

**This is a self-archived version of an original article. This version may differ from the original in pagination and typographic details.**

**Author(s):** Hiekkataipale, Minna; Lämsä, Anna-Maija

**Title:** (A)moral Agents in Organisations? : The Significance of Ethical Organisation Culture for Middle Managers' Exercise of Moral Agency in Ethical Problems

**Year:** 2019

**Version:** Accepted version (Final draft)

**Copyright:** © Springer Science+Business Media Dordrecht 2017

**Rights:** In Copyright

**Rights url:** <http://rightsstatements.org/page/InC/1.0/?language=en>

**Please cite the original version:**

Hiekkataipale, M., & Lämsä, A.-M. (2019). (A)moral Agents in Organisations? : The Significance of Ethical Organisation Culture for Middle Managers' Exercise of Moral Agency in Ethical Problems. *Journal of Business Ethics*, 155(1), 147-161. <https://doi.org/10.1007/s10551-017-3511-9>

**Running head: (A)moral agents in organisations**

**Article type: Original paper**

**(A)moral agents in organisations? The significance of ethical organisational culture for middle managers' exercise of moral agency in ethical problems.**

**Abstract**

This paper investigates qualitatively the significance of different dimensions of ethical organisation culture for the exercise of middle managers' moral agency in ethical problems. The research draws on the social cognitive theory of morality and on the corporate ethical virtues model. This study broadens understanding of the factors which enable or constrain managers' potential for moral agency in organisations, and shows that an insufficient ethical organisational culture may contribute to indifference towards ethical issues, the experiencing of moral conflicts, lack of self-efficacy, and morally disengaged reasoning. In contrast, a healthy ethical culture can contribute to motivation to tackle ethical problems, an increased capacity for self-regulation, and ultimately ethical behaviour.

**Key words: corporate ethical virtues, ethical culture of organisations, ethical problem, middle manager, moral agency, qualitative research, virtue ethics**

## Introduction

The aim of this study is to investigate qualitatively the significance of different dimensions of ethical organisational culture for middle managers' exercise of moral agency in the context of ethical problems in the workplace. Ethical problems in business are situations in which, on the one hand, one does not know what is the right or wrong thing to do and, on the other, one knows the right thing to do but fails to act accordingly (Nash, 1990). As shown in a substantial body of literature (e.g. Nash, 1990; Dukerich et al. 2000; Crane and Matten, 2004; Dean et al. 2010; Huhtala et al. 2011; Riivari and Lämsä, 2014; Hassan et al. 2014), ethical problems, such as a lack of courage, managing conflicts poorly, employees not taking responsibility for their work, relationship problems, and self-interested behaviour, are everyday concerns for managers in organisations.

In this paper, we follow the virtue-based theory of business ethics (Solomon, 1992) which, instead of emphasising an individualistic view of ethical behaviour in organisations, posits that belonging to a community affects people's moral agency (Treviño, 1986; Victor and Cullen, 1988; MacIntyre, 1999; O'Fallon & Butterfield, 2005; Nielsen, 2006; Craft, 2013; Ferrero and Sison, 2014). We argue in this study that the organisational environment, and in particular the ethical organisational culture, is significant in the exercise of the manager's moral agency (see e.g. Bandura, 1991; 2001; Forte, 2004; Nielsen, 2006; Detert et al. 2008; Dean et al. 2010; Kish-Gephart et al. 2010; Yukl, 2010; Kaptein, 2011). In addition to moral agency theory (Bandura, 1991), which explains how moral reasoning together with other psychosocial factors such as an individual's self-concept or environmental circumstances govern ethical behaviour (Bandura, 1991), we approach the topic by drawing on the only multidimensional model of ethical organisation culture, namely the corporate ethical virtues model of Kaptein (1998).

The focus of the paper is on middle managers' moral agency since they are responsible both for pursuing the organisation's strategic objectives and for keeping an eye on the well-being of the staff. This is an interface position that may itself serve as a breeding ground for ethical concerns (Alam, 1999; Treviño et al. 2008; Marshall, 2012). Also, middle managers are in a position to influence and to be influenced in ethical matters by those above and below them in the organisational hierarchy (Treviño et al. 2008; Jackall, 2010). On the other hand, as shown by Treviño et al. (2008), middle managers can perceive ethical aspects of the organisation differently from executives, and this can have important implications for their moral agency.

#### Contributions of the study

Nielsen (2006) proposes that managerial and bureaucratic systems can manipulate and constrain the moral agency of individual managers. Therefore, it is important to identify what kind of organisational environment can enable the exercise of moral agency (Detert et al. 2008; Wilcox, 2012).

This research contributes to prior research on the topic in the following ways. First of all, we show how the theory of moral agency could add to earlier theories of ethical organisational culture and consequently to individuals' ethical behaviour. Moral agency theory is an overarching theory of ethical behaviour which not only takes into account moral reasoning based on the weighing of individual moral standards (Rest, 1984) and environmental influences such as the ethical organisational culture (Treviño, 1986) and situational circumstances (Jones, 1991), but also considers how reasoning is translated into action through anticipatory self-regulatory mechanisms, including anticipated self-sanctions and social sanctions (Bandura, 1991, 2001; Weaver, 2006). Moreover, unlike most relevant theories of ethical behaviour in the organisational context (e.g.

Treviño, 1986; Victor and Cullen, 1988; Collier, 1998; Kaptein, 1998), moral agency theory offers a three-dimensional view of how social influences, such as the organisation's ethical culture, can affect ethical judgment and behaviour (Bandura, 1991). In the first place, social influences affect individuals' self-regulatory competence (Treviño, 1986; Bandura, 1991). That means that individuals can generate perceptions about moral behaviour by observing the behaviour of others, and by internalising the standards that they observe in action. **Secondly, the organisational environment can provide collective support (for example supportive and positive feedback, clear guidelines and principles for expected behavior), for an individual's own moral standards.** Thirdly, the organisational environment can facilitate the selective activation or disengagement of moral self-regulation (Bandura, 1991). We argue here that combining the theory of moral agency and the theory of ethical organisational culture adds a more diverse theoretical viewpoint to the literature on the subject.

The second contribution that this article makes to the literature on ethical organisational culture and individual ethical behaviour is a systematic empirical analysis of middle managers' perceptions of the ethical culture of their organisation and the value of different corporate ethical virtues. In addition, it provides a rich view of the actual conduct of middle managers when handling ethical problems. Thus, this study broadens understanding of the mechanisms which foster and hinder the effective exercise of moral agency in organisations. Prior studies on the ethical culture of an organisation (e.g. Kaptein, 2010; Huhtala et al. 2011; Huhtala et al. 2013a, 2013b; Riivari and Lämsä, 2014; Huhtala et al. 2015) have measured the impact of ethical organisational culture on, for instance, innovativeness, burnout, sickness absence, occupational well-being and managers' work goals. This body of research offers rich evidence to support the validity of the construct of ethical organisational culture and shows the wide range of ways in which it is important. These studies,

however, do not directly address the significance of ethical organisational culture for the individual exercise of moral agency.

Thirdly, in spite of the significant organisational position that middle managers hold (Jackall, 2010; Treviño, 2008), the ethical problems of specifically middle managers are largely missing from recent business ethics research (apart from a few empirical studies such as e.g. Alam, 1999; Dean et al. 2010; Hiekkataipale and Lämsä, 2015). Therefore, this paper is important in that it adds the middle management perspective to earlier research in the field.

## **Theoretical framework**

### Moral agency

The social cognitive theory (Bandura, 1991, Bandura et al, 1996, 2001) suggests that the relationship between moral thought and conduct is mediated through the exercise of self-regulation and, more specifically, the mechanism of moral agency. **Self-regulation, which is a key concept in regards to theory of moral agency, includes self-monitoring of conduct, moral judgment of the rightness or wrongness of conduct evaluated against personal standards and situational circumstances, and affective self-reactions. (Bandura, 1991, 2001). External social sanctions (e.g. isolation at workplace, dismissal, reprimands) and internalised self-sanctions (e.g. self-contempt, guilt, and self-condemnation), play a major role in self-regulation (Bandura, 1991, 2001).**

**Personal moral standards are formed in the course of the individual's socialisation process (Bandura et al, 1996). Thus social reality is essential to the development of effective moral agency. However,**

the social environment can also activate the disengagement of moral self-regulation and contribute to weak moral agency (Bandura et al, 1996).

