individual in the formation of judgments and decision making. It assumes that accountable individuals are driven by the need to protect their social identity and maintain a positive image of themselves to those they have to justify their actions. People, when accountable, feel restricted by the notion that

the consequences of their actions will be judged by others and so they asked themselves: *If I do this, how do others react?* connecting their decision to the social system to which they belong.

People tend to behave as what they believe it is expected of them when they believe that acting contrary is bad for their reputations. A study conducted among managers suggests that people accountable tend to act as *metadecision makers* (they decide on how to make a decision) showing the ability to switch between information processing styles in response to the context requirements (Tetlock, 2000), in particular through the following mechanisms:

Strategic attitude shifting. Whenever the audience is perceived as having power, people tend to perform opinion adjustments driven by the need for social approval. It is the recognition of an asymmetry of resources, i.e., the audience controls resources valued by the individual and the resources that he/she holds are undervalued.

Preemptive self-criticism. Whenever the opinion of the audience is unknown or when the individual is accountable to multiple audiences with conflicting opinions, there is a tendency to anticipate the emergence of objections and criticisms.

Defensive bolstering. Faced both to irreversible commitment to past actions and the need to justify them to audiences perceived as hostile, but not too intimidating, individuals tend to rely on self-justificatory thought patterns in an attempt to demonstrate that their perspective is correct and the audience perspective is wrong. This tendency can be enhanced if individuals have a rigid cognitive style.

Decision evasion. When they are accountable to multiple audiences with discordant views between them, individuals tend to delay or avoid decision making. If individuals perceive one of the audiences as more powerful than the other, there is the tendency to move closer to the

audience that has more resources desired by them.

As we have seen previously, the models that propose a dualistic conception of information processing (e.g., Chen & Chaiken, 1999) indicate that individuals are naturally oriented to save cognitive effort. They tend to analyze information using heuristics and simple decision rules and the systematic processing will have at its base the presence of specific motivational factors. The mere condition of being accountable for their own behavior, move individuals to a systematic and analytical approach to the available information, making them more resistant to cognitive biases. However, as noted by Simões, 2008, the analysis of the accountability phenomenon under the lens of social contingency model raises a central question: the influence of the social context. The need to protect the social identity in the eyes of key constituents (Lerner & Tetlock, 1999b) explains the formation of judgments that, although may be described as the product of cognitive biases, are nothing more than adaptation strategies to the context demands.

3.3. The effect of consequences in ethical decision making

From a classical rational perspective, a judgment about another person's decision making process presupposes the use of the same information that the decision maker had available at the time of the decision (Bazerman & Moore, 2009). So, the assumption of the consequences as determinative of the decision quality is based on the adoption of an heuristic which focus the attention in the arguments that make that decision "good" or "bad" and not in the previous aspects which framed the decision. However, since the decision process is difficult to observe (Mazzocco et al., 2004), people tend to assume the decision outcome as a determinant for the quality of the decision. *Outcome bias* is an heuristic rule that reflects the individual's tendency to consider only the information about the outcome of an action to judge both the quality of the decision and the competency or good intent of the decision maker (Baron & Hershey, 1988) if it is a judgment about a decision made by others. People tend to make forecasts for the probability of the effects of a decision, taking as reference the subsequent observation of the consequences of that decision. The *prospective bias* (Fischhoff, 1975) describes how the inferences are made about the information held by the decision maker before he makes the decision. The

evaluation of decision quality is preceded by the assessment of the likelihood of the outcome. Sharing the same temporal dimension (Clarkson, Emby, & Watt, 2002) outcome bias determines how people judge decisions quality and also, the decision maker competence, to the extent that he should have anticipated decision consequences. This is the allocation of responsibility to the decision maker by the effects of his action. The perception of causality and intention lead individuals to an attempt to restore the sense of justice (Tostain & Lebreuilly, 2008), considering acceptable to punish someone to the extent of the severity of the decision consequences. It is assumed that these are a clear indication of the degree of negligence of the decision maker (Baron & Hershey, 1988). As an example of this type of bias Alicke and Davis (1989) report that, in research scenario where the owner of a house fired on a suspected intruder, participants attributed greater responsibility to the owner when the intruder was presented as an innocent victim and lower responsibility when the intruder was described as a dangerous criminal.

Regarding decisions on ethical issues, Haidt (2001) has shown that negative consequences cause strong moral disapproval. Recent research also suggests the outcome bias is a socially relevant heuristic (Agrawal & Maheswaran, 2005), implying that individuals are motivated to manage the social impact of their decisions on the basis of intuition about their social acceptability. On the other hand, the need for assigning blame and punishment is dominant and automatic, providing ethical judgments a source of irrationality . People are driven by the “belief in a just world” (Mazzocco et al., 2004) i.e., they believe that the consequences of a decision reflect the intention and the personal characteristics of the decision maker. When the consequences are negative, and the individual has information that the impact of the decision had damaging repercussions for others, then he assumes that it is a socially unacceptable and reprehensible behavior (Mazzocco et al., 2004), judging more severely the decision and its author (Alicke & Davis, 1989).

In sum, individuals tend to establish causal relationships between the nature of the decision’s consequences and the level of competence of the decision maker. This intuitive and unconscious process seems to be more salient in the case of ethical decision making. As noted by Gino and colleagues (Gino et al., 2009; 2010), the impact of moral consequences promotes the use of differently specific psychological mechanisms than those t used in common decisions. On the one hand, the decision maker assumes himself

as morally competent and, therefore, tends to not recognize ethical problems and conflicts of interest. On the other hand, the decision maker is cognitively motivated to do what he believes right even if it means going against his own beliefs and values (Kellaris et al., 1996). Individuals, driven by the need to restore the sense of justice, evaluate more negatively a decision maker when his behavior creates negative consequences and more positively when the same behavior is associated to positive consequences (Gino et al., 2009). This aspect is an important source of irrationality in ethical judgments and contributes to the recognition of limitations on individual ability to process information about ethically dubious situations.

3.4. Study 1 – The role of context in the formation of judgments about the ethical acceptability

3.4.1. Introduction

As we noted earlier, decision making processes are limited by cognitive and motivational factors. If on the one hand, the individual ability to process is constrained by computational capabilities and by the context in which the decision making occurs, on the other, people are driven by a particular desire to spend more or less cognitive effort in the problem solving processes. Consequently, they can adopt two distinct types of cognitive functioning. Specifically, people can adopt a systematic and conscious approach in the analysis of information or, make use of a type of heuristic processing based on a kind of automated and intuitive reasoning as reaction to the discomfort caused by the presence of ambiguous and confusing information.

This aspect seems to be more salient in the case of ethical decisions (Gino et al., 2009), given that their impact and moral implications motivate the use of differently psychological mechanisms than those used in other type of decisions. The social dimension of consequences motivates individuals to judge ethical issues based in assumptions about what is right or wrong (Baron & Hershey., 1988; Mazzocco et al, 2004). Specifically, the decision maker holds about himself an "obstinate vision" of ethical competence, considering himself as more ethical than others and immune to errors of judgment associated with conflicts of interest. This process, naturally biased, can be minimized by introducing specific motivational mechanisms such as accountability, that is, as mentioned above, the expectation of having to explain to an audience how the decision was made) that promotes more cognitive complexity in the analysis of ethical problems (Beu & Buckley, 2001). Recent research has shown that people who are accountable to an unknown audience who expects justifications about how the decision was made, revealed themselves more prone to analyze more carefully the information and, therefore, to make fewer errors in judgment (Silva & Simões, 2011).

However, decisions on ethical issues are affected by specific social motivations, such as the perception of what is socially accepted as ethical. Preserving self-image is

thus decisive, leading individuals to submit their perceptions, judgments and behaviors to the notion that are under third party scrutiny. Accountability relationships, which include information on audience characteristics, provides information to individuals about what is valued and expected in decision making process. Since, to the best of our knowledge, there are no empirical studies analyzing the role of social contingency of accountability in ethical judgment formation, we suggest that, for example, an audience presented as ethical may lead individuals to seek ethically acceptable solutions, while an audience seen as unethical may lead individuals to decide on the basis of what they perceive as expected by the audience, even if it means to ignore their own ethical principles.

3.4.1.1. Ethical metadecision: judgments about decisions ethicality

The metadecision concerns the cognitive process that allows people to reflect on their own decisions. As pointed by van Gigch (2005), it is about the use of high level cognitive abstract functions which allow individuals to become aware of the decision making process. While deciding on their own decision, individuals expand their decision making process reference framework facilitating knowledge retrieval, acquisition of new information and the identification of available resources in order to make the most effective decision.

In decisions about third-party decisions, metadecisional process refers to the individual capacity to infer mental states (beliefs, desires and emotions) about the decision maker. This condition involves the construction of multiple mental spaces where individuals represent their own reality and the others reality enabling, through this process, the attribution of intentionality to social behaviors (Malle, 2006). However, we pose the following questions: *What happens when we judge the morality of others decisions? To what extent will we be rational and accurate?*

As noted by Gino and colleagues (2009), given the inability to predict consequences, individuals tend to underestimate how the decision making process is conducted, and assume, implicitly, that the results determine decision acceptability. This is particularly relevant because individuals are judge, not due the supposed intrinsic ethics

in their actions and behaviors but, due the actions outcomes even if these outcomes have been the product of uncontrollable factors.

3.4.2. Objective and hypotheses

When judging others ethical decisions, people are prone to base their judgments on inaccurate and superficial information processing procedures. It is therefore reasonable to ask if a deeper and more logical process could lead people to more correct moral inferences. So we put forward one main question: “How do people judge a dubious ethical decision made by others who are accountable to known audiences?”. This study aims to analyze the effect of accountability on judgments formation about others ethical decisions. Consistent with the social contingency model of accountability, judgments about others decisions may be affected by the recognition that the decision maker will be held accountable to an audience that controls resources that he desires or, that audience has a perspective on decision outcomes which defines audience position on ethics. In this sense, we advanced the following hypotheses:

Hypothesis 1 – When judging dubious ethical decisions made by others, people tend to decrease their ethical scrutiny if the decision maker is accountable to an audience with resources that he desires.

Hypothesis 2 – When judging dubious ethical decisions made by a decision maker who is accountable to an audience with known ethical views, people tend to adjust their judgments to what they presume audience expects from the decision maker.

3.4.3. Method

3.4.3.1. Sample and procedure

A convenience sample with two hundred and forty-one students (average age is 27.3 years, SD = 8.21, and 66,3% are female) participated voluntarily in this study. Regarding education level, 85,3% were undergraduate students, 11,9% were graduate students and 2,8% were postgraduate students.

Participants were randomly assigned to one of the 12 experimental conditions (experimental design 4 x 3) and invited to read an organizational decision scenario on which they would have to make a decision. The experimental conditions were as follows:

Social contingency of accountability – No accountability vs. Accountability towards an audience with resources vs. Accountability towards an audience with resources and ethical view vs. Accountability towards an audience with resources and unethical view;

Decision outcome – Negative vs. Neutral vs. Positive.

3.4.3.2. Variables and measures

Social contingency of accountability (independent variable): The decision maker's expectation of having to justify to others personal beliefs, feelings or actions was induced through specific information outlined in scenarios on ethical decision making on which participants should form an ethical judgment. Participants were not accountable for their own decisions. They evaluated the acceptability of a decision made by someone else involved in specific accountability conditions. For example, the scenario in which the decision-maker was accountable to find an audience with resources and unethical view included the following information:

Gustavo Mendes is the engineer responsible for the modernization of a Sewerage Treatment Plant. All the decisions he makes are subject to evaluation by his boss who is interested only in the way as the engineer Gustavo took his decisions. His boss is not interested in any impact on third parties. If it happens, how he uses to say, it will be a “necessary evil”, the most important is to meet deadlines and budgets. The project is at a critical stage. Engineer Gustavo needs to shut down all systems and sewage temporarily led to a reservoir until the treatment systems are back in operation. This stage lasts 48 hours and, in the case of rain, there is a likelihood of overflow the reservoir for the water lines, resulting in negative consequences for the environment and health of people living in the area. Engineer Gustavo could decide to implement a security system that eliminates the risk of overflow of the reservoir in the case of heavy rain, but it is a very expensive equipment for the company. After some considerations he decided not to implement any security system.

3.4.3.2.1. Social contingency of accountability manipulation

As mentioned before, this study is about metadecisional processes (decisions about decisions) that refer to the individual’s capacity to infer a set of mental states (beliefs, desires and emotions) concerning the decision maker. It involves the construction of multiple mental spaces where individuals represent their own reality and other’s reality, thus allowing for the attribution of intentionality to social behaviors (Malle, 2006). As suggested by Malle and Knobe (1997), there are no differences in the degree of intentionality attributed to a behavior when the individual takes the perspective of the actor or assumes the observer’s perspective. Social contingency in accountability was induced through specific information outlined in the scenarios of ethical decision making. Resource asymmetry refers to the perception of power of the audience. Power is traditionally being defined as the asymmetric control over valued resources in social relations (e.g., Keltner, Gruenfeld, & Anderson, 2003; Magee & Galinsky, 2008; Magee & Smith, 2013). As Magee and Galinsky (2008) suggested, we used the word

“asymmetric” to capture the state of dependence between the decision maker (who is perceived as a low power person) and his or her constituencies in order to obtain rewards or avoid punishments. Specifically, participants were informed that the decision maker had to justify the ethical decision to his boss. Additionally, the audience’s ethical view was part of the experimental manipulation of the social contingency of accountability, and it was induced through specific information outlined in the scenarios on ethical decision making concerning the type of the audience’s expectations about the consequences to others (audience with ethical view) or decisions with maximum utility despite the consequences for third parties (audience with unethical view). At the end all participants were debriefed about the study objectives.

Decision outcome (independent variable): It refers to the valence of the decision consequences. In a positive outcome situation, the scenario provided to participants included elements of unethical decision but a positive outcome. The negative outcome situation included the same elements of unethical decision and a negative outcome and, finally, the neutral outcome situation included elements of unethical decision but, in this case, no information was provided about decision consequences. For example, the scenario with negative outcomes included the following information:

In the period of 48 hours that lasted the critical stage rained intensely. A total of 20 people had serious health problems, thousands of fish died, and for around three months, the fishermen were prohibit of selling the fish in that area.

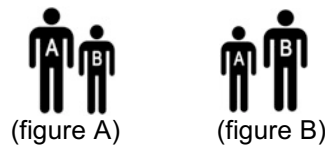
Ethical decision acceptability (dependent variable): In order to measure the degree to which participants considered a dubious ethical decision making acceptable, a single question was used. Following the example of Reiss and Mitra (1998) we asked participants to indicate how acceptable the decision was to them on an individual basis. As suggested by Jones (1990), the term “ethics” was not included in the question. Participants were asked to express the level of acceptability on a seven-point Likert scale

(1 = “Not acceptable” to 7 = “Totally acceptable”) answering to the question: “*To what extent is the decision took by (...) acceptable?*”.

3.4.4. Results

3.4.4.1. Manipulation check

At the end of the study participants answered a set of control questions about the study. Some of them were innocuous such as: “*My participation in this study is voluntary*” (1 = “True”; 2 = “False”). Other questions intended to assess the validity of manipulations. In manipulation checking concerning the audience as having resources desired by the decision maker, participants were asked to answer to the following question: “*Considering that figure A represents engineer Gustavo’s boss and figure B represents engineer Gustavo, in your opinion what is the image that best represents the relationship between the two?*”



In manipulation checking concerning audience ethical view, participants were asked to answer to the following question: “*In your opinion, engineer Gustavo’s boss can be seen as: 1 = “An ethical person”; 2 = “An unethical person”*”. Only participants subjected to manipulation were taken into account in the data analysis.

3.4.4.2. Test of hypotheses

A two factors univariate analysis of variance (two-way ANOVA) was used to test our study hypotheses. In general terms, hypotheses stipulated that social contingency of

accountability negatively affect the participant's ethical scrutiny. There was a main effect of the valence of the consequences of the decision, indicating that individual ratings about ethical acceptability are influenced by outcome bias ($F(2, 229) = 14.53, p < .001, \eta^2_p = .11$). The context in which the decision occurs also has a main effect on individual ratings about ethical acceptability, i.e., when people evaluate ethical decisions, they are affected by social contingency of accountability ($F(3, 229) = 3.97, p < .01, \eta^2_p = .04$). Table 3 presents means and standard deviations for ethical acceptability according to the experimental conditions and decision outcomes.

Participants tend to evaluate ethical decisions with negative outcomes as less acceptable, independently of the experimental condition in which the decision occurs. This result may be due to the high salience of negative consequences (Mazzocco et al., 2004), which allows individuals to identify how decisions specifically affects others, thus leading to higher culpability of whom perpetrates an ethically questionable behavior (Alicke & Davis, 1989). Faced with negative outcomes, people tend to adopt a self-centered perspective, i.e., they place themselves in the "victims' shoes", which implicitly suggests that they could themselves be affected by the consequences of the decision (Silva & Simões, 2011).

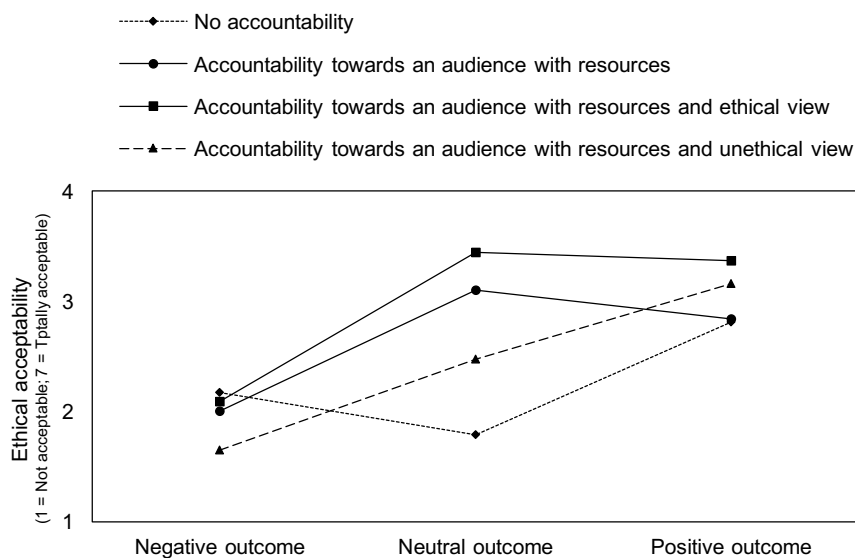
Table 3 – Means ratings and standard deviations of ethical acceptability depending on experimental conditions and decision outcomes

Experimental conditions	Negative outcome			Neutral outcome			Positive outcome		
	n	M	SD	n	M	SD	n	M	SD
No accountability	24	2.17	1.20	19	1.79	1.08	16	2.81	2.18
Accountability towards an audience with resources	12	2.00	1.27	20	3.10	1.11	25	2.84	1.17
Accountability towards an audience with resources and ethical view	23	2.09	0.99	25	3.44	1.47	24	3.37	1.63
Accountability towards an audience with resources and unethical view	17	1.65	0.78	17	2.47	1.12	19	3.16	1.06

Both, the valence of decision outcomes (negative, neutral or positive) and the social contingency of accountability influence decision ethical acceptability ($F(6, 229) = 2.59, p < .05, \eta^2_p = .06$). Regarding this interaction effect, post-hoc tests were performed (L-matrix) in order to identify significant combinations for different degrees of ethical acceptability. Figure 4 presents the means ratings for ethical acceptability according to the experimental conditions and decision outcomes.