The de-activation of self-regulation can take place through 1) moral justification, 2) using euphemistic language to hide the actual purpose of one's action, 3) advantageous comparison, 4) the displacement of responsibility, 5) the diffusion of responsibility, 6) minimising or ignoring the consequences of one's conduct, 7) dehumanising the victim and 8) the attribution of blame (Bandura et al, 1996; Weaver, 2006; Treviño et al. 2006; Detert et al, 2008). Let us now look briefly at these mechanisms and their significance to moral agency.

The first disengagement mechanism is moral justification, which refers to making unethical actions personally and socially acceptable by portraying them as serving moral purposes such as success of the organisation or community (Bandura, 1991). Using euphemistic language, for its part means that reprehensible activities are described in more neutral or even positive terms in order to make them justifiable and those who engage in them, are relieved from the sense of personal moral agency and responsibility (Bandura et al. 1996). Moral self-regulation can also be weakened with advantageous comparison, which means that unethical decisions and actions are compared with even more harmful deeds and original behaviour begin to appear as benign (Detert et al, 2008).

In addition, people may free themselves from responsibility by displacing or diffusing responsibility (Bandura et al, 1996). Detert et al. (2008) define displacement of responsibility as follows: "*When individuals view their behaviour as a direct result of authoritative dictates, they may displace responsibility for their actions to the authority figure, negating any personal accountability for the unfavourable act.*" Diffusion of responsibility, in turn, can take place for instance when people work together in teams, and take part in collective decision-making. On the other hand, fragmented

jobs may also diffuse individual responsibility as people perform only sub-functions of larger entities and exercise little personal judgment over the end result (Bandura, 1991). These two displacement mechanisms have been found to be common in organisational settings where people feel compelled to follow authorities' orders and responsibility for harmful outcomes can be diffused to organisational teams or units (Detert et al. 2008).

People may also avoid self-sanctions by minimizing or disregarding the consequences of unethical behaviour (Bandura et al, 1996). As long as the outcomes of conduct are ignored, minimized or disbelieved, there is no reason for self-contempt or guilt. Moreover, if the consequences of actions are physically remote, people are more prone to ignore them (Bandura, 1991).

Finally, sense of personal moral agency can also be reduced by blaming other people for bringing suffering on themselves, or devaluing them as human beings (Bandura, 1991). In organisational life formation of closed groups may lead to this type of disengagement behaviour (Detert et al, 2008).

Effective moral agency requires not only self-regulation capabilities but also ability to apply them under contradicting influences of working life (Bandura, 1991, 2001; MacIntyre, 1999). Self-efficacy is also foundational to the exercise of moral agency (Bandura, 1991). The concept of self-efficacy means that the more people believe that they can exert control over their motivation, thought patterns and actions, the better they can resist social pressures to behave against their own moral standards (MacIntyre, 1999). Bandura (1991) suggests that strong sense of self-efficacy (or alternatively self-belief), reduces vulnerability to stress and depression under adversity. Moreover, from the point of view of moral agency self-efficacy beliefs are pivotal since they determine whether people deal with ethical challenges pessimistically or optimistically, which challenges they



take, and also how much effort they choose to put in overcoming difficulties and contradictions (Bandura, 2001).

### Ethical culture of organisations

The focus of this paper, ethical organisational culture, which is a subset of organisational culture, has been found to exert a powerful influence on the ethical behaviour of members of the organisation (Ford and Richardson, 1994; Treviño 1998; Koh and Boo, 2001; O'Fallon and Butterfield 2005; Kaptein 2011; Martin et al. 2014; Huhtala et al. 2015). Ethical organisational culture refers to that aspect of the overall organisational culture that consists of formal and informal systems of behavioural control which either promote or hinder ethical behaviour (Treviño et al. 1998).

Operationalisation of the concept of ethical culture has progressed from Treviño's one-dimensional construct to a more explicit definition of the different sub-dimensions of ethical culture (e.g. Kaptein, 1998, 2008). In this study we draw upon the only multidimensional model of ethical organisational culture, developed by Kaptein (1998, 2008). This corporate ethical virtues model (CEV) builds on Solomon's (2004) virtue-based theory of business ethics which suggests that virtues are desirable operational dispositions of both people and groups as moral agents. According to Kaptein (2015), organisations' ethical virtues are embedded in the organisation's strategies, structures and culture. The key idea of the CEV model is that the ethical culture of an organisation can be assessed, since organisations are moral entities (Kaptein, 2008; 2015). The model assumes, further, that the stronger the presence of each of the eight virtues, the more ethically the members of the organisation will behave (Kaptein, 2015).

Kaptein (1998, p. 70) constructed his eight-dimensional model by conducting an extensive number of qualitative interviews and observations in companies. The model was later tested in several quantitative studies (e.g. Kaptein, 2008, 2010, 2011; Huhtala et al. 2011, 2013a, 2013b; Riivari and Lämsä, 2014; Kangas et al. 2015).

### *Corporate ethical virtues*

The first dimension in the CEV model is the virtue of clarity, which refers to how well the ethical expectations of the organisation, such as its values, norms and principles, have been translated into explicit, understandable and concrete guidelines for ethical conduct (Kaptein, 2011). If clarity prevails in the organisation, expectations about what responsible choices should be made when dealing with ethical problems will be clear to both managers and employees (Kaptein, 1999). In his study, Kaptein (2011) found evidence that high clarity encourages employees to intervene and correct observed wrongdoings in the workplace. There is also a substantial body of other empirical evidence suggesting that clear normative policies and procedures reduce unethical behaviour in organisations (see e.g. Riivari and Lämsä, 2014; Huhtala et al. 2013a).

The second and third dimensions in the CEV framework refer to the virtue of organisational congruency, which means supervisors' and senior management's consistent and unambiguous example of ethical behaviour and role modelling (Kaptein, 1999; Huhtala et al. 2011). Jackall (2010) as well as Solomon (1992) make clear that the example set by leaders is of critical importance in contributing to the ethical behaviour of other organisational members. In other words, managers act as role models and salient authority figures whose example of (un)ethical behaviour is often noticed and most likely followed by the other organisational members (Solomon 1999, p. 54; Treviño et al. 2006).

The fourth organisational virtue, feasibility, refers to an organisation's ability to enable ethical behaviour by offering adequate time, financial resources, skills, training, facilities, information, technology etc. for attaining the organisational objectives (Kaptein, 2008, 2011). Thus, formulating achievable objectives promotes ethically sound choices (Kaptein, 1999). **In contrast, lack of feasibility may be a threat to ethical behaviour as managers feel that they are not able to achieve the set targets with ethical conduct and they are required to make decisions or take actions against their personal moral standards (Kaptein, 1999). This has been proposed also by, for example, Jackall (2010, p. 213), who points out that middle managers often carry the heaviest burden in matters of organisational reforms, for instance; unless adequate support (time, skills, information etc.) is provided by their upper management, this may lead to middle managers becoming overtly cynical.**

The fifth dimension in the CEV framework is organisational supportability. Kaptein (2008) suggests that an open, supportive and healthy organisation motivates staff to comply with normative ethical guidelines. According to Kaptein (2008, p. 925): *"The virtue of supportability refers to the extent to which the organisation stimulates identification with the ethics of the organisation among employees"*. In a supportive environment, employees commit to the ethical objectives of the organisation and organisational values (Kaptein, 1999). High supportability has also been found to promote a healthy working environment, which in turn increases commitment to organisational goals (Huhtala et al. 2013b).

In transparent organisations, employees, peers, colleagues and superiors are able to recognise and observe the consequences of (un)ethical behaviour. The sixth virtue, transparency, covers elements such as information sharing and open processes. Kaptein (2008) defines the organisational virtue of transparency as the degree to which actions and consequences are visible to everyone in the

organisation. In their empirical study, Huhtala et al. (2013a) showed that ethical leaders increase the level of transparency in an organisation by intervening in unethical activity, handling violations actively, and increasing awareness of the consequences of unethical actions.

The seventh corporal ethical virtue is discussability. This virtue refers to how extensively employees are able to discuss ethical issues and unethical behaviour with the management and their superiors. An open environment in which discussion is encouraged strengthens ethical conduct and increases the importance of ethical questions in general. The opposite kind of culture reduces and even silences ethical talk and increases the possibilities of unethical conduct (e.g. Huhtala et al. 2013a).

The last organisational virtue in the CEV model, that is sanctionability refers to the enforcement of ethical behaviour through punishment for behaving unethically and rewards for behaving ethically (Kaptein, 2008; Huhtala et al. 2011, 2013a). For instance, Selart and Johansen (2012) found that organisational feedback and adequate information about ethically sound behaviour are vital to managers' ability to make ethical decisions.