As regards to our first hypothesis which proposed that ethical scrutiny on ethical decisions made by others tend to be affected if the decision maker is accountable to an audience that has resources that him desires, results shows that social contingency of accountability leads participants to decrease their own ethical scrutiny. However, this bias only occurs when they are faced with neutral outcomes. Participants tend to judge as more acceptable an ethical decision made by someone accountable to an audience with resources ($M = 3.10; SD = 1.11$) than an ethical decision made in an unaccountable context ($M = 1.79; SD = 1.08$) ($F(1, 229) = 6.27, p < .05, \eta^2_p = .02$). Results confirm our first hypothesis.

Figure 4 – Mean ratings for ethical acceptability



Our second hypothesis claims that participants tend to adjust their judgments to what they suppose that the audience expects from the decision maker. In fact, when faced with neutral outcomes, ethical decisions are evaluated as less acceptable when are made in unaccountable contexts ($M = 1.79$; $SD = 1.08$) than when ethical decisions are made in contexts in which the decision maker is accountable to an audience with resources and ethical views ($M = 3.44$; $SD = 1.47$) ($F(1, 229) = 11.01, p < .001, \eta^2_p = .04$) or, when the decision maker is accountable to an audience with resources but unethical views ($M = 2.47$; $SD = 1.12$) ($F(1, 229) = 4.45, p < .05, \eta^2_p = .02$).

We performed additionally tests in order to observe the isolated effects of audience's ethical views. Results indicate that participants tend to attribute less acceptability to a decision with negative outcomes when the decision maker is accountable to an audience with unethical view than when the decision maker is accountable to an audience with ethical view ($F(1, 40) = 5.25, p < .05, \eta^2_p = .11$). Taken together, the results allow us to confirm, although partially, our second hypothesis, being possible to verify that participants perform adjustments on their ethical judgment based on the ethical perspective of the audience. They do not do it, as discussed below, taking into account the information they hold about audience expectations, but trying to determine causal relationships between the decision's ethical nature and what they perceive as expected by audience.

3.4.5. Discussion and conclusions

With the present study, we intended to contribute to the development of research on ethical decision making. Specifically, we discussed how individuals judge a dubious ethical decision made by decision makers who are accountable to an audience with resources to reward or punish them and with (un)ethical views about the consequences of the decision in evaluation.

Results indicate that the ethical/unethical view of the decision maker's audiences is determinant for judgment formation. The decision maker's accountability to a known audience may promote in the metadecision makers the need to adjust accordingly their evaluations.

When judging a decision made by someone who is accountable to an audience with resources, participants are clearly biased by information about the outcomes. They tend to be more severe when the outcome is negative and less severe if the outcome is positive. In sum, when people judge dubious ethical decisions made by others, the information about the valence of the decision's consequences may drive participants to more intuitive cognitive processing, despite contextual variables, such as accountability, which usually promote a more thoughtful information analysis.

Results show that when people evaluate dubious ethical decisions made by others, the attribution of intentionality depends on the particular evaluation of the context of decision making in order to find plausible causes to justify the decision (Thibaut & Riecken, 1955). When there is no information on the decision outcome, people tend to adopt causal schemas (Kelley, 1973) to make inferences about possible causes for the ethical decision in evaluation. People interpret behaviors in terms of their causes, and their reactions are determined by these interpretations (Kelley & Michela, 1980). The *discount principle* assumes that the effect of a decision could be discounted if other plausible causes are present (Thibaut & Riecken, 1955). Based on this principle we could assume that the social contingency of accountability is a cause for a less severe attribution of intentionality and, consequently, for a more favorable judgment about the ethicality of the decision in analysis. People decide between internal and external causes for behavior on the basis of the perceived power of the audience (Kelley & Michela, 1980). Once an ethical judgment is made about a decision made by someone who needs to justify his or her own decisions to an audience with more resources, participants tend to consider the decision maker as a *low power* person whose behavior cannot be attributed to internal factors.

3.4.5.1. Theoretical and practical implications

Theoretically, this study contributes to the clarification of the role social contingency of accountability on ethical judgments formation. Information on audience characteristics is crucial for how people evaluate ethical decisions made by others. This study contributes to the expansion of research in the area of ethical decision making.

When evaluating ethical dubious situations people tend to establish causal relationships by taking retrospective evaluations of the problems (Fischhoff, 1975). Specifically, some consequences are seen as inevitable because people perceive them as a result of the context characteristics where decision occurs (Blank & Nestler, 2006).

In practical terms, these results are relevant for the preservation of ethicality in organizational contexts. Today, more than ever, managers are concerned with the impact of ethics in their organizations and each of their decisions tends to be more and more under strong ethical scrutiny. The way organizational actors, and other stakeholders, evaluate manager's decisions seems to depend on the nature of the justifications they can perceive from several contextual cues.

3.4.5.2. Limitations and suggestions for future research

This study has some limitations. The design does not analyze the direct influence of social contingency of accountability in ethical judgment formation. We intended to generate understanding on the way people look for information in the context to determine the ethical decisions made by others. We believe that the results are relevant to understanding how people judge, for example, corruption and fraud situations made public by the media. However, future research should look at the direct effect of social contingency of accountability in individual ethical decision making.

Another limitation is related to the study scope. Our convenience sample was only formed exclusively by students. Despite the fact that experimental scenario was related to an organizational problem, context effect in data collection limits the generalization of the findings (Podsakoff, MacKenzie, & Podsakoff, 2012; Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). In the future, other contexts should be considered, such as the development of research in organizational context in order to control variables as the level of responsibility of the participants in the organization or the experience in dealing with ethical issues.

This study, like many experimental studies, is limited also by the sample size. Due to this fact, considerable loss of statistical power as well as the existence of relatively weak effects increase the probability of our findings containing some errors. The results

can suffer some changes due to statistical artifacts as the sample size, i.e. a larger number of participants could made statistically significant some important relationships allowing the observation of a greater consistency of the role of social contingency of accountability in ethical judgment formation.

Future research should consider extending the theoretical model in order to analyze the effect of other contextual factors (e.g., ethical leadership, ethical climate or goal setting procedures) as well as individual determinants (moral identity or ethical disengagement) with influence in judgments formation and ethical decision making.

3.5. Study 2 - The role of context in ethical intentionality

3.5.1. Introduction

When making decisions on ethical issues, people often do it in complex environments, with unclear rules and characterized by the existence of conflicting interests between groups. Most times, the existence of contradictory information about the interests, values and expectations of different stakeholders could leave individuals to fail to understand the situation on which they have to make an ethical judgment (Reynolds, 2006) and, to form judgments based in false rules or apply wrongly a certain moral rule.

In general terms, judgment formation, ethical decisions and behaviors presupposes individual's ability to think deliberately about the ethical issues (Rest, 1986; 1994). However, as we have been observing, judgment formation and ethical decision making is a complex process (Sparks & Pan, 2010) and requires people to consider both the individual aspects and the context or situation where ethical problems occur (Elm & Nichols, 1993; Trevino, 1986). Usually, people tend to adopt rapid and intuitive cognitive procedures when they seek solutions to ethical dilemmas. As suggested by Haidt (2001), the intuitive basis on which ethical decision making occurs is usually succeeded by reasoning processes about moral choices in order to support decisions previously made. People look for arguments in order to allow decisions consistent with what they want or expect it to be (Kruger & Dunning, 1999). The outcome bias is a clear example of the difficulty most people have in the evaluation of ethical dubious situations. Individuals tend to consider decision outcome in order to assess its moral quality whereby, an ethical questionable decision is usually considered more acceptable than the same decision with negative consequences (e.g., Gino et al., 2009; Silva & Simões, 2011).

When dealing with an ethical dilemma, individuals usually face the problem as something that needs a solution and not as an issue that requires the adoption of critical thinking (Watley, 2013). That is, people tend to act based on *ethical impulses* and relegate to second place intended and well reflected considerations about ethical issues (Haidt, 2001; Kish-Gephart et al., 2010). Ethical judgment concerns to a cognitive process

through which individuals establishes “which course of action is morally right” (Treviño, 1992a, p. 445) that results from the context in which occurs. It is therefore, a social phenomenon, which should be evaluated in terms of the relationships that individuals have with the others (Wiltermuth & Pierce, 2013). In this case, accountability relationships play a key role in determining judgment and moral action. As analyzed previously, the need to justify their own actions to others has an effect on decision making process motivating individuals to analyze and retain larger amounts of information (e.g., Lerner & Tetlock, 1999a; Tetlock, 1983a). However, in ethical decisions, accountability towards known audiences could lead individuals to adjust their own decisions to what they perceive as being expected from those having power to reward or punish (Lerner & Tetlock, 1999b). In concrete terms, the existence of contingent reinforcements to individual performance (Treviño, 1986) seems to explain, for example, why people are more likely to adopt unethical behavior if they are rewarded for it (Hegarty & Sims, 1978). The need to preserve a positive image of themselves and the perspective of personal gains (or attempt to avoid punishment) could be enough to get people in ethically questionable decisions, even when they are considered contrary to their own moral principles.

3.5.1.1. Setting ethical intentions: judgments about ethical dilemmas

Establishing an intention is a necessary requirement to coordinated interaction and communication between individuals. It is an essential condition for understanding the behavior and mental causes behind it (Malle, 1999). As suggested by Malle (2006), the establishment of intentions plays a normative role in social behavior evaluation, i.e., allows the individuals to structure and analyze the complexity of their own action and the action of others. The establishment of an intention is seen as a prescription of what the individual considers to be the appropriate behavioral response (Gaudine & Thorne, 2001; Mellers, Schwartz, & Cooke, 1998) and, in the case of ethics, establish an intention result from individual’s prioritization of what he considers to be morally correct, apart from any other considerations (Nguyen & Biderman, 2008). If an action is evaluated as ethical it is more likely to develop the individual's intention to pursue the same action. As stated by

Hunt and Vitell (1986), it is “the likelihood that any [ethical] particular alternative will be chosen” (p. 9), assuming in this case, that there is a direct relationship between the process of judgments formation and the establishment of ethical intentions (e.g., Dubinsky & Loken, 1989; Jones, 1991; Rest 1986). When dealing with ethical issues, people express intentions for action consistently with their personal attitudes (Randall, 1989).

However, people tend to overestimate the extent to which others share their beliefs, attitudes and emotions (Epley & Caruso, 2004). Ethical judgments require a cognitive effort which is usually biased by a self-centered perspective in the analysis of ethical problems. People easily evaluate the stimuli, events or consequences of an action to the extent that they favor them. Faced with an ethical dilemma, people elaborate automatic answers which are consistent with a self-centered perspective about the costs and benefits of concrete action, i.e., people’s evaluations are not based in attitudes or stable preferences. On the contrary, the evaluation of ethical problems results from individual judgments about what is considered acceptable or unacceptable. Consequences with benefits for the individual himself invoke positive evaluations, the same way that negative consequences appeal to negative evaluations. This seems to explain why in many cases people opt for alternatives that normally they would consider morally unacceptable (Hunt & Vitell, 1986). In this case, factors such as the organizational culture, the rewards systems (Baucus & Beck-Dudley, 2005) or the need to provide justification to known audiences could explain why people decide for different courses of action when they deal with similar ethical issues (Elango, Paul, Kundu, & Paudel, 2010).

In sum, establishing ethical intentions results from individual evaluations about the course of action considered by individuals as the most beneficial taking into account the social context where the ethical decision making occurs, which is usually characterized by the need to adjust behavior to audience expectations and interests.

3.5.2. Objectives and hypotheses

When making decisions on ethical issues, people tend to take rapid cognitive, automated and intuition based processes. Judgment errors arising from here are usually

translated into ethical questionable choices, based on information about the potential consequences of behavior and depending on context characteristics where judgment formation occurs. As we know, if on the one hand accountability can lead individuals to process information about the ethical issues more deeply and logical. On the other, the nature of the social relationships involved in accountability can lead people to endeavor efforts in order to adjust their decisions to what they perceive as being expected by the audience and, consequently, undermining the quality of moral inferences. This raises the following question: *To what extent does accountability to known audiences affects the establishment of ethical intentions?* This study aims to analyze the effect of accountability in the establishment of ethical intentions, i.e., in the definition of courses of action in response to ethical problems.

Consistently with the social contingency model of accountability, the establishment of an intention to act (un)ethically may be affected by the expectation that decision maker has related to the need to provide justifications towards an audience about whom are known the opinions regarding decision outcome, i.e., the audience ethical view. In this sense, we advanced the following hypotheses:

Hypothesis 1 – When establishing an ethical intention, people accountable to unknown audiences tend to reduce their ethical scrutiny, considering the nature of the decision consequences (negative, neutral or positive) as determinants for decision making process.

Hypothesis 2 – When establishing an ethical intention, people accountable to audiences with a known ethical perspective tend to reduce their ethical scrutiny, making adjustments in their judgment depending on what they assume to be expected by the audience.

3.5.3. Method

3.5.3.1. Sample and procedure

A convenience sample with one hundred and ninety-four students has participated voluntarily in this study. Participants were aged between 18 and 49 years ($M = 26.8$; $SD = 8.35$), and 61.8% are female. Participants were randomly assigned to one of the nine experimental conditions (experimental design 3 x 3) and invited to read an organizational decision scenario on which they would have to make a decision. The experimental conditions were as follows:

Social contingency of accountability – Accountability towards unknown audience vs. Accountability towards an audience with an ethical view vs. Accountability towards an audience with an unethical view;

Decision outcome – Negative vs. Neutral vs. Positive.

3.5.3.2. Variables and measures

Social contingency of accountability (independent variable): The decision maker's expectation of having to justify to other individual personal beliefs, feelings or actions was induced through specific information outlined in scenarios on ethical decision making. Then, participants were asked to indicate to what extent was it likely them to take a particular decision. Through the information provided in the scenarios, participants could find themselves accountable to unknown audiences, i.e., where no information about the audience to whom participants would have to justify their decisions, or find themselves accountable to a known audience on which was given information about the ethical view, i.e., about what audience expected from participant's decision. For instance, the scenario in which participants were accountable to an audience with an ethical view included the following information:

Next will be presented a short story on which you will have to make a decision. Your decision will be evaluated by an expert. Later he will contact you to participate in an interview, in which you should explain how you made your decision. In this interview, interviewer will evaluate, especially, how your decision will affect other people.

You are responsible for the modernization of a Sewerage Treatment Plant. The work is at a critical stage and you need to shut down all systems and sewage treatment will be temporarily led to a reservoir until the treatment systems are back in operation. This stage lasts 48 hours and, in the case of rain, the reservoir may overflow for water lines, resulting in negative consequences for the environment and for the health of people living in the area. You can decide to implement a security system that eliminates the risk of overflow in the tank in case of heavy rain, but it is a very expensive equipment for your company.

3.5.3.2.1. Social contingency of accountability manipulation

As previously mentioned, this study aims to assess the role of social contingency of accountability in establishing an ethical intention. Ethical problems usually occur in contexts characterized by constraints such as the long or short-term goal setting procedures, interpersonal relations, organizational policies and other strategic concerns. The establishment of an ethical intention depends on personal perception about the relevance of ethical problems (Robin, Reidenbach, & Forrest, 1996) and, integrates a set of individual values, beliefs, needs and social pressures that affect, in a particular way, the receptivity and search for information in order to form judgments and determine ethical intentions. Social contingency of accountability manipulation was based on information about audience characteristics included in the scenarios, namely, about what the audience would expect in terms of the decision ethicality. Specifically, participants were informed that later they would participate in an interview where they would be asked to explain how they had made their decisions. Social contingency of accountability was manipulated by the information that participants simply would participate in an interview

(accountability towards unknown audience), that the interview would be conducted by an expert who would give special attention to the way decision would affect third parties (accountability towards an audience with ethical view), or that the interview would be conducted by an expert concerned with gains evaluation regardless of the possible collateral damage (accountability towards an audience with unethical view). At the end all participants were debriefed about the study objectives.

Decision outcome (independent variable): It refers to the valence of decision consequences. In this case, we provided information about an expected decision outcome. As stated by Tversky and Kahneman (1974), given the uncertainty about the probability of a particular consequence, people tend to support their decision making process in establishing the extent to which the result is representative of the action or event in question. Specifically, people analyze information by using decision rules, commonly called heuristics, that *per se*, increase the occurrence of judgment errors as is the case of outcome bias (Baron & Hershey, 1988). In a positive outcome situation, the scenario provided to participants included elements of unethical decision but a positive outcome. The negative outcome situation included the same elements of unethical decision and a negative outcome and, finally, the neutral outcome situation included elements of unethical decision but, in this case, no information was provided about decision consequences. For example, the scenario with positive outcomes included the following information:

If you decide not to implement any security system, and if it does not rain during the critical period of 48 hours, the project will be a success.

Ethical intentionality (dependent variable): Usually, ethic intention is accessed by asking people how they consider they will behave face a given situation (Barnett & Vaicys, 2000; Schwepker, 1999). In the present study we asked participants to indicate how likely is that they will not decide for an action described in the scenario as necessary to prevent harm to others: “*How likely is that you decide NOT to implement any security system?*”. Participants were asked to express their ethical intention on a seven-point

Likert scale (1 = “Strongly unlikely” to 7 = “Strongly likely”). Highest values are indicative of unethical intent.

3.5.4. Results

3.5.4.1. Manipulation check

At the end of the study participants answered to a set of control questions. Apart from some general questions such as: “*I am aware that this study is part of a PhD project in Social and Organizational Psychology*” (1 = “True”; 2 = “False”), other questions intended to check manipulation validity. In manipulation check regarding accountability experimental condition participants were asked to answer the following question: “*I understand that later I will be contacted to attend an interview where I shall justify my decision*” (1 = “True”; 2 = “False”). In manipulation check concerning audience (un)ethical view participants was asked to answer the following question: “*In your opinion, the expert who will review your decision can be seen as...*” (1 = “An ethical person”; 2 = “An unethical person”). Only participants subjected to manipulation were taken into account in the data analysis.

3.5.4.2. Test of hypotheses

A two factors univariate analysis of variance (two-way ANOVA) was used to test our study hypotheses. With regard to the direct effects of independent variables in the establishment of ethical intentions, it appears that both social contingency of accountability ($F(2, 185) = 3.45, p < .05, \eta^2_p = .03$) and decision outcome have a statistically significant effect on individual ethical behavior ($F(2, 185) = 3.61, p < .05, \eta^2_p = .02$). Specifically, when analyzing information about an ethical problem, people tend to be affected by information about the audience to whom they expect to justify their decisions, as well as by individual expectations related with attaining particular results. However, outcome bias does not occur when participants are accountable to unknown

audiences. In this sense, we cannot confirm our first hypothesis which proposed that people accountable to unknown audiences will tend to reduce their ethical scrutiny, considering the nature of the decision consequences. In this case, people tend to anticipate possible opinions and expectations of the audience leading them to consider a greater amount of information related to decision making process. Table 4 presents means ratings and standard deviations for ethical intentionality according to the experimental conditions and decision outcomes. When taken together, the independent variables have an interaction effect ($F(4, 185) = 5.42, p < .001, \eta^2_p = .10$). Regarding this interaction effect, post-hoc tests were performed (L-matrix) in order to identify significant combinations for different degrees of ethical intentionality.

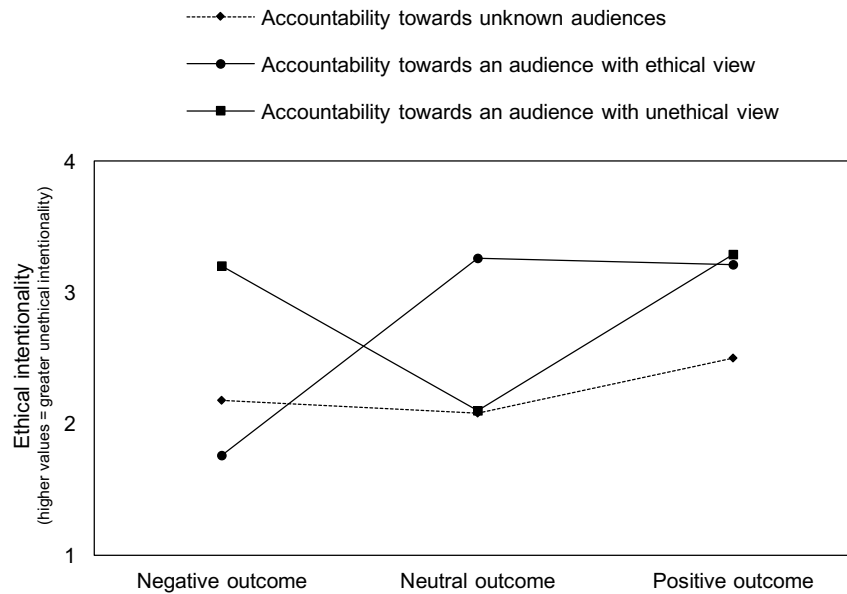
Table 4 - Mean ratings and standard deviations for ethical intentionality according to the experimental conditions and decision outcomes

Experimental conditions	Negative outcome			Neutral outcome			Positive outcome		
	n	M	SD	n	M	SD	n	M	SD
Accountability towards unknown audiences	17	2.18	0.88	26	2.08	1.12	20	2.50	0.88
Accountability towards an audience with ethical view	25	1.76	0.92	23	3.26	1.78	28	3.21	1.57
Accountability towards an audience with unethical view	20	3.20	1.76	21	2.10	1.13	14	3.29	1.63

Our second hypothesis stated that participants accountable towards an audience on which is known the ethical opinion would proceed to judgment adjustments in order to adapt their decisions to audience expectancy. The results show that social contingency of accountability holds one bias effect on the process of establishing an ethical intention. Specifically, when people expect to be held accountable to an audience with ethical view, the expectation of being identified with a decision with negative outcomes lead participants to reveal intention to act more ethically ($M = 1.76; SD = 0.92$) than

participants accountable to unknown audiences ($M = 2.18$; $SD = 0.88$) ($F(1, 185) = 7.78$, $p = .006$, $\eta^2_p = .04$). In fact, the results indicate that information about audience ethical view drive individuals to adjust their decisions in light of what they believe to be expected by those to whom they are accountable (Lerner & Tetlock, 1999b). When faced with the possibility to obtain negative outcomes, participants tend to indicate higher intention to act unethically when they are accountable to an audience with unethical view ($M = 3.20$; $SD = 1.76$) than when they have to justify their decision to an audience with ethical view ($M = 1.76$; $SD = 0.92$) ($F(1, 185) = 20.58$, $p < .001$, $\eta^2_p = .10$). Figure 5 presents means ratings for ethical intentionality according to the experimental conditions and decision outcomes. On the other hand, the lack of information about possible decision consequences lead participants to reveal contradictory results. Faced with neutral outcomes, participants indicate greater intentions to act unethically if they are accountable towards an audience with ethical view ($M = 3.26$; $SD = 1.78$) than, if the audience has an unethical view ($M = 2.10$; $SD = 1.13$) ($F(1, 185) = 4.23$, $p < .05$, $\eta^2_p = .02$). The absence of information about decision consequences seems to increase the difficulty to recognize the problem as an ethical issue (Jones & Ryan, 1998) leading individuals to take available information to determine the likelihood of their behavior be considered ethical or unethical (Tversky & Kahneman, 1981). Specifically, people tend to consider their action will be more ethical if the audience expect ethical behavior and less ethical if the audience is set as little concerned about ethical issues.

Figure 5 – Mean ratings for ethical intentionality



3.5.5. Discussion and conclusions

The present study aimed to contribute to the development of research in the area of ethical decision making. Specifically, we have analyzed how people, when they are held accountable for their behavior, decide on courses of action in response to ethically dubious situations. Results showed that information about audience characteristics holds a bias effect on ethical judgment formation that is reflected in individual ethical intentionality and ethical behavior (Rest, 1986; Treviño, 1986). Specifically, people tend to adjust their own judgments in order to adapt them to what they perceive to be the audience expectancy (Lerner & Tetlock, 1999b; Tetlock, 1992a). In this case the maintenance of a positive self-image seems to determine how people analyze available information about ethical problems. People show higher concern with ethical issues if the audience to whom they held accountable is presented as expecting ethical behaviors. On the contrary, if the audience is defined as unethical, people show higher propensity to establish unethical courses of action.

In addition, information about the consequences that probably result from the individual action seems to promote the use of intuition in the analysis of the ethical problem. The use of heuristics, in this case, lead to outcome bias, i.e., ethical recognition is determined by the nature of the consequences. In this sense, individuals tend to judge as less ethical behaviors associated with negative consequences and as more ethical behaviors associated with positive consequences. Moreover, the absence of information about consequences seems to increase the difficulty in establishing an ethical intention. In this case, individuals tend to search for information available in context to support the attribution of an ethical component to the problem. The use of decision rules that allow to set the likelihood of an action being considered (un)ethical because it happens facing an (un)ethical audience seems to be caused by the illusion that individual action is defined by the context in which it occurs. This can be particularly important when we know people's propensity to build and maintain positive illusions of themselves when they favor them (e.g., Dunning, 2001; Dunning, Meyerowitz, & Holzberg, 1989).

In sum, social contingency of accountability seems to increase people's inclination to adjust their judgments and ethical actions according to the information they hold about audience expectations. Specifically, the bias effect in judgments formation attributed to accountability is influenced both by the context characteristics where judgment formation occurs and by the nature of the problem under consideration. Establishing ethical intentions on a context where individuals are accountable to known audiences motivates the utilization of automatic cognitive mechanisms based on intuition. Although adaptive, these mechanisms originate judgment errors that in many cases have negative social consequences.

3.5.5.1. Theoretical and practical implications

Theoretically, this study aimed to contribute to the expansion of research in ethical decision making area, particularly regarding the clarification of the role of social contingency of accountability in judgments formation and individual ethical behavior. Information on what the audience thinks about an ethical problem is decisive to how individuals establish the most appropriate course of action. When people are accountable

to a known audience, they tend to conduct the information analysis process based on a decision rule called *acceptability heuristic* (Sherman & Corty, 1984) which allows them to make strategic opinion changes according to the anticipation of the expectations of those to whom they will have to justify a decision or behavior (Tetlock, Skitka, & Boettger, 1989). In the case of ethical decision making, this process of anticipation lead individuals, despite the cognitive demand that implies, to conduct opinion adjustments often contrary to their own values and moral principles.

In practical terms, the results are relevant to the preservation of individual ethics in organizations. In general, individual performance is assessed to the extent that the product of his action contributes or not to the development and attainment of organizational goals. Accountability to multiple audiences with conflicting interests between them is a contemporary reality in the organizational context and, in many cases, actions or unethical behavior can be ignored or even encouraged if they produce expected results for specific groups or individuals within the organization. In this sense, ethical leadership is essential to enhance the individual ethical scrutiny supporting organizational members and providing models of ethical decision making.

3.5.5.2. Limitations and suggestions for future research

This study has some limitations. Although the decision making scenario used in the study refer to organizational problems, results are based on responses from a sample composed exclusively of students like in study 1. Despite its relevance for understanding how people make decisions about ethical problems in organizations, we consider that the effect of data collection context limits the possibility of results generalization (Podsakoff et al., 2003; 2012). Future studies should consider analyzing social contingency of accountability effect in ethical intentionality in real organizational contexts ensuring control variables such as the participants' experience in dealing with ethical issues, as well as how people in different responsibility levels in the organization make ethical decisions considering relationships established between different groups within the organization.

This study, like many experimental studies, is limited by the sample size. Due to

this fact, considerable loss of statistical power as well as the existence of relatively weak effects increase the probability of our findings may contain some errors. The results can suffer some changes due to statistical artifacts as the sample size, i.e., a larger number of participants could made statistically significant some important relationships allowing the observation of a greater consistency of the role of social contingency of accountability in the establishment of courses of action in response to specific ethical problems.

Future research should consider extending the theoretical model in order to analyze the effect of other contextual factors (e.g., ethical leadership, ethical climate or goal setting procedures) as well as individual determinants (moral identity or ethical disengagement) with influence in judgments formation and ethical decision making.

Chapter 4
Goal setting and ethical judgment

4.1. Introduction

Recent scandals involving reputable companies and institutions have shown the negative impact that the unethical behavior of managers and organizations can have on society. This situation has demonstrated the failure of many legal measures implemented in response to cases that, in the early years of the new millennium, had involved companies like Enron, Tyco, WorldCom, among others. Legal texts such as the Sarbanes-Oxley Act in United States, or the *Loi sur la Sécurité Financière* in France do not seem to have been effective in the prevention of behavior ethical failures. As stated by De Cremer and Tenbrunsel (2012), these ethical failures reveal the corrosion of moral principles in organizations. For instance, people often get rewards, like bonuses and promotions, as a result of ethically questionable behaviors which demonstrate that, even the establishment of specific ethical infrastructure such as codes of ethics, do not seem to be sufficient to ensure ethical integrity in organizations (Tenbrunsel et al., 2003).

Current organizations develop their business operations in highly competitive environments where innovation, productivity and efficiency are key factors for their survival. The improvement of how organizations can more effectively use their resources is one of the basic concerns of the intervention of organizational psychology. The adoption of management strategies focused on goal attainment is assumed currently as a dominant factor in most organizations (e.g., Bipp & Kleingeld, 2011; Pritchard, Harrell, Diazgranados, & Guzman, 2008). People are motivated by the anticipation of how their efforts can provide the satisfaction of specific needs (Latham & Pinder, 2005) leading them to concentrate energies and coordinate efforts to meet their goals. In general terms, a goal is defined as a target to be reached, i.e., a benchmark for action that inform individuals about what level of performance is expected for a given task (Locke et al., 1981; Staw & Boettger, 1990). Supported by over 40 years of research, goal setting theory (Locke & Latham, 2002; 2006) establishes the existence of a linear relationship between the degree of goal difficulty and specificity and the level of effort, persistence and performance of individuals in organizations (Locke & Latham, 2013). Specifically, people tend to be more effective in accomplishing a task when it is associated with the definition of challenging and meaningful goals, namely when goal attainment is associated with extrinsic rewards such as the attribution of financial bonuses or the

perspective of being promoted.

However, some authors (e.g., Barsky, 2008; Ordóñez, Schweitzer, Galinsky & Bazerman, 2009a; Schweitzer et al., 2002; 2004) have been pointing out some problems to goal setting procedures in organizations, particularly with regard to employee ethical behavior. Situations such as reports falsification or the concealment of important information from customers are recurrent examples of unethical maneuvers taken in response to the pressure to goal attainment. This chapter aims to analyze the relationship between goal setting procedures and individual ethical behavior. From the development of three studies, two experimental studies and one correlational study, we examined how goal difficulty and specificity affects ethical decision making process and people's ethical behavior.

As stated by Ordóñez and colleagues (2009a), setting difficult goals promotes an exclusive focus on the strategies linked to individual performance and lead people to ignore other behavior dimensions, namely the ethical consequences of their action. This limitation stems from the fact that people are restricted in their capacity to answer and process multiple sources of information. So, the dedication of cognitive resources to the goal attainment can interfere with two key aspects: the ethical recognition capability i.e., if a issue, behavior or judgment is not recognized as being moral, people tend to behave dishonestly simply because they neglect the ethical concerns (e.g., Ferrell & Gresham, 1985; Jones 1991; Rest 1986) and, the individual's ability to activate self-regulatory mechanisms and ethical control that allow the evaluation of ethical behavior (Bandura, 1999a; Bandura, Barbaranelli, Caprara, & Pastorelli, 1996). Specifically, people pressured by the need to achieve goals are more likely to derogate from the internal processes of moral control and, to justify their behavior using moral disengagement mechanisms (Bandura, 1999a) as a way to neutralize internal and social pressures to act ethically. Usually people try to justify their behavior by linking dishonest actions to worthy purposes, such as stating that their behavior was aimed at the good of the organization or that their actions resulted from specific indications from organization management. As stated by Treviño and Youngblood (1990), decisions do not come accompanied by "small red flags" indicating the presence of potential ethical problems. In this sense, goal setting procedures in organizations implies that managers maintain a clear idea about their involvement in individual ethical behavior. The limited focus on

results without concern for how these results are achieved increases the propensity of individuals to take risks (Knight, Durham, & Locke, 2001) as well as simplify decision making process emphasizing the more direct and efficient course of action in order to achieve goals (Barsky, 2008). Essentially, if a decision is simply seen as a “business decision” unethical behavior is more likely to occur.

4.2. Goal setting theory

Recognized as one of the main approaches to human motivation, goal setting theory (e.g., Latham & Locke, 2007; Locke, 1968; 2001; Locke et al., 1981; Locke & Latham, 2002; 2006; 2013) constitutes one of the most popular management tools used in organizations. Globally, this theory assumes that all people have the same basic physical and psychological needs (Locke, 2001). It is an innate condition varying only in terms of the relevance for the individual, depending on the value that he assigns to it. For example, all people need to consume food to survive. However, for one person may be important to follow a Mediterranean diet while another chooses to eat only macrobiotic food. These variations depend on the values chosen by individuals.

Organizational success depends largely on the ability of management to consider all the needs and values that employees bring to the organizational context and to create opportunities and resources aimed at their satisfaction. The inherent challenge of the work tasks, the perspective of promotions and the assignment of financial bonuses are usually regarded as some of the key motivators of individuals in organizations. However, organizational effectiveness depends on specific results, that is, assign a challenging task to an employee does not mean that he knows what are the strategies needed to be successful or, grant a payment to someone for the completion of a task is not necessarily an indication that the person has made a good job. Activities should meet organizational needs and, in this case, goal setting has a key role in regulating human activity. Goal setting defines the intent of an action and establishes a specific standard of proficiency in a task usually within a specific time limit (Locke et al., 1981). For instance, faced with the objective necessity of providing better living conditions to his family, a person may consider the ambition and individual effort as guiding values and, seek to achieve the goals that allow her to get pay raise.

This is essentially a motivational process – where the cognitive mechanisms are necessarily involved, that explains the length, amplitude and the persistence of an action. Specifically, goals direct the attention of individuals for specific actions. For instance, Locke and Bryan (1969) observed that towards various tasks of equal importance people tend to show better performance on that ones for which goals have been established. With regard to the amplitude and persistence, goal setting allows people to define the amount

of effort to mobilize and the time necessary for the fulfillment of a task associated with a goal.

Goals serve as reference points between a current state and a desired output (Heath, Larrick, & Wu, 1999), i.e., they create a certain level of discrepancy experienced by individuals as unsatisfactory (Locke & Latham, 2006). Although essentially cognitive, the position of Kahneman and Tversky's prospective theory (1979; Tversky & Kahneman, 1981; 1991; 1992) is clear on the assumption that, one of the most basic aspects of motivation concerns to the fact that people do not see the results of their actions as neutral. On the contrary, they categorize them as successes and failures and experience positive or negative emotions based on this categorization. In this sense, goal setting places individuals in a state of dissatisfaction that promotes the need to increase the performance in order to achieve the desired results.

Based on over 400 studies conducted over a period of about 40 years (Locke & Latham, 2006; Welsh & Ordonez, 2014a), goal setting theory demonstrates the existence of a positive linear relationship between goal difficulty and goal specificity and individual performance. Challenging and specific goals provide clear, unambiguous and concrete means for the evaluation of employee's performance when compared with the performance of people without goals or who have been told only to "do your best" (Locke & Latham, 2002). Goal attainment has direct implications on job satisfaction (Latham & Locke, 2007) and subjective well-being (Koestner, Lekes, Powers, & Chicoine, 2002). However, the exclusive focus either in the degree of proficiency needed to accomplish a task as well as in the clarity or precision with which the goals are defined seems to be insufficient to explain individual differences in performance. For example, difficult tasks require specific knowledge and skills that most people may not have, negatively affecting individual performance, even if the effort is higher in relation to the tasks considered easy. Furthermore, difficult and specific goals can lead people to adopt maneuvers that, with a view in goal attainment, could result in unwanted or even ethically questionable situations. Besides the degree of effort required, it is necessary to consider the specific context in which the goals are established, i.e., the degree of importance that they assume for individuals as well as the extent to which achieve a given goal subverts the achievement of other goals. In this sense, goal setting procedures should be used taking into account that their motivating potential may, in certain circumstances, have

detrimental effects on specific aspects of the individual performance.

Specifically, setting goals encourages people to develop strategies and action plans in order to achieve desired results. However, it is known that, faced to time constraints people resort to less complex problem solving strategies (e.g., Chen et al., 1999) which, in the case of goal attainment can, despite the increase in intrinsic motivation, not translate a real improvement in performance. Similarly, goal association to financial rewards or the employee's participation in goal definition may not have the expected effects. In the case of financial rewards, it is commonly accepted that money is one of the main drivers for performance. In general, all people, regardless some variations, value it. The mere presence of a financial incentive seems to increase the level of individual commitment with goal attainment, increasing the level of effort expended. However, faced with a potential failure, people can opt for less clear strategies for ensuring goal achievement and, consequently, the associated reward (Loe, Ferrell, & Mansfield, 2000).

Participation in goal setting is another mechanism with effect on the employee's performance. In this case, the motivation is affected in two ways: on the one hand, participation seems to lead to the establishment of more ambitious goals and, on the other, people demonstrate a higher level of acceptance and engagement with the goals. Specifically, people "give the face" for the goals and assume greater responsibility in achieving these goals. Given this situation, some difficulties can get people to set action plans in order to achieve, at all costs, the goals such as, adulterating results or reporting false data.

As mentioned by the goal setting theory authors (Locke & Latham, 2013), the increase of individual performance by setting challenging and specific performance goals entails concerns to be taken into account by management. The disproportionate risk-taking by employees, the failure to consider issues not specified in the goals, the occurrence of unethical behavior and the connection of goals to financial incentives are seen as potentially troubling situations.

Despite the recognition that goal setting procedure is an important motivational tool, Ordóñez and colleagues (2009a) suggest that a management strongly aligned with goal attainment may degrade the ethical performance of employees. Specifically, difficult and demanding goals seem to direct the individual focus to specific aspects of a task

causing them to neglect other important (but not specified) aspects of that task. Goal setting seems to interfere directly in the ability of individuals think about their actions and decisions. Individuals' cognitive resources are limited (Simon, 1967; 1983) and once channeled for the fulfillment of a specific goal limit the functioning of psychological processes related to the ability to recognize ethical issues (Jones, 1991; Treviño, 1992a).