#### Corporate ethical virtues and moral agency

There are several parallels between the foundations of the corporate ethical virtues model and the theory of moral agency. For example, both virtue theory and moral agency theory address the highly social and contextual nature of morality (Solomon, 1992, 2001, 2004; MacIntyre, 1999; Weaver, 2006; Ciulla and Forsyth, 2011; Ferrero and Sison, 2014).

Second, both theories suggest that if organisations actively develop and sustain virtuous practices, individual moral agency is enhanced and strengthened in such a way that it contributes to a more ethical organisational environment, thus forming a virtuous circle (Kaptein, 1998; MacIntyre, 1999; Huhtala et al. 2013a; Weaver, 2006).

Third, the underlying virtue theory behind the CEV contains a development aspect which focuses on what the agent does and who or what the agent becomes (Ferrero and Sison, 2014). This viewpoint is shared in moral agency theory, which in itself involves triadic reciprocal causation (Bandura, 1991). That means that people continuously monitor their behaviour, make choices and guide their actions according to their personal standards and changing environmental influences; people's self-regulatory capacities develop and may change over time (Bandura, 1991).

## **Method**

So far, Kaptein's (1998) corporate ethical virtues (CEV) framework, which was originally constructed on the basis of extensive qualitative data, has, to our knowledge, been applied only in quantitative studies, in which the ethical organisational culture has been measured with the 58-item CEV scale (see e.g. Huhtala et al. 2015). However, Campbell and Cowton (2015) criticise strong causal accounts of ethical behaviour and suggest that the important questions in business ethics are essentially qualitative; quantitative variables may not be capable of describing them adequately.

Therefore, the qualitative approach that we have chosen, may enable a wider understanding of the role of organisational culture in an individual's behaviour in ethical issues than is possible with the more common quantitative studies. Moreover, Brand (2009) states that there is a need for increased emphasis on seeking contextual understanding of the business ethics perceptions of research participants, particularly with qualitative methods. Also, a rich body of other research calls for

diverse methodologies in the field (e.g. O'Fallon and Butterfield, 2005; Aspers, 2009; Craft, 2013; Campbell and Cowton, 2015; McLeod et al. 2016).

This study draws on empirical phenomenology, which acknowledges the central role of theory in research but at the same time stresses the importance of the actor's experiences and perspectives in understanding phenomena in the social world (Aspers, 2009). This empirical study has been conducted in the field of higher education, which in recent years has been under increasing pressure, for example in terms of finance and more intense competition (Middlehurst, 2010; Hotho, 2013). According to some research (Folch and Ion, 2009; Preston and Price, 2012; Ben-David-Hadar, 2013), these recent economic, demographic and managerial changes have affected the organisational cultures of educational institutions, resulting in new organisational practices, corporate values and norms as well as changed identities for people working in the sector, all of which might also have given rise to ethical problems.

In this research, individual semi-structured interviews were conducted in four higher education institutions in Finland. All of the institutions are multi-disciplinary with 4000-8000 students. The sample was purposive and discretionary. It consisted of altogether 20 middle managers, 4 men and 16 women, with ages ranging from 35 to 58, the average age being 50 years. All the respondents had masters or doctoral degrees. The work experience in a management position of these managers varied from one year to twenty years.

The data was collected using the critical incident technique (CIT), which allows respondents' rich self-recollections of incidents (Gremler, 2004). CIT is a systematic, retrospective and flexible qualitative research method (Gremler, 2004; Butterfield et al. 2005) in which the critical incidents are usually in the form of short stories told by the subjects about their experiences, in this case

middle managers on the subject of ethical problems that had arisen in the course of their managerial careers.

The selection of respondents was based on snowball-sampling. In this method one respondent leads the researcher to another (Silverman, 2005, 2014). Individual interviews were conducted face to face and they were recorded and transcribed carefully word for word in order to ensure the reliability of the research, as suggested by Peräkylä (1997). All the respondents described between one and five incidents that were associated with ethical problems, and consequently altogether 52 problems were found in the data. In this research, the Atlas.ti-programme was used for coding and categorising the data. In order to guarantee the anonymity of the respondents, each manager was given a number from 1 to 20, which is used in this study to refer to each particular manager.

A brief example of the analysis is presented in the following table (Table 1).

**Table 1** Example of the analysis

Manager	Content of the ethical problem (in a nutshell)	Expressions of moral agency in the situation	Condensed expressions of the significance of corporate ethical virtues to moral agency	Corporate ethical virtue (sufficient/insufficient) in the situation
No. 2	One particularly demanding employee pursues her own self-interest and has been given exceptional privileges compared to others. Upper management does not help in solving the case.	“If one has a very determined employee, there are no good solutions whatsoever. I don’t know what to do, I just let her do as she wants. I understand that this is not fair on the others, and I feel bad.”	Lack of instructions, lack of support to intervene in the situation, ethical inaction  Moral conflict; self-sanctions and ethical strain.  Inability to treat employees equally is acknowledged, yet accepted since upper management provides no support (diffusion of responsibility, ignoring the consequences)	Clarity (insufficient) Congruency of supervisor (insufficient)

To start the process and to get properly acquainted with the data, all the critical incidents were read carefully several times. Then, following Hsieh and Shannon’s (2005) approach to conventional content analysis, an inductive approach was chosen: the problems were grouped into six categories according to their content, as shown in the second column of Table 1. The research process then went on to a theory driven analysis, drawing on the chosen theoretical models (CEV and moral agency) as guidance (Hsieh and Shannon, 2005; Aspers, 2009). Every ethical problem was first thoroughly investigated to detect any expressions that might refer to elements of moral agency in the situation (personal moral standards, environmental influences, self-sanctions, social sanctions, ethical (in)action, forms of moral disengagement). Then the analysis proceeded to pick out expressions regarding the significance of corporate ethical virtues for moral agency. This significance was revealed in the descriptions of how ethical problems emerged, how they were recognised, how the problems were eventually handled (by the middle managers) and what were the final outcomes of the process in the organisation. In the last phase of the analysis, the virtues relevant to each specific problem were identified.



## Results

The different types of ethical problems identified from the data of 52 critical incidents were: self-interested behaviour (N=15), avoiding/neglecting one's responsibilities (N=12), hidden agendas (N=10), gaps between targets and resources (N=7), conflicts in relationships between subordinates (N=7), and finally, the questionable behaviour of a trade union representative (N=1). Self-interested behaviour included, for instance, trying to maximise personal benefits, manipulating students or peers against the organisation, and bending the organisation's rules for one's own good. Sweeping problems under the carpet, neglecting one's tasks and leaving relationship conflicts unsolved are examples of what is meant by avoiding one's responsibilities. Hidden agendas included, for instance, lying and deliberately hiding information from employees and upper management. **In the fourth category, insufficient financial resources or lack of information led to an experience of having a gap between targets and resources; Ethical problem occurred for example as managers had to push people beyond their limits to reach set targets, or managers themselves had to speculate what is expected from them without proper information from upper management.** An example of the sort of relationship conflicts between subordinates that were mentioned was staff members undermining each other's position. In the last category, the questionable behaviour of a trade union representative, someone leaked confidential information during a dismissal process. We will now turn to a more detailed examination of the results for each virtue.

### Clarity

When the organisational virtue of clarity was experienced as sufficient, it was interpreted as having an impact on the exercise of moral agency in two ways. On the one hand, clarity was described as guiding and motivating managers towards ethical conduct. For example, managers reported that

with clear and explicit organisational rules they felt obliged to take action; in one case, when an employee avoided his duties due to a drinking problem and in another case, when an employee falsified documents for his own benefit. Managers underscored the importance of good institutional guidelines, procedures and principles as something they could lean on in complex situations.

On the other hand, high clarity seemed to support middle managers' capacity for self-regulation. Explicit organisational instructions, such as how to act in cases of substance abuse, were considered by the managers to be compatible with their own personal moral standards. **This was experienced as further enhancing feelings of self-efficacy, as shown in the following example, of self-interested behaviour on the part of an employee.**

“My predecessor and HR manager have done a lot with this person, we have certain rules now. They paved the way for me. It has become a little bit easier for me to know what to do and stick to the rules. I want to continue that good work.” Interviewee No.

3

**Thus, our data suggests that if organisational guidelines and the institutional logic and norms are compatible with managers' personal moral standards, moral agency is strengthened (see also Bandura, 1991, 2001; Wilcox, 2012).**

Managers also reported getting supportive feedback from their employees when they managed to solve complex problems in the working community. The successful handling of problems according to the organisation's guidelines was thus considered to be rewarding and it also contributed to the managers' sense of pride and self-satisfaction. This can also be seen as collective support for adhering to moral standards contributing to managers' capacity for self-regulation.