4.2.1. The dark side of goal setting procedures

Goal setting procedures seems to have a negative impact on the ethical behavior of individuals. However, the number of empirical studies that explores this relationship is still irrelevant. Some studies suggest that high levels of difficulty in goal attainment and the presence of incentives can increase the likelihood of dishonest behavior (Schweitzer et al., 2002), the individual propensity to take risks (Knight et al., 2001), and increase the individual tendency to not recognizing the existence of conflicts of interest in decision making processes involving ethically dubious issues. It is noted, however, the absence of clear indications about the specific social contexts in which these relations are more likely to occur.

The debate over the ethical implications of implementing the goal setting theory in organizational contexts (e.g., Barsky, 2008; Ordóñez, Schweitzer, Galinsky & Bazerman, 2009b; 2009a; Schweitzer et al., 2002; 2004) suggests that the existence of "flaws" in goal setting process is not the reflection of individual values, as suggested by the authors of the goal setting theory (Latham & Locke, 2013; Locke & Latham, 2009), but rather, the product of the contexts in which this process occurs, that by their nature makes it easy, allows or encourages unethical behaviors. Goal setting provides information about what is valued in the behavior of employees (Barsky, 2008), about the culture and organizational norms, so that reducing unethical behavior to reactions to specific events is a simplification of the process of normalization of corruption in organizations (Ashforth & Anand, 2003). First, goal setting seems to interfere with the individual ability to recognize ethical problems (Barsky, 2008). Faced with difficult and specific goals, people tend to focus their attention strictly on the development of the tasks linked to the goals depleting cognitive resources that otherwise would be used to evaluate the ethical nature of the situation. As we know, the identification of the ethical content of

a problem is essential in ethical behavior and, if a person fails the ethical recognition of a situation, inhibits the activation of the set of mechanisms that enable ethical decision making process (Rest, 1986). This situation can be aggravated due to goal content. The context in which the goal setting process occurs can change the individual perspective and transforming an ethical decision in an exclusively organizational decision (Tenbrunsel & Messick, 1999). Specifically, the cognitive effort can be conditioned by specific instructions. In a study conducted by Staw and Boettger (1990) it was observed that towards a task that included the review of a short text, participants specifically instructed to review the syntax and grammatical aspects of the text, ignored its content despite the erroneous and false information it contained.

As we have noted earlier, goal setting promotes a feeling of discrepancy between a current state and a particular desired state determined by the nature of the results to be obtained. Difficult and specific goals motivate greater effort and persistence as the discrepancy level increases. However, as stated by Schweitzer and colleagues (2004) goal nature can lead people to consider the costs and benefits of unethical actions, assuming that in many cases, the gains exceed largely the possible costs of a dishonest behavior. Faced with failure individuals can be led to distort the results obtained, given that achievement of psychological rewards translated into positive self-evaluations and increased perception of self-efficacy (Bandura, 1991) occurs even if the goals have not been effectively been achieved.

Most people consider themselves as honest and tries to act in order to preserve their self-image (Batson, Thompson, Seufferling, Whitney, & Strongman, 1999). However, the association of goals to precise job instructions and their connection to rewards may have an action of inhibiting the effect of “self-regulatory mechanisms governing moral conduct” (Bandura, 1999a, p. 193) allowing the rationalization of unethical behavior. As seen before, moral disengagement refers to the use of psychological maneuvers which lead to the deactivation of the set of control mechanisms and moral self-sanctions allowing individuals to act dishonestly while keeping untouched their ethical self-image. Usually, if a problem is recognized as being ethical it is expected that people behave according to the principles and moral norms. However, the need of goal achievement may increase people’s propensity to discount the moral content of unethical actions using moral justifications or diffusion and displacement of

responsibility strategies arguing, for example, that their behavior, although questionable, seeks only the good for the organization or that results from obedience to superior orders.

Management participation in goal setting and in the attribution of rewards for goal attainment may also contribute to unethical behaviors in organizations. As suggested by Brief and colleagues (2001), emphasizing goal attainment and rewards contributes to the development of a permissive ethical climate (e.g., Victor & Cullen, 1988) characterized by an utilitarian view of the decision making process, i.e., getting results overrides the moral evaluation regarding the means used. For example, an employee pressured to reach his monthly quota of sales could choose to send to a client an order for articles he knows to be defective. The leadership has a key role in guiding the ethical action of employees. Unethical leaders can simply set goals that, to be achieved, require that employees deliberately run over legal and/or ethical norms. In this case, obtaining results by ethically questionable means is assumed to be implicitly justified given that organizational interests are at stake. The exclusive focus on goal attainment may lead the leadership to reward, to ignore or to tolerate employee's dishonest behavior contributing this way to the increase of unethical behavior in organizations.

In this sense, organizations need control systems to ensure ethical behaviors (Locke & Latham, 2009). Ethical infrastructure (Tenbrunsel et al., 2003), in addition to ethical climate, include formal and informal control systems in order to communicate, monitor and sanction the ethical conduct of organizational members. It can be distinguished both at the level of formality that arises in the organizational context and with regard to the mechanisms used to implement ethical principles.

Consistently with the arguments presented, setting challenging and specific goals seems to contribute to the degradation of ethical behavior of individuals in organizations. The high competition that characterizes the context where most organizations operate translates into a management approach where getting results is strategic and crucial in employee's lives. Organizational ethical performance is at present, one of the aspects with the higher impact in the evaluation of organizational performance. Some recent examples demonstrate that organizations involved in fraud cases tend to disappear or see their survival strongly affected. The circumstances surrounding goal setting can, by their nature, lead individuals to discount the ethical content of their actions even when they are not aware of it.

4.3. Study 3 – Individual ethical performance: The impact of goal setting procedures

4.3.1. Introduction

In the workplace, the orientation of ethical behavior is a crucial aspect of organizational life. It is a management responsibility to provide explicit guidance on the organization's rules and policies defining what is considered appropriate and expected from the employees. The growing concern of organizations with the ethical dimension of their activities has led to the widespread development of ethical infrastructure in order to communicate and reinforce ethical principles among organizational members (Tenbrunsel et al., 2003). Many organizations as a result of experienced ethical problems or in the perspective of preventing its occurrence have, in recent years, devoted particular attention to the development and implementation of documents and formal ethics promotion programs among their employees (Smith-Crowe et al., 2014; Treviño, Weaver, Gibson, & Toffler, 1999).

Formal control systems of ethical behavior, defined as the set of formal mechanisms “documented and standardized [...], visible to anyone inside or outside the organization” (Tenbrunsel et al., 2003, p. 288) correspond to the implementation of tangible objects and events related to ethics (Falkenberg & Herremans, 1995; Smith-Crowe et al., 2014) usually translated into procedures and written policies where the ethical codes of conduct are the best known examples. This is the set of official messages about ethics that aims to disseminating the moral and legal values adopted by the organization that should, therefore, be observed by organizational members. In concrete terms, the formal systems are an important part of organizational ethical infrastructure by providing support to individuals looking for guidance in the organization on appropriate behavior in response to ethical problems. In sum, provide an opportunity for the promotion of ethically appropriate behavior and preventing situations of fraud and corruption (Ferrell & Gresham, 1985; Treviño, 1990).

However, the existence of formal control systems for organizational ethical behavior seems unable to prevent that some organizations find themselves involved in ethical problems. For example, financial institutions are, due to legal obligations, usually

seen as the organizations which make more investment in the implementation of formal mechanisms for monitoring employees ethical behavior. However, some cases of ethical flaws as information occultation, fraud and corruption demonstrate the inadequacy of formal systems as mechanisms for ethical prevention in organizations. In fact, the impact of formal control systems in ethical behavior is not entirely clear. If on the one hand some authors argue, for example, that the existence of ethical codes is directly related to the reduction of unethical behavior in organizations (e.g., Kish-Gephart et al., 2010; McCabe, Treviño & Butterfield, 1996; Tenbrunsel & Messick, 1999; Trevino & Nelson, 2010), on the other, the review of the empirical literature in this area (e.g., Ford and Richardson, 1994; Loe et al., 2000) demonstrates that the relationship between the formal implementation of control systems and individual ethical behavior is not always significant.

Despite their visibility, formal systems reflect only a part of the organizational ethical infrastructure. The understanding of ethical misconduct involves, therefore, considering the set of unofficial messages – underlying the formal systems – that inform individuals about what behaviors are really appropriate in relation to an ethical problem. In this case, the individual ethical behavior is regulated by the observation of unspoken rules, propagated informally which inform individuals about the behaviors expected and valued by the organization. Informal systems hold the ability to guide behavior in ambiguous situations since they do not require the development of specific rules and procedures. It is about the set of values, beliefs and traditions shared between members of an organization and reflect how the procedures formally adopted by the organization through explicit and verifiable measures are integrated in organizational life (Akaah & Riordan, 1989).

The individual action, based on the set of implicit rules learned as a result of the organizational socialization and social learning processes (Ashforth & Anand, 2003; Bandura, 1969) is a key factor for the “survival” of individuals in the organization, i.e., ethical behavior is, in many cases, the combined result of the pressure exerted by the management and/or the peer group upon employees to behave in a specific way in order to meet certain performance standards, ensuring rewards or avoiding punishment. If on the one hand this aspect can be critical to the preservation of organizational ethics, on the other, informal control systems may contain subtle messages to encourage dishonest

behavior. For example, an organization can assume, through its official channels, a concern with ethical issues while its employees develop their activity in environments where informally is valued the achievement of results above any moral concern.

Goal setting procedures in organizations constitutes an enabling environment for the emergence of mixed messages regarding ethical behavior. As we mentioned before, when they have to attain goals, people seem to be more prone to take risks and to adopt strategies that in normal situations they would consider inadequate or even unacceptable. Specifically, the need to attain goals can lead people to not identify ethical problems in their action. For example, failing for a little to meet their goals increases people's tendency to lie about their own performance (Umphress, Barsky, & See, 2005). Incentives and goals are popular among management because together have a high motivational power. However, the non-recognition of their unethical potential associated with mixed messages such as: "We care about the ethical image of the organization, but the most important is to achieve sales quota for the semester" are usually decisive for the ethical behavior of individuals in organizations.

4.3.2. Objectives and hypotheses

In general terms goal setting in organizations is seen as the most effective way to reach successfully the set of objectives considered by management as strategic. Research in this area demonstrates the existence of a positive relationship between goal difficulty and the level of proficiency in the execution of a task, i.e., the more challenging are the goals to meet, the higher the level of motivation and the amount of resources made available by the individual. However, some authors (e.g., Barsky, 2008; Ordóñez et al., 2009b; 2009a; Schweitzer et al., 2002; 2004) have been alerting to the presence of possible adverse effects of goal setting in organizations, particularly with regard to ethical behavior. The exclusive focus on goal attainment seems to motivate a "narrowing" of attention (Ordóñez et al., 2009b; 2009a), leading people to foster aspects directly related to goal attainment at the expense of other aspects such as the moral nature of their actions. Specifically, the pressure to obtain results can lead to the adoption of unethical maneuvers such as falsification or occultation of information. Additionally, when goal setting takes

place in unclear contexts, characterized by the existence of mixed messages about what is expected from individuals, it is more likely that ethically questionable behaviors occur.

This study aims to observe the relationship between goal setting context and ethical behavior. Specifically, the set of implicit messages conveyed by organizational informal systems of ethical control which, in many cases, facilitate, enable or encourage unethical behavior are determinant in individual ethical decision making. In this sense, we advanced the following hypotheses:

Hypothesis 1 – When goal setting procedures takes place in a context characterized by the existence of control mechanisms for ethical behavior, people tend to not reveal differences in their performance regardless the nature of the goals (easy vs. hard goals).

Hypothesis 2 – When goal setting procedures occurs in a context characterized by the existence of mixed messages about the existence of ethical control mechanisms, people with difficult goals, when compared to people with easy goals, tend to falsify the results obtained in the task.

Hypothesis 3a – When goal setting procedures occurs in a context characterized by the absence of ethical control mechanisms, people with difficult goals, when compared to people with easy goals, tend to falsify the results obtained in the task.

Hypothesis 3b – People with difficult goals which were established in a context characterized by the absence of ethical control mechanisms tend to report better results related to a performed task, when compared to people with difficult goals which were established in a context characterized by the existence of mixed messages regarding the existence of ethical control mechanisms.

4.3.3. Method

4.3.3.1. Sample and procedure

One hundred and three students agreed to participate voluntarily in this study (convenience sample). Participants were aged between 20 and 55 years ($M = 27.8$; $SD = 8.81$), and 82.5% are female. Participants were randomly assigned to one of the six experimental conditions (experimental design 2 x 3). The experimental conditions were as follows:

Goal difficulty – Easy vs. Hard goal

Ethical control – Present vs. Moderate vs. Absent

After the presentation of the study's objectives which referred to the evaluation of the adaptation of higher education students to the rules of the new *Acordo Ortográfico*³ (spelling agreement of Portuguese speaking countries - nAO) , a sheet with a text written according to the old *Acordo Ortográfico* (oAO) was distributed to each participant. This sheet did not contain any misspellings, but contained words that have outdated spellings. The goal of each participant, depending on the experimental condition, was to underline correctly in a three-minute time limit, a specific number of words which in his/her opinion were not written correctly under the nAO. Success in goal attainment provided access to participation in a draw for a cash prize. After the completion of the task, all participants were informed about the study's real objectives and on the fact that they have been subject to manipulation (debriefing). All participants authorized the use of the collected data. It was also given the information to all participants that, regardless of the result, everyone would be considered in the draw for the prize money.

4.3.3.2. Variables and measures

Goal difficulty (independent variable): Based on a pilot study with a higher education students sample ($N = 14$) it was established that each participant should be able to correctly identify an average of eight words ($SD = 1.88$) graphically outdated. Participants who were set on an easy goal were told that in a previous study with higher education students the average of correctly identified words had been eight so that, their goal was to identify, underlining in a three minutes' time limit, eight or more words that in their opinion did not agree with the spelling adopted by the nAO. Participants with a hard goal were informed that a previous study with higher education students the average of correctly identified words had been 12 so that, their goal was to identify, underlining in a three minutes' time limit, 14 or more words that in their opinion did not agree with the spelling adopted by the nAO.

Ethical control (independent variable): As we mentioned previously, participants were randomly assigned to one of the three experimental conditions of ethical control. The condition called "ethical control present" intended to reproduce a context characterized by the absence of mixed messages about participants expected behavior. In this sense, participant's performance in the experimental task was controlled exclusively by researchers. After the completion of the task, participants gave the sheet where they underlined the words that in their opinion were graphically incorrect for it to be corrected by researchers. In the remaining ethical control experimental conditions that we call "ethical control moderate" and "ethical control absent" the aim was to create a context characterized by the existence of mixed messages about the type of strategies that participants could take to report their performance. In the "ethical control moderate" experimental condition, after the completion of the task a correction sheet identifying the words that should have been underlined was delivered to participants. Participants verified their performance, indicating on top of the correction sheet how many words they had underlined correctly and, returned to the researcher the correction sheet with the sheet used in the task. In this case, despite knowing that the researcher would have access to task sheet, participants could, in possession of the answer sheet, change or complete their task. To the participants in the "ethical control absent" experimental condition, after the

completion of the task a correction sheet was also distributed. In this case, participants verified their performance, indicating on top of the correction sheet how many words they had underlined correctly, returning it to the researcher and destroyed the sheet used in the task. In this experimental condition, participants could decide to report the number of words underlined that they wanted since they knew that the researcher would not have access to the sheet used in the task, and therefore the evaluation of participant's performance would be based exclusively on information he/she reported.

Ethical behavior (dependent variable): The adoption of unethical strategies in order to achieve the goals was measured based on the difference between the average of words correctly underlined by participants in “ethical control present” experimental condition and the average of words reported as correct by participants in “ethical control moderate” and “ethical control absent” experimental conditions.

4.3.4. Results

This study aimed to examine the role of goal setting context in the occurrence of unethical behaviors. Specifically, it was observed how goal characteristics – easy vs. hard goals – combined with an incentive, and the promotion of ethically ambiguous contexts is related to the occurrence of unethical behaviors, namely by increasing people's propensity to falsify information regarding goal attainment.

Due to the characteristics of the experimental task – to reveal in what extent a person knows the changes introduced by the nAO – participants were asked to indicate their level of knowledge about these changes through the following question: “*To what extent do you know the changes introduced by the nAO?*” (1 = “I do not know anything”; 7 = “I know them very well”). A single factor univariate analysis of variance (one-way ANOVA) was conducted. Results indicate the nonexistence of statically significant differences between participants' average level of knowledge about the performed task content ($M = 4.13$, $SD = .80$), ($F(2,100) = 1.44$, $p = ns$).

4.3.4.1. Test of hypotheses

A two factors univariate analysis of variance (two-way ANOVA) was used to test our study hypotheses. With regard to the direct effects of the independent variables it was verified that, both difficulty level ($F(1, 97) = 12.95, p < .01, \eta^2_p = .12$) and ethical control ($F(2, 97) = 7.04, p < .01, \eta^2_p = .13$) have a significant impact on participants ethical behavior. Specifically, when setting hard goals occurs in an ethically ambiguous context, people tend to adopt unethical maneuvers in order to attain their goals. Mean ratings and standard deviations for ethical behavior are presented in Table 5.

Table 5 – Mean ratings and standard deviations for ethical behavior

Experimental condition	<i>M</i>	<i>SD</i>
Ethical control present		
Easy goal (n = 23)	7.87	1.10
Hard goal (n = 15)	7.60	2.35
Ethical control moderate		
Easy goal (n = 14)	7.21	1.31
Hard goal (n = 16)	8.69	2.55
Ethical control absent		
Easy goal (n = 11)	7.91	1.70
Hard goal (n = 24)	10.75	1.78

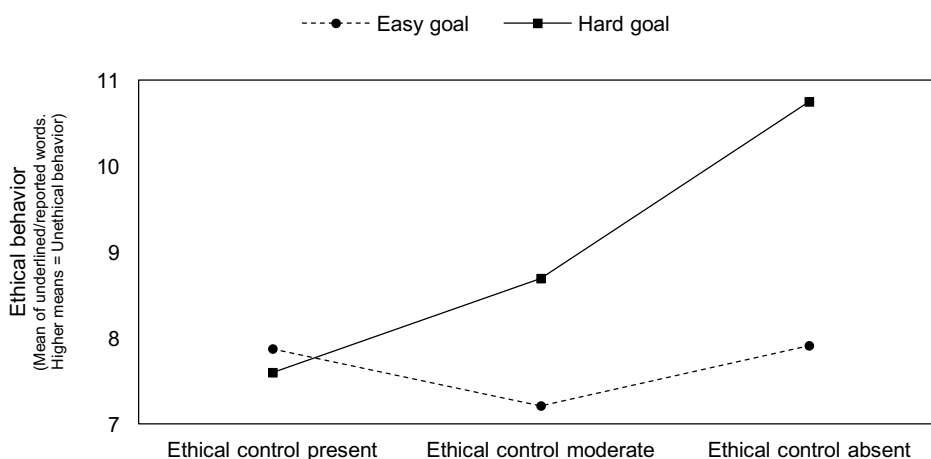
When taken together, independent variables have an interaction effect ($F(2, 97) = 6.03, p < .05, \eta^2_p = .11$). In this sense, were conducted post-hoc tests (L-matrix) in order to identify significant combinations with effect in participants' ethical behavior.

Our first hypothesis stated that, in the face of control mechanisms for ethical behavior, participants did not reveal differences in their performance regardless the goal characteristics. In fact, results allow us to confirm this hypothesis. It is possible to verify that there are no statistically significant differences among participants in “ethical control present” experimental condition when they have easy goals ($M = 7.87; SD = 1.10$) or

when they have hard goals ($M = 7.60$; $SD = 2.35$) ($F(1, 97) = 2.09$, $p = ns$). Figure 6 presents a graphical representation for the participants' ethical behavior.

With regard to the second hypothesis, we expected that, when goal setting occurs in a context characterized by the existence of mixed messages about the existence of ethical control mechanisms, participants with hard goals reveal greater propensity to falsify the results concerning goal attainment when compared with participants with easy goals. Results indicate that there are no statistically significant differences between participants in “ethical control moderate” experimental condition with easy goals ($M = 7.21$; $SD = 1.31$) and the participants in the same experimental condition but with hard goals ($M = 8.69$; $SD = 2.55$) ($F(1, 97) = 2.09$, $p = ns$). Therefore, it is not possible to support our second hypothesis. These results seem to indicate that, despite the existence of ambiguous information about the existence of control mechanisms for ethical behavior, the perspective that the reported information would be subject to confirmation constitutes an obstacle to the adoption of unethical maneuvers in order to falsifying the results obtained in the experimental task.

Figure 6 – Participants ethical behavior



Hypothesis 3a proposed that setting goals associated with the lack of ethical control mechanisms would increase the participants' propensity to falsify their

performance if they have hard goals when compared with participants with easy goals. Results allow to confirm this hypothesis since, when there are no ethical control mechanisms, participants with hard goals tend to report better results in the execution of the experimental task ($M = 10.75$, $SD = 1.78$) than participants with easy goals ($M = 7.91$, $SD = 1.70$) ($F(1, 97) = 11.88$, $p < .01$, $\eta^2_p = .11$). Lastly, hypothesis 3b proposed that, face to hard goals, the absence of ethical control would increase the participants' propensity to report false information when compared with participants under the condition of moderate ethical control. In this case, participants in the "ethical control absent" experimental condition tend to report better results related to the attainment of hard goals ($M = 10.75$, $SD = 1.78$) than participants in moderated ethical control condition ($M = 8.69$, $SD = 2.55$) ($t(38) = 3.01$, $p < .01$) suggesting that, due to the pressure to reach hard goals, people who have the opportunity to be dishonest are more prone to adopt unethical behavior.

4.3.5. Discussion and conclusions

In the present study we examined how goal setting performed in ethical ambiguous contexts regarding the existence of ethical control mechanisms affect individual ethical decision making. Results suggest that the nature of ethical control mechanisms associated with the pressure to achieve goals has direct implications on individual ethical behavior. Specifically, when they have hard goals, people who recognize the context as ethically permissive tend to discount the moral content of their actions verifying a greater propensity to act on the basis of self-interest.

In general terms, the association between hard goals and incentives increases people propensity of to act in unethical way (Barsky, 2008; Cadsby, Song, & Tapon, 2010; Schweitzer et al., 2004) since the cognitive resources are channeled to the development of strategies to ensure goal attainment, thus inhibiting any concerns with the ethical aspects of behavior. However, this relationship only happens when goal setting context constitute itself an opportunity for individuals to act dishonestly. As we previously noted, the individual perception of organizational ethical infrastructure is

crucial in the activation of ethical conduct. Tenbrunsel and colleagues (2003) refer that when the ethical infrastructure is nonexistent it is up to individuals to decide on what is ethical, i.e., in the absence of explicit or implicit guidelines on what is the appropriate conduct, people base the decision making process on their own values and moral principles. In contrast, when there is an ethical infrastructure individual, interpretations of ethics are replaced by the set of assumptions and guidelines advanced by the organization. Depending on the individual perception of the organizational ethical infrastructure (strong vs. weak), people act according to the perspective they have on how the organization is committed to the moral principles. In the case of weak ethical infrastructures, the absence of messages about ethics or the presence of contradictory unclear or vague messages, inhibit individual reflection on the moral conduct being expected the occurrence of more unethical behaviors than when the ethical infrastructure is strong or even nonexistent.

In this study, the manipulation of ethical control contexts aimed to reproduce different types of ethical infrastructures. However, the results obtained are contradictory. In the case of weak ethical infrastructures, the existence of dubious information regarding the level control of the ethical conduct which, although unclear, informed the participants that the reported data would be evaluated seem to motivate people to consider their ethical image even if it means to prejudice goal achievement. As stated by Bryan and colleagues (2013), in general, people want to be seen as honest. So, the possibility of being identified with undesirable behaviors overlap the perspective of personal gain. On the other hand, the lack of ethical infrastructure, translated by the absence of any communication about ethics or by the presence of implicit messages related to the possibility of people to adopt unethical maneuvers, seems to lead people to value goal attainment overlapping this aspect to any other type of moral concerns. Faced with ethically permissive contexts, the focus on goals and the opportunity to act dishonestly i.e., that is the idea that the ends justify the means, increases the likelihood of unethical behaviors (Ashforth & Anand, 2003).

Despite the existence of formal instruments for monitoring the ethical behavior of employees or, in many cases, the adoption by organizations of other internal and external communication mechanisms about ethics, goal setting procedures may contain implicit messages about the importance goal attainment thus annulling other concerns that

employees could have, for example, about the ethical impact of their actions. As stated by Ashforth and colleagues (2003), the expectation of financial success is the main reason for goal setting in organizations. Promoting values such as individualism, competition or profit seems, in many cases, to lead individuals to support their own action in the belief that their behavior serves the organizational interests. In this case, it is natural that instead of assuming the potential ethical problems related to goal attainment, people reframe less clear situations as economic or legal issues directly related to the specific activity of the organization (Jones & Ryan, 1998). The potential negative effects of the goal setting procedures have received little attention from the management field. Nevertheless, the results suggest that managers should consider goal setting as a motivation strategy which involves constant monitoring of goals side effects and, also, a particular attention to the context where goal setting occurs.

4.3.5.1. Theoretical and practical implications

Theoretically, this study aimed to contribute to the development of research on the effect of goal setting in individual ethical behavior. The proposal that the definition of hard goals associated with rewards promotes the development of unethical maneuvers (e.g., Barsky, 2008; Ordóñez et al., 2009a; Schweitzer et al., 2004) depends on the existence of specific conditions for its occurrence. Specifically, individuals seem to support goal attainment in ethically questionable strategies only when they predict not to be identified with their own behavior. On the other hand, it should be stressed that, despite the assumption that hard goals lead individuals to provide larger amounts of energy to align their behavior with a specific target established previously (Locke & Latham, 2002), the results obtained by participants in this ethical control condition where it was possible to measure their real performance, show that setting hard goals does not seem to be a sufficient condition to promote individual proficiency level. In practical terms, the results are relevant to the preservation of organizational ethics. The overlap of informal systems of ethical control over the formal systems relating the determination of individual ethical behavior (Smith-Crowe et al., 2014; Tenbrunsel et al., 2003) implies from management, alongside implementation of communication and surveillance procedures, a particular

attention to the goal setting communication process.

4.3.5.2. Limitations and suggestions for future research

This study has some limitations. Firstly, the fact that the study was conducted based on a sample of students make the context of data collection limitative to the possibility of results generalization (Podsakoff et al. 2003; 2012). Future studies should consider the possibility of collecting data in organizations allowing the creation of samples of individuals with some level of experience in dealing with performance goals and ethical problems. Secondly, the small sample size can, to some extent, increase the likelihood of our results contain some errors. A larger number of participants could make statistically significant some differences between experimental groups providing greater consistency to the role goal setting context in individual ethical behavior. Thirdly, the external validity of the results is limited by the experimental nature of the study. The nature of the experimental task and the definition of various experimental conditions did not allow the introduction of a formal mechanisms for ethical control, particularly a code of conduct known by all participants.

4.4. Study 4 – The role of goal specificity and psychological distance in ethical decision making

4.4.1. Introduction

Goal setting in organizations determines the level of performance to be achieved by employees in performing a certain task. In general terms, it is about the establishment of goals and results to achieve which vary in terms of the specificity and difficulty with which they are presented, as well as in the level of importance they assume in each individual hierarchy of objectives. . As we know, goal setting theory determines the existence of a linear relationship between the degree of goal difficulty and specificity and the level of effort, persistence and performance of individuals in organizations (Locke & Latham, 2013). As referred by Locke (1967; Locke et al., 1981), hard and specific goals may increase up to 250% the level of employees' performance compared to situations where there are no goals or when goals are defined in vague and abstract term such as when it is said: "do your best".

The presence of ambiguous information about what constitutes a desirable level of efficiency in performance leads goal interpretation to be in the dependence of factors such as personal experience, skills and ambitions of employees. In this sense, goal setting reduces the occurrence of personal interpretations (Locke, 2001) and motivates people to direct their attention and other cognitive resources towards the activities deemed relevant for goal attainment. As opposed to vague and abstract goals, specific objectives promote increased effort and individual persistence, motivate the mobilization of more strategies and knowledge, and highlight the job aspects to where attention should be channeled (Locke & Bryan, 1969) communicating what is valued and rewarded by the organization (Ashforth & Anand, 2003).

However, the mobilization of cognitive resources exclusively for goal attainment has a significant impact on how people think about their actions and decisions (Kanfer & Ackerman, 1989). For example, given the high cognitive demand motivated by goal setting procedures, the path to be taken may be the simplification of the world leading individuals to discount problematic content (for example, ethical dilemmas) and to focus

on more direct and efficient courses of action. According to Barsky (2008), this is a key aspect to understanding the emergence of corruption in organizations. As stated by Schweitzer and colleagues (2004), setting hard and specific goals may adversely affect the performance of individuals and, in some cases, motivate actions contrary to the interests that based the goal setting procedure (Huber & Neale, 1987) resulting in the degradation of individual ethical behavior in organizations (e.g., Barsky, 2008; Ordóñez et al., 2009a; Schweitzer et al., 2004; Welsh & Ordóñez, 2014b). People cognitive resources are limited (Simon, 1967; 1990) and, once channeled to goal attainment limit the functioning of psychological processes related to the capacity to recognize ethical issues (Jones, 1991; Rest, 1986) and increase individual propensity to take risks (Ordóñez et al., 2009a; Knight et al., 2001).

4.4.1.1. Construal level theory

Broadly speaking, people are not effective in identifying ethical situations (Treviño & Youngblood, 1990). Considering the need to achieve goals, situations tend to be interpreted in line with the more immediate aspects of the task, relegating to second plan a global overview about the impact of the individual action. People seem to interpret the information in concrete terms and according to a specific context, for example, considering an outcome and the reward associated with it. In this case, a more abstract level of evaluation about the impact that goal attainment can have on others is omitted verifying difficulties in the process of coding and categorizing situations as ethical (Fiske & Taylor, 1991). According to Eyal and Liberman (2012), values and moral principles are more likely to be activated when people consider psychologically distant situations, i.e., situations involving a high temporal, physical, social distance or, when they are presented as hypothetical. Despite the need for further clarification on the effect of psychological distance in ethical behavior (e.g., Cojuharenco, Smith-Crowe, & Gino, 2012; Gong & Medin, 2012), construal level theory (CLT) (Liberman, Sagristano, & Trope, 2002; Liberman, Trope, & Stephan, 2007a; Liberman, Trope, & Wakslak, 2007b; Trope & Liberman, 2003; 2010) assumes that the same event or object can be represented at multiple levels of abstraction. In other words, people may find themselves motivated

to think globally about an event or focus solely on specific aspects of the same. For example, accepting a gift from a client can be interpreted taking into account details such as the value of the gift and the type of client that made the offer omitting these details and interpreting it simply as a corrupt behavior.

Psychological distance is a subjective experience about the degree in which something is near or far from the *self*, here and now and requires the existence of mental interpretation processes that cross the psychological distances and change depending on the distal or proximal perspectives of objects or events (Trope & Liberman, 2010). The level of interpretation increases as it increases the psychological distance becoming more abstract, coherent and involving a higher retention of the central features of the objects. Specifically, the psychological distance promotes the occurrence of simpler interpretations, less ambiguous, more schematic and prototypical than concrete interpretations which, because their focus on specific actions and in the immediate context, require information on the general meaning and valence of the situation.

Psychologically distant situations motivate individuals to use higher amount of cognitive resources and to think in a more abstract way, emphasizing the superordinate and essential characteristics of the events, i.e., the decontextualisation promoted by psychological distance seems to get people to better identify the ethical situations. An action is judged as right or wrong to the extent that it is in accordance with the laws, moral principles and rules regardless the specific circumstances in which it occurs. In this perspective, the higher is the psychological distance, more the judgments will reflect a mental interpretation guided by the abstract aspects of the situation. As stated by Eyal and Liberman (2012), the interpretation of moral values, due to their superordinate nature, requires high levels of abstraction and, these are more likely to be activated when people consider psychologically distant situations. This study aims to analyze the role of psychological distance and goals specificity in ethical decision making.

4.4.1.2. Moral disengagement

As previously mentioned, goal setting and its connection to rewards seems to interfere with the internal self-regulatory mechanisms that prevent people to behave

unethically (Bandura, 1990; 1999a), providing easy access to rationalizations which promote minimization or annulment of moral concerns. For example, people forced to achieve specific goals can connect damaging actions to intentions considered respectable, indicating that their behavior was guided taking into account the interests of the organization, or may try to obscure their personal responsibility by pointing the fact that they were under superior orders (Barsky, 2008). Such rationalizations allow individuals morally to disengage from their own actions and, neutralize the set of internal and social pressures to behave ethically, especially when they have opportunity to be dishonest (e.g., Beu & Buckley, 2004).

According to Bandura and colleagues (Bandura et al., 1996), sometimes people turn to cognitive mechanisms in order to disengage from processes of self-sanction related to unethical behavior. Specifically, two persons with the same moral standards may respond differently to the same ethical dilemma depending on how selectively enable or disable those self-sanctioning mechanisms are. This process, called moral disengagement comprises three sets of mechanisms: cognitive reconstruction of behavior, minimizing own responsibility for the behavior and dehumanization or blaming the victims. Despite the popularity that moral disengagement has been gaining in social psychology (e.g., Bandura, 1990; Bandura et al., 1996; Pelton, Gound, Forehand, & Brody, 2004), its application in organizational ethics research field, with some exceptions (e.g., Barsky, 2011; Beu & Buckley, 2004; Detert et al., 2008), is still small. In this study we consider the control of the potential effects of two types of moral disengagement mechanisms in the relationship between psychological distance, goal specificity and ethical decision making: moral justification and displacement of responsibility. Among the various types of rationalizations, moral justification and the displacement of responsibility are presented as having a clear link with ethical behavior resulting from goal setting procedures (Barsky, 2011). The moral justification involves the cognitive reconstruction of behavior. Unethical behavior is made personally and socially acceptable through a reframing process in trustworthy purposes (Bandura, 1999a), i.e., people decide about what ethical standards could be sacrificed due to reasons considered important. It refers to the adoption of a utilitarian perspective that seeks to minimize the perceived costs and increase the perception of the benefits resulting from unethical behavior. The displacement of responsibility for its part, is based on the annulment of the internal

control mechanisms by the denial of individual responsibility in unethical actions. Considering that people seem to be more likely to behave ethically when expected to be identified with the consequences of their own behavior (e.g., Silva & Simões, 2011; Tetlock, 1992b), the affirmation that certain conduct is the result of external influences, such as guidance from management, peer pressure, financial requirements or simply because unethical behavior is a practice in the organization, makes the responsibility of the individual in unethical decision making process as partial or even nonexistent. It is a mechanism that allows reducing the perception of the costs related to unethical actions founded on the denial of responsibility by the behavior or in moving this responsibility into the sphere of third-party action.

4.4.2. Objectives and hypotheses

Despite the high potential recognized to the goal setting procedure, some research, still emerging, has been pointing to the existence of possible ethical problems arising from goals definition (e.g., Barsky, 2008; Ordóñez et al., 2009a; Schweitzer et al., 2002; 2004; Welsh & Ordóñez, 2014b). Concretely, goal specificity seems to increase the propensity of individuals to focus only on tasks that can promote goal attainment and, overshadow unspecified concerns, such as the ethical impact of their own actions. In this case, it is common the occurrence of rationalizations that minimize the ethical impact of individual action (Barsky, 2011). This is the use of moral disengagement mechanisms that facilitate, through the justification of the unethical conduct or by hiding the responsibility in morally questionable behavior, the inhibition of ethical concerns.

People can interpret situations considering their most immediate aspects, for example, the need to achieve a goal or, under specific conditions, may be led to analyze the available information considering the overall impact of their behavior. Research on the effect of psychological distance in ethical behavior (Eyal & Liberman, 2012) suggests that psychologically distant situations promote, through the occurrence of more abstract level of interpretations, the activation of moral values and, consequently, a lower probability of unethical behavior.

If on the one hand goal setting is a tool adopted by most managers, on the other,

the ethical concerns, particularly with regard to the behavior of employees, are actually a reality for most organizations.

This raises the following question: *How is possible to prevent the occurrence of unethical behaviors among individuals pressured by the need to attain specific goals?*

The present study analyzes the role of goal specificity and psychological distance in ethical decision making. In addition, we observed this relationship considering the moral disengagement as a control variable. In this sense, we advanced the following hypotheses:

Hypothesis 1 – Individuals with specific goals tend to make less ethical decisions when compared with individuals with vague and non-specific goals such as “do your best” when the effect of moral disengagement is controlled.

Hypothesis 2 – Individuals involved in a high distance psychological situation tend to make more ethical decisions when compared with individuals involved in a low psychological distance situation when the effect of moral disengagement is controlled.

Hypothesis 3 – Individuals with specific goals involved in a high psychological distance situation tend to make more ethical decisions when compared with individuals with specific goals involved in a low psychological distance situation when the effect of moral disengagement is controlled.

4.4.3. Method

4.4.3.1. Sample and procedure

A convenience, non probabilistic sample with one hundred and thirteen subjects was used in this study. All participants accepted to participate voluntarily. Participants were aged between 18 and 67 years ($M = 29.26$; $SD = 10.62$), and 70.8% were female.

Participants were randomly assigned to one of the four experimental conditions (experimental design 2 x 2) and invited to read an organizational decision scenario on which they would have to make a set of decisions. At the end of the study all participants answered a set of items related to ethical disengagement. The experimental conditions were as follows:

Goal specificity – Do your best vs. Specific goals;

Psychological distance – Low psychological distance vs. High psychological distance.

4.4.3.2. Variables and measures

Goal specificity (independent variable): Participants were randomly assigned to one of two experimental conditions for goal specificity. Participants were asked to place themselves in the role of an auditor who, following the identification of problematic procedures in a company, would have to make a number of decisions to ensure the viability of that company. Each decision corresponded to a specific number of points.

The experimental condition “do your best” was intended to create a vague and abstract goal setting context, i.e., in the absence of clear indications about the level of performance to be achieved, the responsibility to decide on the optimal level of goal attainment was entirely of participants:

You have to decide on a group of procedures with direct impact on the Attractiveness Index, a measure which informs potential investors on whether they should invest or not in this company. Your goal is to make this operation a success. Do your best and try to accumulate as many points as you can.