However, some of the relationship conflicts between employees and some of the problems with self-interested behaviour were described as being fuzzy, highly interdependent, or long-term, with no clear patterns for their solution, which indicated a lack of clarity in the organisation. For example, lack of clarity was described as being evident in situations in which employees or upper management deliberately and quietly bent the organisational rules for the sake of their own self-interest, and sometimes also treated students, supervisors or colleagues badly, even viciously. Middle managers appeared to lack belief in their efficacy to control such behaviour, which points to difficulties in the exercise of moral agency.

Respondents also described features of moral disengagement in their own behaviour, such as making moral justifications, or ignoring or dismissing the consequences, if they did not intervene in problems. Middle managers talked about a sharp contradiction between their own moral standards and prevailing conditions in the organisation, that is, a moral conflict, but said that since they had no tools, instructions, support or even courage to solve the problems, they had made little effort to change things. In the next quote, for instance, manager No 16 describes what coping strategies s/he used when faced with the self-interested behaviour of an upper manager.

“The situation with x has not become any easier over the years. I’ve come to the conclusion that I have other things to do in my work, I have this other job here, another network I work with, I don’t know if this is a way out for me, which empowers me, and so here (in the respondent’s main job) I just somehow move on.”

Interviewee No 16.

Congruency of supervisors and managers

Congruent behaviour on the part of upper management was experienced as being significant for the middle managers' exercise of moral agency in three ways. Firstly, congruent (upper) managers enabled discussion and collaborative reflection about ethical problems, which in turn encouraged middle managers to express their own moral convictions and increased their sense of self-efficacy (e.g. Weaver, 2006). Secondly, the congruent behaviour of upper management was seen to set a standard for middle managers on how to solve ethical issues in the organisation in the future, and so it supported learning and developed their capacity for self-regulation. Also, middle managers wanted to reciprocate leaders' supportive treatment (Trevino et al. 2006; Bonner et al. 2016), and get their social approval (Bandura, 1991). Thirdly, congruent executives took authority (and responsibility) in the most complex situations, which greatly supported middle managers' decision-making and self-belief, as we shall now see.

“I contacted my superior and asked what we could do about this problem and x actually gave this person a warning, x had the authority to do that. The matter was looked at more widely by x. I didn't have to take sole responsibility for the case anymore. I definitely got support, I was not alone, not at all.” Interviewee No. 19

In contrast, incongruent behaviour on the part of upper management was experienced by middle managers as undermining the exercise of moral agency. A typical situation displaying lack of congruency happened when upper managers were experienced as showing self-interest and treating middle managers or other staff members unfairly. If they communicated in what was perceived to be an abrupt or even rude way, or behaved unexpectedly or made arbitrary demands, this was also described as undermining middle managers' overall motivation to set an example of open, honest and constructive communication, and added to middle managers' sense of isolation, secrecy and

disloyalty to upper management. Also, if problems were swept under the carpet by the upper management, if information was not shared or there were hidden agendas, respondents reported feelings of ethical strain – the experience of ethical problems and stress caused by them - as well as growing cynicism. It appeared that managers recognised this type of behaviour as violating their own moral standards, **but they mostly accommodated themselves to such situations by using morally disengaged reasoning (e.g. diffusion of responsibility). This freed them from moral conflicts, as described by manager No 1 in a case in which an upper manager had falsely blamed the speaker for serious malpractices:**

“At that point, I decided to mind my own business. I closed the communication channel between us. My way of working has changed here, I don’t ask x about things any more.” Interviewee No.1

Middle managers further justified a lack of congruency by explaining that because the organisational culture accepts that kind of behaviour, they have no possibility of influencing the way their superiors behave; all they can do is find a way to bear the situation. This indicates a lack of self-efficacy, which is necessary for effective moral agency. Managers also appeared to ignore the consequences of incongruent behaviour on the part of upper management, even when they were the ones who principally suffered from unethical behaviour.

Only in two specific cases did middle managers come out strongly against their superiors’ direct orders and behave according to their own moral standards. In those cases, the respondents described how they had no choice but to resist decisions that they considered were unfair, indicating strong self-efficacy and a resistance to social pressure. **However, failing to be loyal to the management led**

to feelings of moral conflict and ethical strain as indicated in the next quote concerning a case of unfair treatment of a mentally ill employee.

It took a while from me to take right actions, since I was given clear orders (to get rid of that unwell person). It was a moment when I was very **bothered?** by it. But, I still wouldn't change a thing! Afterwards, I have thought about this, was there something I could have done differently. I would have hoped for some discussion or interest in my well-being and in this person's well-being from behalf of my superior, sincere support and willingness to help, to make this person well again. Manager No. 5

Menihän siinä pieni hetki (ennen kuin ryhdyin selvittämään asian oikeaa luonnetta), kun mulle oli selvät ohjeet annettu hankkiutua siitä eroon, että toimi näin. Se on sellainen **iso harmituksen** paikka. En mä silti mitään muuttaisi! Oon miettinyt jälkikäteen, olisko ollut jotakin, että olis pitänyt tehdä erilailla. Mutta kyllä mä olisin sellasta kyselyä esimiehen taholta toivonut, että miten menee ja miten mä oon, semmoista keskustelua, oikeeta vilpitöntä tukea ja halua auttaa, että me oltaisiin saatu se ihminen kuntoon.

## Feasibility

Respondents complained that they often suffered from a lack of adequate resources in relation to organisational targets. This reflects low organisational feasibility (see e.g. Huhtala et al, 2011). However, it appears that the middle managers' exercise of moral agency was not entirely constrained by the lack of resources; rather, it was first challenged but then finally strengthened, as the following will show.

Respondents reported that they were forced to cut back on what they considered essential expenses due to the lack of financial resources. These decisions made the middle managers worry about the fair division of the workload among the staff and staff well-being, students' learning, as well as how the goals of the organisation as a whole could be achieved. From the point of view of moral agency, these difficult decisions appeared to create a moral conflict between the managers' personal moral standards and pressure from the organisation, as expressed by interviewee No. 9.

“It gets crazier and crazier, it is a big ethical issue, especially that one now has to think about such big classes, and combining groups,” Interviewee No. 9

On the other hand, as interviewee No. 7 pointed out, low feasibility had forced all levels of management to develop new yet ethical approaches to reaching the organisation's targets during financially challenging times.

“Finally, if we think about the big picture and the general good, overall it will be beneficial, as I see it, the organisation will benefit from these changes eventually, we'll be able to continue to work, a bit more wisely, I think. We've been rebuilding the organisation on a healthier basis” Interviewee No. 7

In spite of the evident lack of resources (time, money, information) and the moral conflicts and the ethical strain caused by them, managers described strong belief in themselves and their ability to exercise moral agency in the situations that arose, even when they perceived a lack of both support and information from the upper management. Managers had the feeling that they had to find, and that they succeeded in finding, good, innovative and ethical solutions to the problems, sometimes

with the support of their employees. Moreover, there were no signs of moral disengagement in the context of low feasibility.

This research indicates that having to balance between inadequate resources and organisational objectives is a challenge to managers' moral agency. However, in line with Kaptein (2015), we found that if goals are challenging but attainable, good ethical performance of middle managers will yield as managers feel that they have to take responsibility in finding ethical solutions. Alternatively, as Jackall (2010) puts it, when middle managers are left to sort out very complicated problems related to inadequate resources by themselves, they become adept at navigating these issues to the best of their ability.

### Supportability

The virtue of supportability was described as deficient throughout our data. The perceived lack of appreciation and commitment on the part of employees towards the work community appeared to have two consequences for the exercise of moral agency. Firstly, after several failed attempts to solve underlying problems such as relationship conflicts between employees, managers described low self-belief in their capacity to exercise control over events or solve problems. Secondly, in spite of experiencing moral conflict and ethical strain, in the end managers appeared to settle for and adapt to the prevailing conditions, which indicated moral disengagement.

For instance, in most cases of relationship conflicts between employees, the intervention of the manager had been actively disregarded by staff members for a long time, and the manager felt helpless. This resulted in frustration, low self-efficacy and, ultimately, in rather passive moral agency, as shown in the following excerpt from the interview.



“I was bothered by the fact that the issue was unresolved. There had been situations like this before and nobody had intervened in any way. Actually, I wonder if this kind of intervention, being a middleman, can break a chain of events like this? I begin to think not, if the people themselves don’t want it.” Interviewee No 14.