The condition “specific goals” was intended to defining a particular level of performance, i.e., the provision of clear information about what kind of behavior is required to be successful in goal attainment:

You have to decide on a group of procedures with direct impact on the Attractiveness Index, a measure which informs potential investors on whether they should invest or not in this company. Your goal is to make this operation a success. In the group of decisions to be made you have to sum up a minimum of 500 POINTS.

Psychological distance (independent variable): Participants were randomly assigned to one of two experimental conditions for the psychological distance. As stated above, it was asked participants to place themselves in the role of an auditor who, following the identification of problematic procedures in a company, would have to make a number of decisions to ensure the viability of that company. According to the experimental conditions (low psychological distance vs. high psychological distance) information in order to manipulate the perception of psychological distance was included in the decision making scenario.

In the low psychological distance experimental condition, participants decided based on the information that the failure in the task would have negative consequences for themselves:

The Board of Directors has set as a priority the development of a capital increase operation which ensure the company's viability. During the process you realize that some procedures have problems. If they continue to occur, they will scare away potential investors and, as a result, you will lose your job.

In the high psychological distance experimental condition, participants decided based on the information that the failure in the task would have negative consequences for third parties:

The Board of Directors has set as a priority the development of a capital increase operation which ensure the company's viability. During the process you realize that some procedures have problems. If they continue to occur, they will scare away potential investors and, as a result, more than half of the company's employees will be fired.

Moral disengagement (control variable): Bandura and colleagues (Bandura, Barbaranelli, Caprara, & Pastorelli, 1996) developed a 32 item scale that measures the individual propensity to rationalize moral questionable behaviors. The original instrument includes eight types of rationalizations usually labelled as mechanisms of moral disengagement: (1) cognitive reconstruction of harmful behaviors in order to adapt them to intentions considered worthy or respectable, (2) making comparisons necessary to transform ethically questionable actions in benign actions, (3) use of morally neutral language to describe negative situations, (4) denial of personal responsibility for unethical actions through the displacement of responsibility to third parties and/or to external influences or (5) through the diffusion of responsibility, (6) via the minimization of the negative effects of the unethical conduct, (7) devaluing those who are adversely affected by unethical conduct and (8) attributing blame to the victims for the consequences they are suffering (Bandura, 1999a; Bandura et al., 1996). Considering the objectives of this study, from the translation and back translation of the original scale, were considered items related to the constructs of interest: moral justification (three items; e.g., “*It is alright to fight to protect your friends*”) and displacement of responsibility (four items; e.g., “*If someone is pressured into doing something, he shouldn't be blamed for it*”). All items were answered in a 7-point Likert scale (1 = “Strongly disagree”; 7 = “Strongly agree”).

In order to verify if the constructs of interest fitted the expected factorial structure two confirmatory factor analyses were conducted based on the use of AMOS 18 – structural equation modeling software. In the first analysis, unifactorial solution was specified, i.e., all items are considered in a single latent variable of moral disengagement consistently with the structure used by Bandura and colleagues (Bandura et al., 1996) in the original scale. In the second analysis, each of the constructs of interest were specified in separate latent variables and the relation between variables was freely estimated. It was

used the maximum likelihood estimation method and the adjustment ratios of the models were based on the χ^2 values of the *Comparative Fit Index* (CFI, Bentler, 1990), *Root Mean Square Error of Approximation* (RMSEA, Steiger & Lind, 1980) and the *Akaike Information Criterion* (AIC, Akaike, 1973) form the statistical basis for comparison of the proposed models. According to Hu and Bentler (1999), the unifactorial model shows better fit to the data ($\chi^2 = 26.8$ (15), $p < .05$, CFI = .91, RMSEA = .08, AIC = 52.8) when compared with the adjustment solution index for two factors ($\chi^2 = 41.9$ (14), $p < .001$, CFI = .76, RMSEA = .13, AIC = 69.9). A single measure of moral disengagement was created containing seven items with an estimated internal consistency of .72. A Portuguese version of the items are presented in Appendix A.

Ethical decision making (dependent variable): The ethicality related to the participants' decisions was accessed through a set of choices made by them in a payoff table. Based on the scenario in which the participants, in the role of auditors, identified problematic procedures that conditioned the viability of the audited company, five cases considered problematic were presented: (1) accounting practices that are probably illegal, (2) discharge of waste production in the near watercourse, (3) failure in the validation protocols and testing of new products to market, (4) use of dubious procedures in the hiring and firing of employees and, (5) failure to comply with safety rules and the prevention of accidents. On each of the procedures considered problematic, participants chose one of four possible decisions which, following a prior validation process, were associated with a value in points that the participants should sum in order to attain their goal. All decisions were valued between 100 and 400 points. Unethical decisions were worth more points. The Portuguese version of the payoff table with an overview of the procedures considered problematic, decisions and associated points is presented in Appendix B. Considering the variable manipulation: goal specificity ("do your best" vs. specific goals) as well as the value attributed to the decision considered more ethical in each of the five procedures considered problematic (100 points) participants could choose to sum 500 points (ethical decision making) or sum more points by choosing decisions considered unethical.

4.4.3.2.1. Development and validation of the payoff table

The development of the payoff table was based on the definition of a group of five problematic procedures associated with the organizational context, presented in the scenario used in the experimental study, and on which participants would have to make decisions. For each of the procedures considered problematic were initially presented six decisions likely to be taken in response to identified problems. The wording of decisions was intended to, in addition to the adaptation to the reality of the dilemmas that occur in organizational context, promote on the participants a reflection on the ethical impact of their decisions.

In order to validate the payoff table, we conduct a pre-test study. A convenience, non-probabilistic sample with one hundred and forty-five subjects agreed to participate voluntarily in the study. Participants were aged between 18 and 61 years ($M = 31.19$; $SD = 11.8$), and 75.2% are female. For each of the procedures considered problematic participants were asked to order a serie of decisions from an ethical point of view. After explaining the objectives of the study, decision making scenarios were presented. Scenarios only differed in the presentation of the type of problematic procedure taking into account the group of decisions to order. For instance, regarding the problematic procedure “production waste discharge into a near watercourse” the scenario was:

You are an external auditor that is examining a group of procedures for a company dedicated to the processing, production and sale of chemicals, petroleum and pharmaceutical products. During the process you realize that the discharge of production waste is being made in a near watercourse. Here is a list of six possible decisions that you could take in the previous situation. The order in which decisions are presented does not follow any criteria. Please think on these decisions from an ethical point of view. Organize hierarchically each one of the decisions, i.e., from the most ethically acceptable to the least ethically acceptable.

From the results obtained it was possible to extract, for each of the procedures considered problematic, a group of four decisions statistically different in ethical terms.

The realization of paired samples t-test has shown that the difference in the average levels of ethicality allocated by the participants to each decision is significant. Table 6 presents the means, standard deviations and the t-test values for each group of decisions. Results allowed a decision making taking into account their ethical nature. Decisions with higher means correspond to decisions considered less ethical.

Table 6 - Means, standard deviations and t-test values for each group of decisions

	<i>M</i>	<i>SD</i>	<i>Paired Samples T-test</i>
Accounting practices that are probably illegal (N = 87)			
You decide to discuss the problem with the person responsible for the company.	2.07	0.91	$t(86) = 6.15^{***}$
You decide to break the professional confidentiality and denounce the situation.	3.36	1.55	$t(86) = 4.40^{***}$
You decide to request the transfer to another client.	4.40	1.25	$t(86) = 6.55^{***}$
You decide to try to find a way to hide the accounting problems.	5.94	1.38	
Discharge of waste production in the near watercourse (N = 145)			
You decide to confront the person responsible for the company.	2.03	1.11	$t(144) = 5.15^{***}$
You decide to report the situation to an environmental association.	2.75	1.13	$t(144) = 11.09^{***}$
You decide to pass up the situation until the next audit.	4.38	1.05	$t(144) = 3.57^{***}$
You decide to advise that discharges happen overnight.	4.90	1.30	
Failure in the validation protocols and testing of new products to market (N = 126)			
You decide to advise the repetition of tests to all the company's products.	1.53	0.98	$t(125) = 9.79^{***}$
You decide to advise hiring a consultant known for facilitating the preparation of technical reports.	3.27	1.62	$t(125) = 4.21^{***}$
You decide to break the professional confidentiality and denounce the situation in the media.	4.24	1.60	$t(125) = 3.49^{***}$
You decide not to question the competence of technicians and maintain the situation.	4.94	1.21	
Use of dubious procedures in the hiring and firing of employees (N = 120)			
You decide to alert the person responsible for the company for the need to review the procedures in use.	1.70	1.03	$t(119) = 9.65^{***}$
You decide to denounce the situation.	3.34	1.49	$t(119) = 3.02^{***}$
You decide that it is a strategic option of the company.	4.03	1.47	$t(119) = 5.23^{***}$
You decide to let the situation pass up for a year.	4.93	1.00	
Failure to comply with safety rules and the prevention of accidents (N = 117)			
You decide to discuss the problem with the person responsible for the company.	1.72	1.02	$t(116) = 5.09^{***}$
You decide to request the collaboration of other colleagues in the evaluation of this situation.	2.43	1.10	$t(116) = 3.23^{**}$
You decide to propose hiring a known certification company for facilitating the safety inspections.	3.07	1.48	$t(116) = 10.9^{***}$
You decide to give no relevance to the problem.	5.08	1.06	

Note: ** $p < .01$; *** $p < .001$

4.4.4. Results

4.4.4.1. Manipulation check

At the end of the study, participants answered a set of questions in order to check the validity of the performed manipulations. Regarding the manipulation of goal specificity, participants, depending on the experimental condition, answered to one of the following questions: *“In the previous situation, my goal was to do my best and try to sum as many points as I could”* (experimental condition: “do your best”) or, *“In the previous situation, my goal was sum at least 500 points”* (experimental condition: “specific goals”). Regarding the manipulation of psychological distance, participants, depending on the experimental condition, answered to one of the following questions: *“In the previous situation, if the problematic procedures continue to occur, I will lose my job”* (experimental condition: low psychological distance) or, *“In the previous situation, if the problematic procedures continue to occur more than half of the company's employees will be laid off”* (experimental condition: high psychological distance). All questions were answered based on a dichotomous scale of true-false. Only participants subjected to manipulation were taken into account in the data analysis.

4.4.4.2. Test of hypotheses

Whereas this study intended to determine the role of goal specificity and psychological distance in ethical decision making when the moral disengagement effect is controlled, the most appropriate statistical methodology was to perform a two factors analysis of covariance (two-way ANCOVA). However, as referred by Field (2009), despite the covariance analysis involves observation of the same assumptions of any other linear model, there are two aspects to be taken into consideration. Covariance analysis allows observing the overall relationship between the dependent variable and the covariate assuming that this overall relationship is true for all participants regardless of the experimental condition where they belong. If the relationship between the dependent variable and the covariate differs between experimental conditions, it is considered that

our model is inadequate. In this regard, the validity of the covariance model relies on the observation of the *Assumption of Homogeneity of Regression Slopes* (Huitema, 1980) and implies the specification of an interaction model between the independent variables and the covariate. If the result is statistically significant it is considered that this assumption is violated. So, we specified the model of interaction related to our study: goal specificity x psychological distance x moral disengagement. Results suggest a violation of the assumption of homogeneity of regression slopes ($p < .05$).

Also regarding the verification of assumptions, the validity of the data obtained by analysis of covariance implies the existence of independence of covariate in relation to independent variables. In general terms, means that the covariate should not differ between experimental conditions, in other words, the relationship between independent variables and covariate should not be significant (Miller & Chapman, 2001). In order to check this assumption, it was performed an analysis of variance with two factors (two-way ANOVA) to verify the existence of statistically significant effects of the goal specificity objectives and psychological distance in the moral disengagement. Results indicate the existence of a statistically significant relationship between the goal specificity and moral disengagement ($F(1, 109) = 4.95, p < .05$). There is no statistically significant relationship between psychological distance and ethical disengagement. Taken together, the results obtained in the verification of ANCOVA specific assumptions suggest that there are no conditions for further exploitation of data based on covariance analysis.

As suggested by Field (2009), in response to the violation of the ANCOVA assumptions, the verification of hypotheses can be achieved based on the development of a multilevel linear model. This data analysis methodology allows to observe the effect of independent variables in ethical decision making according to the variability of ethical disengagement. As recommended by Raudenbush and Bryk (2002), in a first phase it was defined a baseline model where all variables of interest were fixed. The comparison between results obtained from the baseline model and the results obtained in a second model, where independent variables remains fixed and the moral disengagement assumes a second level status variable, allowed to observe the effect of moral disengagement in the relationship between the independent variables and ethical decision making.

Based on the comparison of the models under consideration it is possible to state the absence of second-level variation in ethical decision making. Specifically, the effect

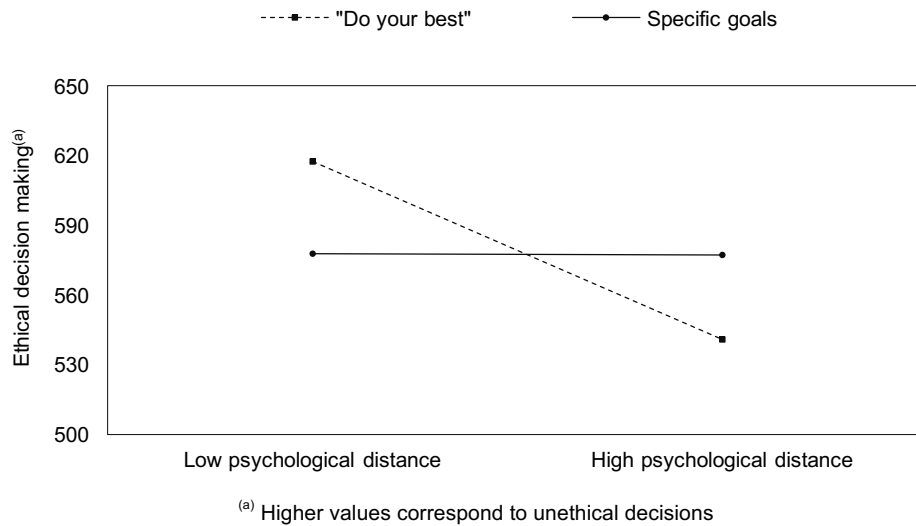
of independent variables in ethical decision making does not suffer any effect of the participants' level of moral disengagement ($\chi^2_{\text{change}} = 1.56 (1), p = .21$). Regarding the direct effects of independent variables in ethical decision making, results suggest that both goal specificity ($b = -123.4, t(113) = -2.40, p < .05$) and psychological distance ($b = -157, t(113) = 3.16, p < .01$) are crucial in ethical decision making process. Specifically, participants who were set vague goals like “do your best” tend to do less ethical choices when they are in low psychological distance situations ($M = 617.5, SD = 92.2$) than when they are in high psychological distance situations ($M = 540.9, SD = 65.5$) ($b = 78.4, t(113) = 2.55, p < .05$). Table 7 presents means ratings and standard deviations for ethical decision making.

Table 7 – Means ratings and standard deviations for ethical decision making

Experimental condition	<i>M</i>	<i>SD</i>
“Do your best”		
Low psychological distance (n = 20)	617.5	92.2
High psychological distance (n = 33)	540.9	65.5
Specific goals		
Low psychological distance (n = 27)	557.8	99.3
High psychological distance (n = 33)	557.3	74.0

Taken together, results only allow to validate our second hypothesis, i.e., participants involved in high psychological distance situations tend to make more ethical decisions when compared with participants involved in low psychological distance situations. Figure 7 presents the effect of goal specificity objectives and psychological distance in ethical decision making.

Figure 7 – Effect of goal specificity objectives and psychological distance in ethical decision making



Considering that, in the verification of the assumptions of analysis of covariance, it was observed a statistically significant relationship between the goal specificity and ethical disengagement, in addition to the data analysis originally planned, a linear regression analysis was also performed considering the goal specificity as predictor variable with the status of dummy variable (0 = “do your best”, 1 = “specific goals”) and ethical disengagement as criterion variable. Results suggest that goal specificity explains about 4% of the ethical disengagement variance ($R^2 = .04$, $F(1, 112) = 4.37$, $p < .05$). Specifically, setting vague and abstract goals seems to increase participants’ propensity to make greater use of rationalizations that allow inhibiting the activation of ethical self-control mechanisms ($\beta = -.20$, $t(112) = -2.09$, $p < .05$).

4.4.5. Discussion and conclusions

This study was intended to examine to what extent goal specificity and psychological distance affect the ethical decision making process. Additionally, it was

intended to observe these relationships controlling the effect of ethical disengagement. As suggested by Barsky (2011), the use of cognitive mechanisms to minimize the negative effect of unethical actions has influence on the relationship between goal setting procedure and ethical behavior. However, the results suggest that the effect of specific goals and psychological distance in ethical decision making is not affected by the use of rationalizations about the ethical impact of personal actions. Further analysis revealed that goal specificity has a direct impact on individual propensity to use ethical disengagement mechanisms.

According to some authors (e.g., Barsky, 2008; Schweitzer et al., 2004; Welsh & Ordóñez, 2014b), setting specific goals influences the individual capacity to make ethical decisions. As referred by Locke (2001), the definition of precise and clear goals regarding the results to be achieved drives people to direct their attention exclusively to goal attainment. Consequently, ethical concerns are usually relegated to second plan. However, as previously mentioned, the way each individual interprets the context in which the goal setting procedure occurs as well as how the results directly affect him/her or third parties seems to be decisive in individual ethical scrutiny. As suggested by Eyal and Liberman (2012), people who perceive greater psychological distance from the impact of their actions are more likely to make ethical decisions. In this case, people conduct ethical decision making process using higher amount of cognitive resources allowing them to better identify ethical situations.

Results suggest that people with specific goals tend to discount the moral content of their choices regardless the psychological distance that characterizes the ethical decision making context. This aspect can be observed if we consider that the participants with specific goals made decisions that allowed them to add more points than the necessary to achieve their goal. In this case, people seem to be strictly focused on specific aspects of the task and, more general considerations such as the impact of their decisions, were relegated to second plan. These results are aligned with previous research regarding goal characteristics and individual ethical behavior (e.g., Schweitzer et al., 2004; Welsh & Ordóñez, 2014b).

With regard to vague and abstract goals, people tend to substitute their own interpretation about a performance considered optimal in detriment of ethical considerations. In this case it is clear the effect of psychological distance in ethical

decision making. Faced with goals defined as “do your best” and in a situation characterized as having low psychological distance, people reveal higher propensity to discount ethical content from their decisions. In the particular case of our study, this aspect gains additional importance if we consider that in the low psychological distance situation, the failure in goal attainment had a negative impact for the decision maker, i.e., regarding vaguely defined goals and in low psychological distance situations people tend to adopt an egocentric view of the decision making process emphasizing self-interest.

4.4.5.1. Theoretical and practical implications

This study has several theoretical and practical implications. Theoretically, the results regarding the impact of vague and abstract goals in ethical decision making suggest the need for further clarification about the relationship between how the goals are defined and ethical decision. In general terms, research in this area has been identifying specific goals, due their nature, as one of the determining factors in the decision and unethical behavior (e.g., Barsky, 2008; Staw & Boettger, 1990; Tenbrunsel & Messick, 1999; Welsh & Ordóñez, 2014a) and put vague and abstract goals in a status of “almost indifferent” with regard to its potential effect on ethical decisions. Goal setting promotes among people a sense of discrepancy between a current state and a desired outcome (Heath et al., 1999) and, in the case of vague and abstract goals, who defines the desired outcome is the decision maker. It seems to be even more decisive when not achieving a goal is associated with negative consequences for the decision maker. In this case, the absence of clear and detailed guidance about the expected result, associated with the perspective of failure, seems to lead individuals to define performance targets clearly incompatible with ethical decisions.

Also in the area of theoretical implications, this study contributes to the development of research on the role of psychological distance in ethical decision making. As suggested by Eyal and Liberman (2012), promoting abstract reasoning seems to improve the recognition of ethical situations. However, results confirm this relationship only when goals are defined in a vague and abstract way. In specific goals, the focus on concrete results seems to override the potential debiasing effect of psychological distance.

As referred by Berson and colleagues (2014), people's behavior is shaped by message content (e.g., clear messages vs. vague messages) and specific goals, because they correspond to proximal level desired states, seem to promote in people a need for adjustment between the level of interpretation and the message content (Eyal, Sagristano, Trope, Liberman, & Chaiken, 2009). In sum, in a goal setting context, decision ethicality seems to depend on the compatibility between the goal type and the level of psychological distance.

In practical terms, this study is relevant to the preservation of organizational ethics. Goal setting is a common practice of most organizations and, despite the need for management to safeguard goal impact on employees' ethical behavior, results suggest that the role assumed by leadership in setting clear and precise goals is crucial in reducing personal interpretations about the expected and rewarded performance levels.

4.4.5.2. Limitations and suggestions for future research

This study has some limitations. The sample is restrictive regarding the possibility of the generalization of results. Hence, future studies should consider data collection in an organizational context. Moreover, the experimental nature of the study affects the external validity of the results. Considering that we manipulate motivational factors, individual variables that usually affect decision making were not controlled due to the specific characteristics of the experimental design and because we know the role that such factors as, the need for cognition (Silva & Simões, 2011), creativity (Gino & Ariely, 2012) or machiavellianism (Singhapakdi, 1993) play in ethical decision making. Again, the development of similar studies in an organizational context where goals consequences related to failure are real and the control of individual characteristics may help to clarify the relationship between our variables and ethical decision decision making.

As we have mentioned, further analysis allowed the observation that there is a statistically significant relationship between goal specificity and ethical disengagement. Future studies should address the role of goal characteristics in the way people rationalize the impact of ethically questionable actions.

4.5. Study 5 – Effect of ethical climate in the relationship between goal setting procedure and ethical leadership

4.5.1. Introduction

When faced with ethical problems, most people look for guidance from observing the behavior of those who in their opinion are a reference in terms of moral conduct (Kohlberg & Kramer, 1969; Treviño, 1986). In organizations, leaders, by the implicit value of the position they occupy, by status and power they hold are seen as the main source of this type of orientation. Defined as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making” (Brown et al., 2005, p. 120) ethical leadership presupposes the observation of ethical principles beyond the personal domain, i.e., not being enough the ethical leader to be honest and righteous, it is necessary that the leader assumes himself as a moral manager (Treviño et al., 2000). In this sense, ethical leadership implies from leader the communication about ethics with their subordinates, establishing expectations regarding ethical conduct (Treviño et al., 2003) and the use of rewards and punishments to ensure that subordinates are responsible for their own actions (Gini, 1997; Treviño et al., 2003). It is about the assumption by organizational members of the ethical values of the leader (Schminke, Wells, Peyrefitte, & Sebor, 2002) phenomenon that results from social learning processes (Bandura, 1969) that occur in organizations and, in general, allow to reduce the level of ambiguity characteristic of moral dilemmas (Brown & Treviño, 2013), and guide the behavior as a function of knowledge that organizational members have about what behaviors are expected, rewarded and punished (Treviño, 1992b). In sum, when leadership is perceived as ethical it is more likely that employees reveal greatest concerns with moral conduct.

However, there may be situations where the leadership is not seen as ethical or does not assume a clear role in promoting organizational ethics. Brown and colleagues (2010) define unethical leadership as a set of “behaviors conducted and decisions made by organizational leaders that are illegal and/or violate normal standards, and those that

impose processes and structures that promote unethical conduct by followers” (p. 588). The set of pressures to achieve results and meet organizational goals may lead the leader to discount the moral impact of the actions of their subordinates or even encourage the use of maneuvers that, being ethically questionable, allow goal attainment. This does not mean that leadership assumes clearly and visibly unethical conducts among subordinates. It is, therefore, pertinent to ask about: *What elements of the organizational context can influence the ethical the performance of leadership?* In general terms, we know that the use of rewards that ignore ethical abuses or even punishing employees who do not act as expected are decisive for the occurrence of situations of corruption in organizations (e.g., Brown & Mitchell, 2010; Brown & Treviño, 2013). However, despite the high interest in this issue for the preservation of organizational ethics, empirical research in the area of ethical leadership is still limited and essentially focused on the impact over the behavior of organizational members. As stated by Eisenbeiss and colleagues (2012) from an analysis of the empirical studies published between 2005 and 2011, there is a very small number of studies with reference to the factors influencing the development and maintenance of ethical leadership. In addition to the aspects relating to the individual characteristics of the leader, stand out in this case intra-organizational aspects which include both tangible structures and systems relating to the direct action management as well as the intangible elements based on signs and implicit messages shared between members of the organization who have an important role in guiding individual ethical behavior (Tenbrunsel et al., 2003; Victor & Cullen, 1988). In the present study we propose the analysis of the role of goal setting procedures and organizational ethical climate in how employees evaluate the ethicality of leadership.

4.5.1.1 Goal setting and ethical leadership

As previously mentioned, despite the vast literature on the positive effects of goal setting on individual performance, recent research suggests the existence of a direct link between goal setting procedures and the occurrence of unethical behavior in organizations (e.g., Barsky, 2008; Ordóñez et al., 2009a; Schweitzer et al., 2002; 2004; Welsh & Ordóñez, 2014b). Specifically, setting hard and specific goals associated with rewards

often leads to individual actions strictly focused on goal attainment relegating to second place any moral concerns. In this case, leadership plays a fundamental role (Bardes & Piccolo 2010). Since the goal achievement by leadership depends of subordinate performance, the way ethical issues are attended can by itself be an incentive to corruption and fraud and determine how the subordinates evaluate their leaders in relation to ethics. For instance, when goal communication goals are dubious or unclear regarding subordinate ethical behavior or when goal characteristics implies the adoption of unethical maneuvers subordinate can perceive their leader as unethical.

4.5.1.2. Ethical climate and ethical leadership

Organizational ethical climate is the set of “prevailing perceptions of typical organizational practices and procedures that have ethical content” (Victor & Cullen, 1988, p. 101), in other words, individuals know what type of behavior is expected, valued and encouraged by organization and acting accordingly. In general, research suggests that leadership works as an interpretative filter of these organizational practices and procedures (e.g., Dickson, Smith, Grojean, & Ehrhart, 2001; Kozlowski & Doherty, 1989; Treviño et al., 2000), therefore, leader’s action is a determinant factor in the promotion and reinforce of organizational members’ behavior, namely, regarding ethics. This relationship, based on the observation of leadership behavior by subordinates (Bandura, 1969), informs what behaviors are expected, encouraged and valued. In the one hand the leader action can take into account the ethical aspects making clear among his/her subordinates that these hold an important impact on organizational results, on the other, the promotion of ethically permissive environments can generate a perception of ethical climate wherein ethically questionable behavior is seen as necessary to the success of the organization (Barsky, 2008; Brief, Buttram, Dukerich, & Janet, 2001). In general terms, people tend to behave according to the type of ethical climate they perceive as being prevailing in their organization. According to the type of organizational ethical climate: self-interest, rules and procedures, laws, profit and benevolence (Cullen et al., 1993; Rego, 2001; 2002; Victor & Cullen, 1988), people may consider that in their organization individuals act only according to they own interests and personal goals or subject their behavior to the observation of organizational rules and procedures or legal requirements

that override any personal considerations about ethics. They can also direct their action according to the perception that their organization especially values results or conceive their action in opposite terms, realizing the organization as a caretaker of employees' interests and welfare.

4.5.2. Objectives and hypotheses

The individual ethical behavior in organizations is strongly influenced by the action of leadership which, can play an active role in promoting the values and moral principles or being a determining factor in the occurrence of situations of unethical conduct. Individuals guide their conduct on what they observe on leader behavior. So, if the leader is perceived as unethical it is more likely that the actions of organizational members is conducted, for example, under an economic perspective to the detriment of an ethical perspective. In this case, organizational goal setting procedures have an important role in the perception of ethical leadership. Hard and specific goals may indicate that leadership is only interested in getting results and little concerned about the existence of potential ethical problems, creating contexts that can be exacerbated by the perception of the individuals about what the organization expects of them in ethical terms. Specifically, a benevolent organizational ethical climate characterized by the perception that the organization takes into account the welfare of their members may help to reduce the negative effects of the goal setting procedures in the evaluation of ethical leadership or, on the opposite direction, the notion that the organization is concerned exclusively with getting profits can by itself determine the relationship between goal characteristics and the perception of unethical leadership.

The present study aims to examine the role of goal setting procedures and the perception of organizational ethical climate in the evaluation about the ethicality of leadership. Specifically, we intend to evaluate to what extent the definition of hard and specific goals determines how individuals perceive the leader in ethical terms and, how this relationship is mediated by the perception of organizational ethical climate. In this sense, we advanced the following hypotheses:

Hypothesis 1 – Establishing hard goals has a negative effect on the evaluation that subordinates do about the ethicality of their leader.

Hypothesis 2 – Establishing specific goals has a negative effect on the evaluation that subordinates do about the ethicality of their leader.

Hypothesis 3a – The relationship between goal setting procedures and the subordinates evaluation related to leader ethicality is mediated by the organizational ethical climate of self-interest.

Hypothesis 3b – The relationship between goal setting procedures and the subordinates evaluation related to leader ethicality is mediated by the organizational ethical climate of benevolence.

Hypothesis 3c – The relationship between goal setting procedures and the subordinates evaluation related to leader ethicality is mediated by the organizational ethical climate of rules and procedures.

Hypothesis 3d – The relationship between goal setting procedures and the subordinates evaluation related to leader ethicality is mediated by the organizational ethical climate of laws.

Hypothesis 3e – The relationship between goal setting procedures and the subordinates evaluation related to leader ethicality is mediated by the organizational ethical climate of profit.

4.5.3. Method

4.5.3.1 Sample and procedure

The sample consisted of 76 employees from different private companies operating

in Portugal in banking and services. All organizations have a code of conduct. Participants are mostly female (54.7%) and have ages between 18 and 56 years ($M = 32.8$; $SD = 8.77$). With regard to education, 70% of respondents have a higher education degree. Tenure varies between one year and five years ($M = 3.15$; $SD = 1.53$). Participants were invited to respond voluntarily to the questionnaire after a previous contact with the Department of Human Resources which dealt with the distribution and anonymous collection of the questionnaires.

4.5.3.2. Variables and measures

The questionnaire includes, in addition to a set of socio-demographic questions that aim to characterize the sample, measures related to the variables under study that are available in the literature or have been constructed purposely for this study.

Goal difficulty (predictor variable): Participants' perception about the degree of difficulty of their own performance goals was evaluated based on a scale composed by three items built for this study. For example: “*I have great difficulty in achieving my goals*” (1 = “Almost never”; 5 = “Almost always”). The internal consistency of the scale is adequate ($\alpha = .77$).

Goal specificity (predictor variable): Participants' perception about the degree of specificity of their own performance goals was evaluated based on a scale composed by two items built for this study. For example: “My goals are defined in very general terms” (1 = “Almost never”; 5 = “Almost always”; reversed item). The correlation between the two items is adequate ($r = .40, p < .01$).

Organizational ethical climate (mediator variable): Participants' perception relating to the set of inherent prescriptions and permissions to moral obligations in their organization, namely, the right thing to be done, and how to deal with ethical questions in their organization (Cullen et al., 1993; Victor & Cullen, 1988) was evaluated based on the use of the Ethical Climate Scale (Rego, 2001; 2002). Participants were invited to

describe how things happen in their organization regarding five types of ethical climates:

Organizational ethical climate of self-interest – The perception that in the organization individual interest is more valued than the organizational interests was evaluated based on a sub-scale of three items. For example: “*In this organization, each one protects, above all, their own interests*” (1 = “Completely false; 6 = “Completely true”). The internal consistency of the scale is very good ($\alpha = .87$).

Organizational ethical climate of benevolence – The perception that in the organization the interest of employees, friendship and team spirit is valued was evaluated based on a sub-scale of four items. For example: “*It is expected, above all, that decisions respect each person working in this organization*” (1 = “Completely false; 6 = “Completely true”). The internal consistency level of the scale is very good ($\alpha = .81$).

Organizational ethical climate of rules and procedures – The perception that in the organization the behavior of employees’ results from following the rules and procedures was evaluated based on a sub-scale of four items. For example: “*The rules and procedures of the organization are always present when decisions are made*” (1 = “Completely false; 6 = “Completely true”). The internal consistency of the scale is adequate ($\alpha = .77$).

Organizational ethical climate of laws – The perception that in the organization the behavior of employees’ results from the observation of legal regulations was evaluated based on a sub-scale of three items. For example: “*When they make a decision, people seek, above all, not violating the law*” (1 = “Completely false; 6 = “Completely true”). The internal consistency of the scale is adequate ($\alpha = .74$).

Organizational ethical climate of profits – The perception that in the

organization efficiency should contribute most of all for the interest of the organization was evaluated based on the use of a sub-scale of three items. For example: *“It is expected that decisions will contribute, above all, for the profits of the organization”* (1 = “Completely false; 6 = “Completely true”). The internal consistency of the scale is adequate ($\alpha = .71$).

Ethical leadership (criterion variable): “the demonstration [by leadership] of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers” (Brown et al., 2005, p. 120) was evaluated based on the Ethics Leadership Scale (Brown et al., 2005). This is a unidimensional measure with 10 items on which the authors have been claiming high internal consistency and discriminant validity, monological and predictive power. The high coefficient of internal consistency supports the unidimensionality of the scale ($\alpha = .89$). For example, one of the items was: *“My manager sets an example of how to do things the right way in terms of ethics”* (1 = “Strongly disagree”; 5 = “Strongly agree”).

4.5.3.3. Common method variance

Considering that we used the same source and same method in the collection of all measures at one moment in time, we conducted the Harman's single factor test for diagnosing the extent of common method bias before proceeding to the testing of hypotheses (Podsakoff et al., 2003). Exploratory factor analysis (unrotated solution) including all items of the measures used in this study reveal eight factors. The first factor accounts for only 26.79% of the covariance between items ($KMO = .740$, $p < .001$, total variance explained = 70.92%). This result suggests that the common method bias does not constitute a serious problem in our data and, therefore, is not a serious question the validity of the study.

4.5.4. Results

Means, standard deviations and correlations of the variables included in the study are presented in Table 8.

The results of Spearman's correlations show that ethical leadership is negatively correlated with goal difficulty ($r = -.28, p < .05$) and positively correlated with the organizational ethical climate of benevolence, rules and procedures and laws ($r = .48, r = .55$ and $r = .53$, respectively; all $p < .01$). Contrary to what it was expected, ethical leadership is not correlated with goal specificity. Therefore, results do not supporting our second hypothesis and this relation was not considered in the following analysis.

The organizational ethical climate of benevolence is negatively correlated with goal difficulty ($r = -.28, p < .05$) suggesting that when goals are challenging, individuals tend to perceive their organization as little worried about the employees' welfare. The organizational ethical climate of self-interest is negatively correlated with goal specificity ($r = -.28, p < .05$) suggesting that the more specific goals are, less margin employees have to turn to strategies that allow, for example, personal gain. The organizational ethical climate of profit is positively correlated with the organizational ethical climate of self-interest ($r = .55, p < .01$) and negatively correlated with the organizational ethical climate of rules and procedures ($r = -.21, p < .05$) suggesting that an organization that creates a climate focus on results attainment, at the same time promotes a permissive environment regarding the obtaining of personal gains from their employees. The organizational ethical climate of benevolence is positively correlated with the organizational ethical climate of rules and procedures and with the organizational ethical climate of laws ($r = .48; r = .30$; all $p < .01$) suggesting that people tend to associate the concern of the organization with employees' welfare to the dissemination and implementation of codes of conduct and other behavioral adjustment procedures as well as to the compliance with laws. The organizational ethical climate of laws and the organizational ethical climate of rules and procedures are positively correlated ($r = .76, p < .01$) suggesting that people tend to consider that the compliance with rules and procedures and legislation has the same value regarding the perception of organizational ethics. Taken into account the correlations between the study variables, the mediating variables of organizational ethical climate of self-interest and the organizational ethical climate of profits are not correlated

neither with the independent variable, nor with the dependent variable. These results do not support the hypotheses 3a and 3e and, they will not be considered in the following analysis.

Table 8 – Means, standard deviations and correlation values between variables

	<i>M</i>	<i>SD</i>	1	2	3	4	5	6	7
1. Goal difficulty	3,10	.87							
2. Goal specificity	3,25	1.12	.08						
3. OEC of self-interest	4,17	1.03	.17	-.28*					
4. OEC of benevolence	4,25	.73	-.28*	-.12	-.11				
5. OEC of rules and procedures	4,92	.60	-.06	.16	-.21*	.48**			
6. OEC of laws	4,88	.68	.04	.16	-.12	.30**	.76**		
7. OEC of profits	4,54	.75	-.11	-.16	.55**	.17	-.13	-.07	
8. Ethical leadership	3,66	.63	-.28*	-.03	-.16	.48**	.55**	.53**	.02

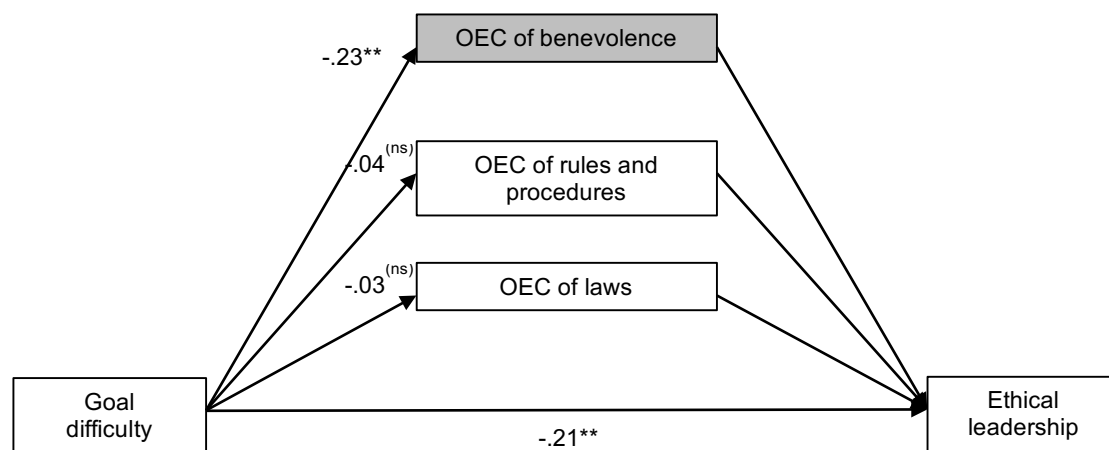
Note: OEC = Organizational ethical climate; * $p < .05$; ** $p < .01$ (one-tailed)

4.5.4.1. Multiple mediation model

In this study we have tested the degree to which the perception of an organizational ethical climate of benevolence, an organizational ethical climate of rules and procedures and an organizational ethical climate of profits mediated the relationship between the goal difficulty and the ethical leadership. This is a model with multiple mediators. This strategy of analysis is recommended as an alternative to traditional methods of mediation since it allows that all mediators be analyzed simultaneously. Through the use of a macro of multiple mediation developed to SPSS by Preacher and Hays (2008), we performed the calculation of the coefficients for direct and indirect relationships. The relationships coefficients refer to the regression slopes allowing to calculate the variance of the criterion variable according to the variation of the predictor variables (Preacher & Hayes, 2008). As shown in Figure 8, there is only a statistically significant direct relationship between the goal difficulty and the perception of an organizational ethical climate of benevolence ($b = -.23$, $p < .01$) as well as a statistically significant direct relationship between organizational ethical climate of benevolence and

ethical leadership ($b = .18, p < .05$). All direct relationships between the criterion variable and the remaining variables are not statistically significant, limiting in this way the validity of the multiple mediation model. The hypotheses 3c and 3d are not supported. There is a negative linear relationship between the goals difficulty and the perceived ethical leadership ($b = -.21, p < .01$).