Middle managers’ exercise of moral agency appeared passive also in incidents in which teachers had spread negative information to students in order to smear colleagues, managers, or the whole organisation. The interviewees again voiced a sense of responsibility and the obligation to take action, but they mostly ended up abandoning their attempts to intervene. As a result, managers expressed serious concerns about the decreased well-being of the whole working community (themselves included) and even the reputation of the school. The managers observed that the whole organisational culture needed to be changed in this respect (by upper management), and they insisted that highly educated staff members should know that this was not ethical behaviour. These arguments indicate both a diffusion of responsibility and moral justification. **Next excerpt by the interviewee No. 8 elaborates low supportability in a case of pedagogical reform and its’ outcomes.**

There was no consensus among teachers about is this the right direction pedagogically, so the reform was kind of forced then. A very strong atmosphere of distrust and juxtaposition prevailed. It was at that point, we tried to... those issues had simmered for such a long time, it was difficult to solve them. That caused lots of problems. The whole reform turned into a swear word. The issue was also conveyed to the students, I don’t even know what was discussed, juxtaposition took place, the students were worried if they learn anything! I spoke to the teachers and I had to speak to them several times. Then it turned out that few teachers... it was apparent (that they

had manipulated the students), I said that we need to discuss about this, we had serious discussions, and I think the discussion possibly made a difference somehow, however it was funny, I don't know if they spoke the truth but they didn't realise, or didn't want to understand, or didn't understand that there was an ethical problem in what they did when they spoke to the students, how much damage they did.

Siitä ei syntynyt opettajien keskuudessa yhteistä näkemystä, että onko tää ninku se suunta, johon opetusta viedään, sitä vietiin vähän ninku pakolla läpi et hyvin semmoinen hyvin voimakas epäluottamuksen ja vastakkainasettelun ilmapiiri syntyi. Tuli kuppikuntia. Sitten näitä yritettiin siinä kohtaa, mutta ne oli monta vuotta kyteneet ne asiat, että niiden selvittäminen ei ole helppo tehtävä, se tuotti paljon ongelmaa. Koko uudistuksesta tuli kirosana. Se välitettiin myös opiskelijoille, että en edes tiedä mitä kaikkea keskusteluja käytiin sitten siitä, että tästä tuli semmoista vastakkainasettelua sitten tuli opiskelijoiltakin sitä että oppiiks he nyt mitään ... Mä puhuttelin opettajat ja mä jouduin puhuttelemaan monta kertaa, että ne oli melkeen sitten muutama opettaja, joista se tuli esille vahvasti (että ovat manipuloineet opiskelijoita) ja sitten mä sanoin, että meidän pitää tästä keskustella ja käytiin oikeesti vakavat keskustelut ja kyllä mä varmaan sitten ainakin jollakin tavalla pystyin tällä keskustelulla vaikuttamaan, sekin oli kyllä jännä, en tiedä puhuivatko totta nää opettajat, että he eivät ninku havainneet omassa toiminnassaan eettistä ongelmaa, eivät halunneet ymmärtää tai eivät oikeesti ymmärtäneet miten paljon pahaa ne sai aikaan kun ne puhui sillä tavalla opiskelijoille.

In our data, ethical problems are often considered to be too complicated, too sensitive and too personal to be handled openly. This indicates a low level of transparency. Low transparency was experienced as being connected to indifference to ethical problems and consequently to ignoring their consequences, to moral conflicts, low self-efficacy and capacity for self-regulation, and the diffusion of responsibility.

In the first place, when managers monitored how unethical decisions remained hidden and were silently accepted by the upper level of management, the low transparency appeared to increase middle managers' own general indifference towards ethical issues and led to their ignoring the consequences of ethical problems. This was described, for instance, in a case in which someone in a middle management position acted openly against the basic ethical principles of the organisation but was not punished. On the contrary, the person was quietly promoted, and their serious malpractices were hidden. This was interpreted as increasing indifference to and cynicism about ethical behaviour among other middle managers.

In spite of their own moral standards and knowledge about ethical problems, managers described the obstacles and challenges to making their organisation more transparent, thus revealing an insufficient sense of self-efficacy. For example, interviewees experienced difficulty giving critical feedback to their staff about unethical practices, such as neglecting their duties or behaving in a self-interested way. Open discussion about ethical problems also appeared to be somewhat uncomfortable. Mostly the middle managers felt that upper management is responsible for initiating more general discussion about ethical conduct and thus for creating transparency. This can be regarded as a manifestation of the diffusion of responsibility. One manager illustrated this viewpoint as follows:

“In these situations (ethically questionable decision-making situations), I try to say that we should stop and reconsider, I try to present an alternative, but I’m not a member of the executive group.” Interviewee No. 17

Our findings concerning the virtue of transparency lend support to Moberg (2006), Weaver (2006) and Wilcox (2012), who argue that in order to exercise moral agency, middle managers need to be able to observe and understand the consequences of unethical behaviour. However, this study shows that, a lack of transparency creates cynicism and indifference to ethical questions which, in turn, has been found to be connected to moral disengagement (Detert et al. 2008).

### Discussability

Sufficient discussability was experienced as motivating managers to take determined action when faced with ethical problems, usually with the help of their superiors. Discussability was also described as increasing the self-efficacy of middle managers, thus improving their exercise of moral agency when dealing with ethical problems. For example, in one case of an employee’s long-standing, destructive, self-interested behaviour, the middle manager felt that handling the problem together with staff and upper management resulted in a more transparent and trusting atmosphere in the organisation as well as in stronger self-belief on the part of the manager that s/he could cope with similar situations in the future. Managers also reported experiences of learning when they were able to discuss ethical issues with their superiors and/or with their subordinates.

Even though the need for open discussion about ethical problems was widely recognised and was underscored in most of the interviews, managers expressed the view that silence is widely

embedded in organisational practices. The virtue of discussability was mainly described as low. Low discussability had several implications for the potential exercise of moral agency. For example, managers reported that talking about ethical problems even at their own middle management level, not to mention upper management level, was neither common nor expected from them. Open talk about ethical issues appeared not to be a part of a professional middle manager's role. Our data showed that the tacit social expectation that one would keep silent regarding ethical matters could override middle managers' ethical concerns and personal moral standards, and this contributed to moral conflicts, but resulted in inaction in ethical problems, as is illustrated in the next excerpt.

“It is interesting, we talk a lot about interaction, we want to underscore it and it is important. It would be good if it was open, good and constructive, but somehow we are blind, even then it doesn't make part of our everyday routine and behaviour.”

Interviewee No. 17.

Managers justified inaction and muteness for example, by asserting that ethical problems concern people's private matters and should not be handled openly. Moreover, the fear of getting oneself onto some kind of blacklist was sometimes felt to prevent middle managers from openly communicating their ethical concerns. It appears, then, that in order to avoid social sanctions, middle managers usually refrain from raising ethical issues for wider discussion. They adapt to the situation by justifying it morally, and also by ignoring possible consequences. However, blame for any lack of discussability was laid firmly at the door of upper management, or even with headstrong subordinates, which indicated the diffusion of responsibility.

This study shows that a lack of discussability can restrict middle managers' moral agency, when ethical issues are not considered appropriate topics for middle managers to discuss. This has also been found in other research (e.g. Bird and Waters, 1989; Moberg, 2006; Weaver, 2006; Treviño et al. 2006).

### Sanctionability

Sufficient sanctionability affected the exercise of moral agency in several ways. First of all, managers expressed feelings of self-satisfaction and pride when they were able to take action against unethical behaviour under the moral standards applied by the organisation as a whole. Feelings of self-efficacy, empowerment and learning were also described in the next excerpt.

“My superior was of the opinion that this discussion (about employees' relationship conflicts and spreading false rumours) needed to take place. And we did it together. At that point I got support and it was good. It created the feeling, the atmosphere, that we intervene in problems here. We don't turn a blind eye.” Interviewee No. 8

Secondly, when middle managers reported that measures had been taken in the organisation to punish unethical action, they also reported positive organisational outcomes such as increased trust, dialogue and a better atmosphere. This in turn seemed to create a virtuous circle which again reinforced middle managers' capacity for self-regulation. In other words, they were more motivated and confident about acting in further problems because there was a sense of social obligation and wide support for it among the staff. The role of upper management was again highlighted here as having an important influence on the moral behaviour of middle managers.

However, our data show how commonly managers experienced a lack of clear sanctions. This was interpreted as having wide-ranging implications for the exercise of moral agency. Personal moral conflicts developed especially when the wrongdoings of top management were disregarded and accepted in the organisation. For example, middle managers reported that they had felt growing cynicism and a sense of hopelessness, given up certain personal or organisational objectives, or even planned a change of career, to escape from morally intolerable situations. It was perceived that in order to cope with a lack of sanctionability and consequent moral conflicts, middle managers came up with some kind of moral justification or the diffusion of responsibility. For instance, they justified their turning a blind eye to problems by explaining that they had no power over their superiors and thus no responsibility in the matter. If they tried to intervene in unethical behaviour on the part of upper managers, in most cases their initiatives were ignored. This was experienced by middle managers as leading to a vicious circle of lower self-efficacy, and growing indifference to ethical issues.