Figure 8 - Multiple mediation model of the direct and indirect relationship between goal difficulty and ethical leadership



Note: OEC = Organizational ethical climate; * $p < .05$; ** $p < .01$

Considering that the analysis of multiple mediation model is conditioned since two of the three mediating variables are not related to the independent variable (Baron & Kenny, 1986), we have proceed with the analysis of a mediation model considering only the organizational ethical climate of benevolence as a mediator for the relationship between goal difficulty and ethical leadership.

We follow the procedure proposed by Baron and Kenny (1986), complementing it with the realization of the Sobel test (1982). Tolerance values were used to determine the level of multicollinearity between variables (all values $> .10$; Cohen, Cohen, West, & Aiken, 2003). First we regressed the criterion variable (ethical leadership) in the predictor variable (goal difficulty). As can be seen in Table 9 (model 1), goal difficulty has a negative linear relationship with ethical leadership ($\beta = -.29, p < .01$) indicating that the

higher is the difficulty of goals the lower is the perception ethical leadership. This result allows to confirm our first hypothesis. Then the mediating variable (organizational ethical climate of benevolence) was regressed in the predictor variable verifying that goal difficulty contribute to the evaluations about how the organization considers the interests and welfare of their employees ($\beta = -.28, p < .01$). Specifically, increasing goal difficulty contributes to employees feeling little supported by their organization. Finally, we regressed the criterion variable in the predictor variable and in the mediator variable. The comparison of the results now obtained (model 2) with the results obtained in the first model confirms the hypothesis 3b. The organizational ethical climate of benevolence ($\beta = .43, p < .001$) full mediates the relationship between goal difficulty and ethical leadership ($\beta = -.16, p = ns, Z = -2.12, p < .05$) explaining 23% of the registered unique variance in the perception of leader ethicality reported by participants.

Table 9 - Mediation effect of the organizational ethical climate of benevolence in the relationship between goal difficulty and ethical leadership

	Ethical leadership				OEC of benevolence			
	R ² _{Adj.}	B	t	β	R ² _{Adj.}	B	t	β
Model 1	.06				.06			
(Constant)		4.33	16.63			4.98	16.48	
Goal difficulty		-.21	-2.54	-.29*		-.23	-2.48	-.28*
Model 2	.23							
(Constant)		2.48	4.85					
Goal difficulty		-.12	-1.56	-.16				
OEC of benevolence		.37	4.10	.43***				

Note: * $p < .05$; *** $p < .001$

4.5.5. Discussion and conclusions

In the present study we sought to examine the relationship between goal setting procedures and how people evaluate the ethicality of leadership. Additionally, we examined the mediating effect of different types of organizational ethical climate in this relationship. With regard to all the variables taken into account, contrary to early assumptions, some of the relationships proposed by the study did not receive empirical

support. As regards to the relationship between goal specificity and ethical leadership, it was suggested that the more exclusive the goals are, higher would be the tendency for individuals to evaluate the action of leadership as unethical. The specific goals inform people about what is valued by the organization (Ashforth & Anand, 2003), block the attention face to potential problems considered irrelevant for goal attainment and direct individuals toward courses of action considered more efficient. As stated by Tenbrunsel and Messick (1999), setting specific goal may increase the occurrence of ethical problems since that imposing specific proficiency standards seems to increase the propensity of individuals to inhibit any type of ethical considerations and framing their action on the basis of economic interests of the organization. However, results suggest that goal specificity does not affect the way how employees evaluate the ethicality of leadership.

However, as proposed, setting hard goals influences the way how employees perceive leadership in ethical terms. Specifically, face to difficult goals employees tend to consider that the leader is more unethical. In this case, people consider that leadership is especially concerned with getting results, even if it means adopting ethically dubious strategies with negative consequences for subordinates and/or third parties.

Regarding the role of organizational ethical climate in the relationship between goal characteristics and the evaluation of the ethicality of leadership, the results obtained allow us to observe that organizational ethical climate of benevolence full mediates this relationship. If on the one hand, setting hard goals increases the propensity of individuals to believe that they only can achieve results through unethical strategies (Barsky, 2008) and for that reason they consider that who sets the goals expects and promotes unethical behavior, the perception that the organization cares about the interests and welfare of their employees seems to cancel the negative effect that hard goals have in the perception of ethicality of leadership. Specifically, these results may suggest a mixed effect of ethical climate on organizational ethical behavior. If on the one hand, face to hard goals the perception of an organizational ethical climate of benevolence can lead people to evaluate the leader as being ethical and to guide their behavior on that same evaluation, on the other, the adoption by the managers of a caring narrative, interpreted by employees as corresponding to an organizational ethical climate of benevolence, can distort the perception of ethical leadership and increase employees difficulty in recognizing ethical problems.

4.5.5.1. Theoretical and practical implications

The present study contributes to the development of research on the relationship between goal setting procedures and organizational ethics and has several theoretical and practical implications. First, it reinforces the importance of the role of leadership in the ethical conduct of organizational members. Leaders are the main source of guidance for people in organizations (Brown et al., 2005) and goal communication a key aspect for employees' ethical behavior. According to Latham and Locke (2013), the occurrence of unethical behaviors following the goal setting procedure may result, for example, from the fact that people perceive the goal as a threat. In this perspective, the lack of ethics seems to depend on how the goals are stated. Therefore, setting hard goals will not result in an increase of individual propensity to adopting unethical maneuvers if the leadership communicate and set expectations relating to ethical behavior of their subordinates. However, the results suggest that goal characteristics determine how employees perceive the ethical values of the leader, which, as we know, is directly related to the observation of norms ethical principles (e.g., Bandura, 1969; Schminke et al., 2002). Second, this study suggests the need for clarification about the relationship between ethical leadership and organizational ethical climate. In general terms, leadership action works, from the perspective of employees, as a catalyst for organizational practices and procedures in use in the organization, namely regarding ethical behavior (e.g., Dickson et al., 2001; Kozlowski & Doherty, 1989; Trevino et al., 2000). However, based on the results, the organizational environment perceived by employees seems, in this case, to overlap the evaluation of the leader ethicality suggesting that evaluation of ethical situations is affected by the perception that the behavior is safeguarded by the context in which it occurs. This could have detrimental effects regarding the preservation of ethics in organizations, since the adoption of incentives and benefits policies in the context of human resource management and, the characteristics of the organization (e.g., charitable organizations) can, in practical terms, disguise, through the creation of environments perceived as "friendly", the negative effects the setting of highly demanding goals.

4.5.5.2. Limitations and suggestions for future research

This study has some limitations. The limited number of participants affects the generalizability of the results. Despite the size of the sample allowing the implementation of the statistical tests conducted and assume their validity (Miller & Kuncze, 1973; Pedhazur & Schmelkin, 1991), a larger number of participants could make statistically significant some of the relationships between variables and, therefore, help to clarify the role of goal setting procedure and organizational ethical climate in the formation of perceptions about the ethicality of leadership. Furthermore, the absence of data about the decision making process resulting from goal setting procedures does not allow to evaluate the role of ethical leadership in ethical behavior. Future studies should include an experiential component in order to manipulate the relationship between the perception of ethical leadership and ethical decision making.

The ethical behavior of employees is a very sensitive issue for most organizations. The difficulties of management to provide or enable data collection deeply limits the performance of studies in real contexts. However, the important contribution that research in this area can provide for the development of organizations and individuals who work in them stress the need for more studies conducted in organizational context.

Conclusions

The general hypothesis that guided this study highlights the factors of social context as fundamental to understanding the way people think and decide on ethical issues. This requires, besides the analysis of how people process information regarding ethical issues, a comprehensive approach to organizational dynamics where the processes of social interaction between individuals and groups determine how the ethical issues are addressed.

We started from the fact that psychology has played a key role in how we approach the ethical problems in the organization. The development of empirically supported research, focused on analyzing how people act when faced with ethical problems, to the detriment how they should act, removed ethical behavior of the restricted field of social prescriptions, recognizing the individual and the psychological processes that make possible to apprehend the world as central to ethical action. Accordingly, in the first part, covering the first and second chapters, we proceeded to the analysis of the main contributions generated by psychological research on ethical decision making. This analysis made it clear that the ethical conduct does not stem exclusively from individual orientations, mental states or particular conceptions about the world. We analyzed the theoretical models of moral development and the role they played in the definition of a specific intervention field for psychology. Although valuable for understanding how individuals conduct ethical decision making processes, these models come to prove themselves unable to explain why the perception that something is ethical or unethical is not sufficient *per se* to predict and explain an ethical decision.

A detailed review of theoretical and empirical contributions on the vicissitudes of the social elements of ethics allowed us to sustain the essential idea that decisions result from processes of interaction between individual factors and contextual components with effect in the evaluation of ethical situations. Specifically, this review has highlighted the idea that the way people process information relating to the object of judgment is affected both by relevant personal characteristics for ethical conduct and the socio-psychological environment that results from social interaction processes. First, we found that the fact that people do not always take conscious and systematic way of decisions, reason why they are prone to commit errors of judgment, is relevant in the case of ethical decisions.

This is so because the constraints underlying the information analysis processes seem to be even more pronounced than in other types of decisions, usually conducting individuals to automatic and intuitive considerations. It was clear that this process often results in errors of analysis, motivated both by a biased perception of moral competence as by the set of contextual aspects that put pressure on the decision-maker and hinder the ability to recognize these ethical problems.

Secondly, we have seen that people can find themselves more or less willing to take unethical decisions depending on the centrality that moral values assume for the individual. The tendency to cognitively restructure ethically dubious situations in order to make them more socially acceptable seem to frame some of the personal characteristics that also influence ethical behavior. However, although important, the intensity and frequency with which these issues dominate the decision making process depends largely on the nature of the situations where the ethical decisions occur.

The mobilization of human capital around the ethical issues has tried, through the alignment between systems and behavior monitoring mechanisms, to institutionalize fundamental principles and values of the organization in order to create a normative framework with guidelines on the type of proper ethical conduct. However, the research covered in this review indicates that the creation of ethical infrastructures is not always a guarantee of ethicality in organizations. Specifically, the adoption of formal structures of ethical control, such as ethical codes of conduct, seems to be inefficient when we consider the impact of implicit and unwritten norms and rules about the treatment of ethical issues in the organization and how these affect the individual propensity to act in unethical way. What the organization formally conveys as guidance for their employees not always corresponds to the practice of the organizational members. On the other hand, this review allowed us to support the idea that when making decisions, people look for information in the context about what is considered acceptable, expected and rewarded by the organization. By observing role models and based on tacit rules in use and shared by organizational members, people proceed to individual ethical adjustments and conduct their behavior depending on what they perceive as being the more ethically appropriate action in the organization.

Among the different contextual variables evaluated and discussed, third-party judgments and reliance on results associated with goal attainment present themselves as

central in our attempt to understand how organizational dynamics often lead people to ignore the ethical issues and to act contrary to their own values and moral principles.

In sum, the analysis of the contexts of ethical behavior in organizations that we developed in this chapter allowed us to establish a set of working hypotheses aiming to capture the complexity of interpersonal relationships established in organizations and its impact on individuals' capacity of ethical scrutiny.

Giving substance to the general hypothesis developed in the previous chapters, in the third chapter we search for empirical evidences on the role of social context variables in the formation of judgments and ethical decisions. We focused on the effects of accountability relationships as a universal feature of social life of individuals based on the empirical finding that the need to provide justifications to third party constitutes itself as an enhancer mechanism of cognitive effort that can maximize information processing. In our empirical work we were aware that the analysis of the role of accountability in ethical judgments and decisions requires, in addition to the motivational aspects, that we take into account the complex network of social relations between individuals that shape organizational reality and which, in many cases, promote the occurrence of unethical behavior. The studies that we developed in order to analyze the role of social contingency of accountability in the way people think and decide about ethical issues allowed to conclude that, given the need to provide justifications to known audiences, people tend to perform ethical adjustments in order to adjust their opinion to what they perceive as being expected by the audience. The search for causality between the ethical consequences of decisions and audience characteristics in the case of judgments about the ethical decisions made by others or the attempt to preserve the social identity in individuals accountable for their own ethical decisions are examples of the psychological mechanisms underlying accountability condition which, although adaptive, can contribute to the erosion of ethics in organizations.

In the fourth and final chapter we examined the impact of goal setting procedures in the way people conduct ethical decision making processes. Variable almost omnipresent in organizational contexts, identified as a key aspect in enhancing employee motivation and improving organizational results, goal setting is a key process of self-regulation of behavior of people in organizations. Our empirical effort has focused on the possibility that the exclusive resource mobilization in order to define strategies to achieve

the goals, the association of incentives and the existence of ethically permissive contexts can get people to overshadow moral concerns. The developed studies have concluded that goal setting procedure can be decisive for the way how people identify and analyze ethically problematic situations, and ethical abuses seem more likely to occur when individuals, face to high demanding goals defined in a vaguely and abstractly way, perceive the context as unethical or indulgent over the dishonest behavior and supporter for self-favoring decisions.

Taken together, the results seem to support a social-cognitive model of ethical decision making. The ability to recognize ethical issues in decisions varies according to social factors and individual characteristics that affect the activation of moral schemes involved in the process of self-regulation of behavior. Specifically, the explanation of how people interpret and solve ethical problems depends on the interaction between psychological cognitive structures and processes normally mobilized for the treatment of complex issues and the set of socio-structural aspects which define the contexts where ethical problems occurs. The systematization of social reasons underlying the ethical abuses and the impact these have on the formation of biased perceptions of the world is crucial in understanding the individual ethical behavior.

Overall, this work allows to support the idea that the strengthening of ethics in organizations can be facilitated by an approach linked to communication processes responsible for regulating the interaction between individuals and groups with an impact on ethical behavior. The management should try to clarify responsibilities and expectations regarding the behavior of the organizational members. The creation of contexts providing salience to ethical concerns and their compatibility with economic objectives and management practices seem to be decisive in the prevention of organizational corruption.

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Notes

¹ From the article "Madoff Scheme Kept Rippling Outward, Across Borders" published in The New York Times by Diana B. Henriques on December 19, 2008.

² Driven by the advances in computer science, cognitive revolution (eg, Bruner, Goodnow, & Austin, 1957; Miller, 1956) It arises in the 50s of the XXth century in opposition to the behaviorist anti-mentalism. The emergence of the metaphor of the information processor, i.e., the proposal that the conscious content of the experience determines the individual behavioral response represents a break with the previous conception of behavior as a product of functional relationship between stimuli and responses where mental life found itself banned. However, the focus on cognitive strategies and limitations of information processing initially deviate cognitivism, as referred by Simões (2008), from the motivational aspects of the processing of information related to social objects. With respect to psychology, developments in cognitive paradigm depart from the recognition of limitations in Kohlberg's theory regarding the explanation of the relationship between action and judgment to the conception of ethical behavior as a product of interaction between the individual and the context.

³ 1990's Orthographic Accord for Portuguese Language in effect since 2009.

Appendix B

Portuguese translation of Moral Disengagement Scale items used in the study:
Moral Justification [MJ] and Displacement of Responsibility [DR]

1. Uma pessoa não pode ser culpabilizada por se portar mal se os seus amigos a pressionarem a tal. **[DR]**
2. É aceitável roubar para satisfazer as necessidades da sua família. **[MJ]**
3. Está certo atacar alguém que ameaça a honra da família. **[MJ]**
4. Se as pessoas vivem em más condições não podem ser culpabilizadas pelo seu comportamento agressivo. **[DR]**
5. Não faz mal mentir para evitar problemas aos amigos. **[MJ]**
6. Se um professor não pune quem copia, os estudantes não podem ser culpabilizados por copiarem. **[DR]**
7. Se uma pessoa é pressionada a fazer determinada coisa, não deve ser culpabilizada por isso. **[DR]**

Appendix B

Portuguese version of the payoff table

Prática contabilísticas provavelmente ilegais.	Você decide discutir o assunto com o responsável da empresa. (100 pontos)	Você decide pedir que o(a) transfiram para outro cliente. (250 pontos)	Você decide quebrar o sigilo profissional a que está obrigado(a) e denuncia a situação. (150 pontos)	Você decide tentar encontrar uma maneira de dissimular a contabilidade problemática. (400 pontos)
Descarga de resíduos de produção num curso de água próximo.	Você decide denunciar a situação junto de uma associação ambiental. (150 pontos)	Você decide aconselhar que as descargas aconteçam durante a noite. (400 pontos)	Você decide confrontar o responsável da empresa. (100 pontos)	Você decide deixar passar a situação até à próxima auditoria. (250 pontos)
Incumprimento dos protocolos de validação e teste a novos produtos a introduzir no mercado.	Você decide aconselhar a contratação de uma consultora conhecida por facilitar na elaboração de pareceres técnicos. (150 pontos)	Você decide quebrar o sigilo profissional a que está obrigado(a) e a denunciar a situação junto da comunicação social. (250 pontos)	Você decide não questionar a competência dos técnicos e deixa passar a situação. (400 pontos)	Você decide aconselhar a repetição dos testes a todos os produtos da empresa. (100 pontos)
Utilização de procedimentos dúbios na contratação e despedimento de colaboradores.	Você decide alertar o responsável da empresa para a necessidade de revisão dos procedimentos em uso. (100 pontos)	Você decide deixar passar a situação por um ano. (400 pontos)	Você decide denunciar a situação. (150 pontos)	Você decide que se trata de uma opção estratégica da empresa. (250 pontos)
Incumprimento das regras de segurança e de prevenção de acidentes de trabalho.	Você decide propor a contratação de uma empresa de certificação conhecida por facilitar nas inspeções de segurança. (150 pontos)	Você decide discutir o assunto com o responsável da empresa. (100 pontos)	Você decide quebrar o sigilo profissional a que está obrigado(a) e denuncia a situação. (250 pontos)	Você decide não dar relevância ao assunto. (400 pontos)