Finally, middle managers' exercise of moral agency was felt to be undermined when certain staff members were considered to be very good at debating, challenging and overruling decisions and sanctions on ethical problems. Such people were also thought to have powerful allies at the top of the organisation. Under those circumstances, managers felt that the only way out was to leave the problem unsolved and regard it as unavoidable, and out of their reach. Apparently, due to a lack of self-efficacy, managers evaluated the consequences of doing nothing as more morally tolerable than the consequences of active interference. That means that middle managers' ability to be steadfast and stick to decisions was ultimately compromised by using advantageous comparison, moral justification, diffusion of responsibility and ignorance of the consequences.

To sum up, as Wilcox (2012) claims, the collective and mutual reinforcing of norms and duties, that is, sufficient sanctionability in the terms of this study, provides middle managers with potential for moral agency (see also Huhtala et al. 2013a). **We argue that support, encouragement and open feedback on middle managers' virtuous actions from both upper managers and employees reinforce managers' self-efficacy, capacity for self-regulation, and thus moral agency, a result supported also by Moberg (2006).**

### **Summary and discussion**

The results of this study show that a low level of corporate ethical virtues may affect middle managers' capacity to exercise moral agency, for instance by increasing moral disengagement (see e.g. Nielsen, 2006; Moberg, 2006; Weaver, 2006; Detert et al. 2008; Wilcox, 2012; Martin et al. 2014). On the other hand, sufficient virtues were connected to the experience of successfully handling ethical problems, learning, a sense of self-satisfaction and self-efficacy. This indicates that a virtuous ethical culture can create the potential for effective moral agency when responding to ethical problems (e.g. Weaver, 2006; Wilcox, 2012).

Moreover, drawing on Solomon (1992) and Weaver (2006), we conclude that middle managers adopt socially defined roles in organisational settings and this can sometimes obscure their moral agency. We found evidence that actors who positionally represent the organisation (top-level managers) are often assumed to be responsible for exercising moral agency while middle managers are given no role here (Weaver, 2006).

The results of this study on the significance of the virtues of discussability, transparency and sanctionability lead us to posit that both middle and upper managers prefer to avoid public talk



about ethics, or visible rewards and sanctions, possibly to sustain their and others' organisational "face", and organisational harmony (Martin et al. 2014). We now propose, consistently with Moberg (2006), Kaptein (2011, 2015) and Bonner et al. (2016), that if employees are left without any encouragement (from their superiors) to behave ethically, this will lead to cynicism and less commitment to the organisation's objectives and a reduction in moral behaviour, thus contributing to low supportability. Low supportability, for its part, can discourage middle managers from exercising moral agency, as a vicious circle of compartmentalised middle management roles (shared expectations of not getting involved in problems) and moral muteness (Bird and Waters, 1989; Detert et al. 2008) undermine ethical behaviour (see also Macintyre, 2006; Rozuel, 2011). Organisational virtues are thus interdependent (Kaptein, 1998, 2008).

To sum up, drawing on Bandura (2001) and Weaver (2006), we propose that sufficient organisational virtues make the exercise of moral agency more central, salient and important to middle managers (see also Weaver, 2006). On the other hand, this study confirms that a lack of organisational virtues can inhibit middle managers from understanding themselves as accountable moral agents and thus prevent them from taking courageous action when handling ethical problems (Macintyre, 1999; Wilcox, 2012). Our study proposes that the position of middle management is complex and may contain role expectations that, with a low level of organisational virtues, can contribute to ethical strain, cynicism, moral disengagement, and unethical behaviour (Bird and Waters, 1989; Macintyre, 1991; Treviño et al. 2008; Jackall, 2010; Wilcox, 2012; Martin et al. 2014; Huhtala et al. 2015). This study confirms, further, that middle managers also shape their ethical organisational culture when they act as moral agents (Bandura, 2001; Weaver, 2006; Huhtala, 2013a). Several examples were given in which the organisational atmosphere was felt to improve and more open communication practices were adopted when middle managers exercised effective moral agency.

## Theoretical implications

In this article, we integrated work on ethical organisational culture, the CEV model (Kaptein, 1998) in particular, and the theory of moral agency (Bandura, 1991), to bring a more diverse and multidimensional theoretical viewpoint to the current literature on the interdependence of organisational virtues and individual ethical behaviour (Craft, 2013; Ferrero and Sison, 2014). Drawing on Bandura (1991), we will now show the threefold relationship between corporate ethical virtues and moral agency.

In the first place, middle managers observe the behaviour of upper management, peers and employees and generate their own perceptions of what kind of moral behaviour is desired. Organisational virtues, and the ethical role modelling of upper management (Kaptein, 1998) in particular, can thus generate standards for behaviour which middle managers adopt and internalise through the learning process (Bandura, 2001). In addition to congruency, the virtues of transparency and discussability are also necessary in this context (MacIntyre, 1999). Secondly, alignment between the individual's and the organisation's moral standards clearly strengthens the self-efficacy beliefs of middle managers (Bandura, 1991) if there is collective support for adherence to those standards (e.g. sufficient clarity, transparency, sanctionability) and thus the reinforcement of ethical behaviour (Bandura, 1991). Thirdly, low organisational virtues may encourage the selective activation of moral self-regulation. Here this means, as we have shown, that when virtues such as transparency are low, managers may feel encouraged to ignore ethical problems and turn to morally disengaged reasoning (Martin et al. 2014).

Finally, since both virtue ethics and the theory of moral agency (Solomon, 1992; Weaver, 2006) address the contextual nature of morality, this article also contributes by demonstrating how different virtues become important to moral agency in practical everyday ethical problems. The article has also answered Kaptein's (2008) call and contributed to the model of corporate ethical virtues by examining one particular level in the hierarchy, that is, middle managers, and also by examining the actual (un)ethical conduct of managers, not just their intentions. From the methodological point of view, this article has substantially widened the perspective of the corporate ethical virtues model by reporting qualitative research. It has offered a rich view of the connection between corporate virtues and moral agency in the context of real, lived ethical problems.

#### Practical implications

A few recommendations can be made here for management development and improvement of the exercise of moral agency in organisations. First of all, as upper level managers act as important role-models for middle managers, they need to communicate their moral standards publicly and avoid speaking euphemistically when dealing with ethical problems (Moberg, 2006; Martin et al. 2014). Public moral leadership and adequate control over employees' behaviour are also fundamental to the exercise of moral agency at all levels of an organisation (MacIntyre, 1999; Moberg, 2006; Weaver, 2006). In addition, feedback on one's perceived moral character (not just performance or competence) from both upper management and employees is necessary to support middle-level managers' capacity for moral self-regulation (Weaver, 2006; Moberg, 2006). We agree with Kaptein (2011) and Moberg (2006) that not only should management behave ethically, but employees should experience their behaviour as ethical.

From the point of view of recruitment, organisations should try to gather information about the moral character and behaviour of applicants instead of focusing purely on evaluations of their performance or competence (Moberg, 2006). Since, as shown also in this study, people can shape and improve the nature of their social systems, such as the prevailing ethical culture (Bandura, 2001), a virtuous organisational culture can be better sustained by recruiting virtuous moral agents.

#### Research limitations and further research

This research has produced novel and rich evidence regarding the significance of corporate virtues for middle managers' exercise of moral agency, but it has some limitations. We acknowledge that by conducting qualitative research with a sample of 20 middle managers, we could make only limited interpretations of the connections between corporate virtues and the exercise of moral agency. In order to gain a more comprehensive understanding of the phenomenon, other managerial levels' and employees' perspectives should also be included in the sample.

Moreover, consistently with Alvesson (2002, p.14), who argues that all management takes place within a certain culture, including not only the organisational culture but also societal-level and industrial-level cultures, we acknowledge that the higher education context may have its own, unique cultural characteristics. This could be further studied by comparing our findings with results from other environments, for example from the service industry or even other educational organisations. There is also room here for cross-cultural comparison; the same study could be carried out in the higher education sector in other countries.

It is our belief that prior research on ethical organisational culture has not paid adequate attention to organisations in which highly skilled employees have considerable power to shape the ethical tone

of their organisation. So far, empirical research has concentrated on the dominant role of managers and supervisors in the ethical culture of organisations (e.g. Huhtala et al. 2013a), while neglecting employees as professionals who can behave as determined, effective and active moral agents (Moberg, 2006). Furthermore, as pointed out by Weaver (2006), less salient features of the institution might also have an impact on managers' moral agency. We found evidence in several interviews that industry networks (the teachers' union, in this study) might reinforce particular beliefs about what practices are acceptable in the field. This can lead to reification of those beliefs, and managers in the field then experience them as given (Weaver, 2006). However, since our focus was on detecting the significance of organisational virtues for moral agency, this result requires more investigation in future studies.

#### Validity and reliability

Issues of reliability and validity are important also in qualitative research, since the descriptions produced by the researcher should – in some controllable way- correspond to social reality (Peräkylä, 1997). In order to assess the trustworthiness of our research, we turn to Lincoln and Guba's (1985) well-known (Marshall and Rossman, 1999; Cho and Trent, 2014) four-step criteria for evaluating the reliability and validity of qualitative research.

The first criterion concerns the credibility of the research. According to this criterion, the subject of the inquiry must be described carefully (Lincoln and Guba, 1985). In addition, the research findings should be sent to the participants to ensure that the interpretations made by the researchers are accurate (Cho and Trent, 2014). In this case, we have described the research sample and the respondents' background as precisely as possible. However, we have been careful to protect the anonymity of the respondents, since ethical problems are often considered to be sensitive issues (see

also Campbell and Cowton, 2015). Moreover, the different categories of ethical problems were shared with the practitioners in discussion sessions which each lasted one and a half hours. The research process and five categories of ethical problems were introduced in detail to two groups of thirty lower- and upper-level middle managers in two of the higher education institutions in which the data was gathered. In addition, one session with five managers was arranged to discuss particularly the interpretations of the significance of ethical organisational culture for moral agency. In these sessions the managers discussed the problems and validated the findings as consistent with their experiences.

The second criterion, that is, transferability, means the extent to which the research findings are transferable from one context to another (Lincoln and Guba, 1985; Marshall and Rossman, 1999; Cho and Trent, 2014). In this study we have shown carefully how the data collection was carried out and how the analysis was guided by the theoretical concepts and models. We have also addressed the limitations of our approach. This means that conditions have largely been met for a similar study to be carried out in another context.

The third criterion is dependability. This suggests that peer researchers should be able to follow the decision trail used by the researcher (Cho and Trent, 2014). In our study the final analysis was first made by one of the researchers and then confirmed by the other. Finally, the fourth criterion, confirmability, captures the traditional concept of objectivity (Marshall and Rossman, 1999). In this study the interviews were recorded and transcribed word for word. Moreover, the data that was collected is in retrievable form and is available for further investigation, as also suggested by Marshall and Rossman (1999). The interviews were conducted in Finnish, but the excerpts presented in this article were translated by a native English speaker in order to ensure as close a correspondence as possible with the original text. The quotations make it possible for readers to further evaluate the confirmability of the research.

## **Conclusion**

This research lends support to a body of prior research on the socialising effect of organisational culture on individuals' (un)ethical behaviour in organisations. Our study shows that a low level of corporate ethical virtues may limit middle managers' capacity to exercise moral agency by increasing moral conflicts, ethical strain, cynicism, lack of self-belief and finally, morally disengaged reasoning. On the other hand, experiences of learning, a sense of self-satisfaction and self-efficacy were seen to be connected to sufficient virtues. The results of this study suggest, further, that organisational virtues influence the moral agency of middle managers in three dimensions: through the internalisation of social standards, through the reinforcement of their personal moral standards, and through facilitation of the selective activation of moral self-regulation. In addition, they suggest that moral agency evolves through practice and in interaction with others. We conclude that a virtuous ethical culture can create the potential for the effective moral agency of middle managers when they are faced with ethical problems.

## **Compliance with Ethical Standards**

All procedures performed in this study were in accordance with the ethical standards of the institutional and national research committee and with the 1964 Helsinki declaration and its later amendments, or comparable ethical standards. Individual informed consent was obtained from all the participants in the study. The authors declare that no conflict of interest exists.

## References

Alam, K. F. (1999). Business ethics in New Zealand organisations: A view from the middle and lower level managers. *Journal of Business Ethics* 22(2), 145-153.

Alvesson, M. (2002). *Understanding organisational culture*. Sage, London.

Aspers, P. (2009). Empirical phenomenology: A qualitative research approach. *The Indo-Pacific Journal of Phenomenology* 9(2), 1-12.

Badaracco, J. L. & Webb, A. P. (1995). Business ethics: A view from the trenches. *California Management Review* 37(2), 8-28.

Bandura, A. (1991). Social cognitive theory of moral thought and action. In W.M. Kurtinez and J.L. Gewirtz (Eds.), *Handbook of moral behavior and development* (pp. 45-103). Lawrence Erlbaum Associates, New Jersey.

Bandura, A., Barbaranelli, C., Caprara, G.V. & Pastorelli, C. (1996). Mechanism of moral disengagement in the exercise of moral agency. *Journal of Personality and Social Psychology* 71(2), 364-374.

Bandura, A. (2001). Social cognitive theory: An agentic perspective. *Annual Review of Psychology*, 52, 1-26.



Bandura, A. (2002). Selective moral disengagement in the exercise of moral agency. *Journal of Moral Education* 31(2), 101-120.

Ben-David-Hadar, I. (2013). Education in times of fiscal constraints and globalization. *International Journal of Educational Management* 27(7), 762-774.

Bird, F. B. & Waters, J. A. (1989). The moral muteness of managers. *California Management Review* 32(1), 73-88.

Bonner, J.M., Greenbaum, R.L. & Maye, D.M. (2016). My boss is morally disengaged: The role of ethical leadership in explaining the interactive effect of supervisor and employee moral disengagement on employee behaviors. *Journal of Business Ethics* 137, 731-742.

Brand, V. (2009). Empirical business ethics research and paradigm analysis. *Journal of Business Ethics* 86(4), 429-449.

Butterfield, L.D., Borgen, W.A., Amundson, N.E. & Maglio, A-S. (2005). Fifty years of the critical incident technique: 1954-2004 and beyond. *Qualitative Research*, 5(4), 475-497.

Campbell, D. & Cowton, J. (2015). Method issues in business ethics research: finding credible answers to questions that matter. *Business Ethics: A European Review* 24(1), 3-10.

Cho, J. & Trent, A. (2014). Evaluating qualitative research. In P. Leavy, *The Oxford handbook of qualitative research* (pp. 677-698). Oxford University Press, New York.

Ciulla, J.B., & Forsyth, D.R. (2011). Leadership ethics. In A. Bryman, D. Collinson, K. Grint, B. Jackson & M. Uhl-Bien (Eds.), *The Sage handbook of leadership* (pp.229-241). Sage, London.

Collier, J. (1998). Theorising the ethical organisation. *Business Ethics Quarterly* 8(4), 621-654.

Craft, J.L. (2013). A review of the empirical ethical decision-making literature: 2004-2011. *Journal of Business Ethics* 117( 2), 221-259.

Crane, A., & Matten, D. (2004). *Business ethics*. Oxford University Press. Oxford.

Dean, K.L., Beggs, J.M. & Keane, T.P. (2010). Mid-level managers, organisational context, and (un)ethical Encounters. *Journal of Business Ethics* 7(1), 51-69.

Detert, J.R., Treviño, L.K., & Schweitzer, V.L. (2008). Moral disengagement in ethical decision-making: A study of antecedents and outcomes. *Journal of Applied Psychology* 93(2), 374-391.

Dobson, J. (2009). Alasdair MacIntyre's Aristotelian business ethics: A critique. *Journal of Business Ethics* 86(1), 43-50.

Dukerich, J. M., Waller, M.J., George, E. & Huber, P.G. (2000). Moral intensity and managerial problem solving. *Journal of Business Ethics* 24(1), 29-38.

Ferrero, I. & Sison, A.J. (2014). A quantitative analysis of authors, schools and themes in virtue ethics articles in business ethics and management journals (1980-2011). *Business Ethics: A European Review* 23(4), 375-400.

Folch, T.M. & Ion, G. (2009). Analyzing the organisational culture of universities: Two models. *Higher Education in Europe* 34(1), 143-153.

Ford, R.C. & Richardson, W.C. (1994). Ethical decision making: A review of the empirical literature. *Journal of Business Ethics* 13(3), 205-221.

Forte, A. (2004). Business ethics: A study of the moral reasoning of selected business managers and the influence of organizational ethical climate. *Journal of Business Ethics* 51(2), 167-173.

Gremler, D.D. (2004). The critical incident technique in service research. *Journal of Service Research* 7(65), 64-89.

Hassan, S., Wright, B.E. & Yukl, G. (2014). Does ethical leadership matter in government? Effects of organisational commitment, absenteeism and willingness to report ethical problems. *Public Administration Review* 74(3), 333-343.

Hellawell, D. & Hancock, N. (2001). The case study of the changing role of the academic middle manager in higher education: between hierarchical control and collegiality? *Research papers in education* 16(2), 183-197.

Hiekkataipale, M-M. & Lämsä, A-M. (2015). What should a Manager like Me do in a Situation like This? Strategies for Handling Ethical Problems from the Viewpoint of the Logic of Appropriateness. *Journal of Business Ethics* DOI: 10.1007/s10551-015-2911-y.

Hotho, S. (2013). Higher education change and its managers: alternative constructions. *Administration & Leadership* 41(3), 352-371.

Huhtala, M. Feldt, T., Lämsä, A-M., Mauno, S. & Kinnunen, U. (2011). Does the ethical culture of organisations promote managers' occupational well-being? Investigating indirect links via ethical strain. *Journal of Business Ethics* 101(2), 231-247.

Huhtala, M., Kangas, M., Lämsä, A-M., & Feldt, T. (2013a). Ethical managers in ethical organisations? The leadership-culture connection among Finnish managers. *Leadership & Organisation* 34(3), 250-270.

Huhtala, M., Feldt, T., Hyvönen, K. & Mauno, S. (2013b). Ethical organisational culture as a context for managers' personal work goals. *Journal of Business Ethics* 114(2), 265-282.

Huhtala, M., Toivanen, A., Mauno, S. & Feldt, T. (2015). The association between ethical organisational culture, burnout, and engagement: A multilevel study. *Journal of Business and Psychology* 30(2), 399-414.

Hsieh, H-F. & Shannon, S. (2005). Three approaches to qualitative content analysis. *Qualitative Health Research* 15(9), 1277-1288.

Jackall, R. (2010). *Moral mazes: The world of corporate managers*. Oxford University Press, New York.

Jones, T.M. (1991). Ethical decision making by individuals in organisations: An issue-contingent model. *Academy of management review* 16(2), 366-395.

Kangas, M., Muotka, J., Huhtala, M., Mäkikangas, A. & Feldt, T. (2015). Is the ethical culture of the organization associated with sickness absence? A multilevel analysis in a public sector organization. *Journal of Business Ethics* DOI 10.1007/s10551-015-2644-y.

Kaptein, M. (1998). *Ethics management: auditing and developing the ethical content of organisations*. Kluwer Academic Publishers, Dordrecht.

Kaptein, M. (1999). Integrity management. *European Management Journal* 17(6), 625-634.

Kaptein, M. (2008). Developing and testing a measure for the ethical culture of organisations: The corporate ethical virtues model. *Journal of Organizational Behaviour* 29(7), 923-947.

Kaptein, M. (2010). The ethics of organisations: A longitudinal study of U.S. working population. *Journal of Business Ethics* 92(4), 601-618.

Kaptein, M. (2011). From inaction to external whistleblowing: The influence of the ethical culture of organisations on employee responses to observed wrongdoing. *Journal of Business Ethics* 98(3), 513-530.

Kaptein, M. (2015). When good becomes too good. DOI:10.13140/RG.2.1.1163.0565.

Kish-Gephart, J., Harrison, D.A. & Treviño, L.K. (2010). Bad apples, bad cases, and bad barrels: meta-analytic evidence about sources of unethical decisions at work. *Journal of Applied Psychology* 95(1), 1-31.

Koh, H. C. & Boo, E. (2001). The link between organisational ethics and job satisfaction: A study of managers in Singapore. *Journal of Business Ethics* 29(4), 309-324.

Lincoln, Y. & Guba, E. (1985). *Naturalistic inquiry*. Sage, Beverly Hills, CA.

MacIntyre, A. (1999). Social structures and their threats to moral agency. *Philosophy* 74(3), 311-329.

Marshall, C. & Rossman, G.B. (1999). *Designing qualitative research*. Sage, USA.

Marshall, S.G. (2012). Educational middle change leadership in New Zealand: the meat in the sandwich. *International Journal of Educational Management* 26(6), 502-528.

Martin, S.R., Kish-Gephart, J.J. & Detert, J.R. (2014). Blind forces: Ethical infrastructures and moral disengagement in organizations. *Organizational Psychology Review* 4(4), 295-325.

McLeod, M.S., Payne, T.G. & Evert, R.E. (2016). Organizational ethics research: A systematic review of methods and analytical techniques. *Journal of Business Ethics* 134(3), 429-443.

Middlehurst, R. (2010). Sustaining leadership in challenging times. *Higher Education Management and Policy* 22(3), 75-93.

Moberg, D. (2006). Ethics blind spots in organisations: How systematic errors in person perception undermine moral agency. *Organization Studies* 27(3), 413-428.

Nash, L.L. (1990). *Good intentions aside: A manager's guide to resolving ethical problems*. Harvard Business School Press, Boston.

Nielsen, R.P. (2006). Introduction to the special issue: In search of organizational virtue: Moral agency in organizations. *Organization Studies* 27(3), 317-321.

O'Fallon, M.J. & Butterfield, K.D. (2005). A review of the empirical ethical decision-making literature: 1996-2003. *Journal of Business Ethics* 59(4), 375-413.

Peräkylä, A. (1997). Reliability and validity in research based on transcripts. In Silverman, D. (Ed.), *Qualitative research: Theory, method and practice*. Sage Publications, London.

Preston, D. & Price D. (2012). I see it as a phase, I don't see it as a future: Academics as Managers in a United Kingdom University. *Journal of Higher Education Policy and Management* 34(4), 409-419.

Rest, J. R. (1984). *Moral development: Advances in research theory*. Praeger, New York.

Reynolds, S.J., Owens, B.P. & Rubenstein, A.L. (2012). Moral stress: considering the nature and effects of managerial moral uncertainty. *Journal of Business Ethics* 106, 491-502.

Riivari, E. & Lämsä, A-M (2014). Does it pay to be ethical? Examining the relationship between organisation's ethical culture and innovations. *Journal of Business Ethics* 124(1), 1-17.

Rozuel, C. (2011). The moral threat of compartmentalization: Self, roles and responsibility. *Journal of business ethics* 102(4), 685-697.

Selart, M. & Johansen, S.T. (2011). Ethical decision making in organisations: The role of leadership stress. *Journal of Business Ethics* 99(2), 129-143.

Silverman, D. (2005). *Doing qualitative research*. Sage Publications, Wiltshire.

Silverman, D. (2014). *Interpreting qualitative data*. Sage Publications, London.

Solomon, R.C. (1992). Corporate roles, personal virtues: An Aristotelean approach to business ethics. *Business Ethics Quarterly* 2(3), 317-339.

Solomon, R.C. (1999). *Better way to think about business: How personal integrity leads to corporate success*. Oxford University Press, New York.

Solomon, R.C. (2004). Aristotle, ethics and business organisation. *Organisational Studies* 25(6), 1021-1043.

Treviño, L. (1986). Ethical decision making in organisations: A person-situation interactionist model. *Academy of Management Review* 11(3), 601-617.



Treviño, L., Butterfield K.D. & McGabe, D.L. (1998). The ethical context in organisations: Influences on employee attitudes and behaviours. *Business Ethics Quarterly* 8(3), 447-476.

Treviño, L.K., Weaver, G.R. & Reynolds, S.J. (2006). Behavioral ethics in organisations: A Review. *Journal of Management* 32(6), 951-990.

Treviño, L.K., Weaver, G.R. & Brown, M.E. (2008). It is lovely at the top: Hierarchical levels, identities and perceptions of organisational ethics. *Business Ethics Quarterly* 18(2), 233-252.

Victor, B. & Cullen, J.B. (1988). The organisational bases of ethical work climates. *Administrative Science Quarterly* 33(1), 101-125.

Weaver, G.R. (2006). Virtue in organisations: Moral identity as a foundation for moral agency. *Organisation Studies* 27(3), 341-368.

Wilcox, T. (2012). Human resource management in a compartmentalized world: Whither moral agency? *Journal of Business Ethics* 111(1), 85-96.

Yukl, G. (2010). *Leadership in organizations*. Pearson, New Jersey.

Zoghbi-Manrique-de-Lara, P. & Suárez-Acosta, M.A. (2014). Employee's reactions to peer unfair treatment by supervisors: The role of ethical leadership. *Journal of Business Ethics* 122(4), 537-549.

