THE EFFECT OF SPECIFIC RULES ON LEADERS' DISCIPLINING BEHAVIOR TOWARDS ETHICAL TRANSGRESSIONS IN HIGH COMPETITIVE MARKETS

How specific rules evoke the disciplining behavior of leaders towards ethical transgressions made by employees

Marvin van Hoesel
Rotterdam School of Management, Erasmus University, The Netherlands
Student #441802 | June 2017

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Supervisor: Dr. Niek Hoogervorst
Co-supervisor: Dr. Martin de Bree
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Abstract
I examine the effects of specific and general rules on leaders' disciplinary responses towards ethical transgressions and demonstrate that rules framed in specific ways are the most effective in evoking leaders' disciplinary responses when employees engage in unethical conduct. When engaging in these disciplinary responses, leaders also reduce their moral rationalizations. High market competition is argued to evoke an instrumental decision frame that causes leaders not engaging in disciplining behavior towards ethical misconduct made by employees. Theory suggests that specific rules reduce people's moral rationalizations and they are proposed as a countermeasure to the instrumental decision frame that is evoked in environments of high market competition. However, the present study did not find a significant effect of specific rules on the disciplinary responses of leaders when they operate in environments of high market competition. Finally, moral identity is added to the equation, as theory suggests that people who regard moral values as a part of their identity are more likely to uphold their moral values regardless of the situation and context. The findings in this study suggest that moral identity has no significant moderating effect on the relationship between rules, market competition and leaders' disciplinary responses towards ethical transgressions. An online experiment is used to explore and test the hypotheses in the study. I discuss the theoretical and practical implications of these findings.

Keywords

Rules, punishment, ethical transgressions, market competition, ethical decisions, moral identity, moral rationalizations, disciplining behavior.

PREFACE

This thesis was established because of personal experiences in the workplace and due to an interest for ethical decision making processes in people that grew steadily over the years. How come that time and again, our leaders fail to make the ethical decision before any other and why do they keep engaging in corruption? Why do we engage in unethical conduct consciously, but fail to see the occurring negative side effects to others? Are there not rules that guide us towards wanted ethical behavior? And why do we sometimes not punish others for their ethical transgressions, but perhaps even reward them? Does upholding moral values for some come more natural than to others and does this influence ethical decision making in positive ways? And what about the environment, does it play a role in this?

This thesis should give you answers to these questions and hopefully the thesis is a good read as well. But more importantly, I hope you will implement the solutions presented herein to stimulate an ethical climate in your workplace.

This thesis would not have been successfully come together without the support of my parents, my employer Caesar Experts, my wife Seleste and my thesis supervisors Niek Hoogervorst and Martin de Bree. Thank you for all your support.

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CONTENTS

1 INTRODUCTION

The recent scandals in business, government, sports and non-profits are numerous and top management fraud has become a worldwide multi-billion-dollar problem, which has raised important questions about the role of leadership in shaping ethical conduct (Vicki, 2003; Zahra, Priem, & Rasheed, 2005). For example, top management of the German car manufacturer Volkswagen approved of employees adjusting the motor software that would lower emission rates of their cars. Through this unethical practice, Volkswagen gained a competitive advantage and could sell more cars to customers for them to become the world's largest car manufacturer by the number of cars produced in a year (Hotten, 2015; Ewing, 2015; Schiermeier, 2015). In Switzerland, where the world soccer association FIFA resides, FIFA was involved in years of fraud and corruption. Its president and other high members of its executive board were fired and prosecuted for corruption and bribery (Back & Klompenhouwer, 2015).

Another scandal that had a high impact on society happened in the United States in 2001. Back then, it became public that Enron, one of the five largest audit and accountancy partnerships in the world, was involved in serious accounting fraud involving their top leaders (Barrionuevo, 2006). In the Netherlands in 2009, the DSB Bank was fined by the Authority Financial Markets for selling too high mortgage prices to customers. The bank was accused of ethical misconduct involving bad financial products and services, which at a later stadium resulted in the bankruptcy of the bank (ANP, 2009). Sadly, these are only a few cases of more fraud and corruption in the past few decades.

Global statistics portray that managers are often responsible for misconduct that frequently continuous over time and "employees tend to follow leaders' cues", which makes it "more problematic when leaders break rules or violate standards of ethics and integrity" (Ethics and Compliance Initiative, 2016 p. 13-15). Some examples of misconduct by top and middle management that occur for two years or more are: abusive or intimidating behavior towards employees, offering bribes, kickbacks or inappropriate gifts, lying to employees, customers and vendors and engaging in anti-competitive behaviors like price fixing and bid rigging (Ethics and Compliance Initiative, 2016, p. 13-15).

Given these scandals, people may rightfully wonder why do organizations and its leaders frequently misbehave? Leadership scholars argue that, besides influencing subordinates to contribute to organizational performance, managers should also focus on holding employees accountable for their ethical conduct (Brown & Treviño, 2006; Bass, 1985). These moral managers make ethics an explicit part of their daily job by communicating ethical standards, role modeling ethical behavior and they use rewards and discipline to hold their followers accountable for ethical conduct (Trevino, Hartman, & Brown, 2000). And even though punishing subordinates for their unethical behavior does not contribute to organizational performance, it does stimulate an ethical climate that prevents unethical practices in the future in which managers play an important role (Mayer, Aquino, Greenbaum, & Kuenzi, 2012; Victor & Cullen, 1988).

Punishing subordinates was generally viewed as having only negative effects however, but in the recent past, it is also suggested that it is a source for deterring misconduct (Treviño & Ball, 1992).

A potential explanation for why some managers are involved in these scandals may be the absence of ethical teachings to our management students. A pivotal part of this argument is that ethics, or morality, is a mental phenomenon and that it is therefore excluded from the causal and functional theories that makes business and management a science (Ghoshal, 2005). Ghoshal was not the first who addressed that contemporary economic theory is flawed and that economic agents operating in markets need a moral dimension in supporting of a more robust underlying structure for economic behavior (Etzioni, 1988; Altman, 2004).

Another reason why managers do not always hold their employees accountable for ethical misconduct could be the turbulence of the environment in which the manager operates. Research shows that market competition is a strong influencer on managers' disciplinary responses towards ethical transgressions made by employees (Desmet, Hoogervorst, & Van Dijke, 2015). Specifically, in environments of high market competition, managers are more likely to make decisions that are based on economic reasoning instead of decisions that are based on moral values (Desmet, Hoogervorst, & Van Dijke, 2015). An explanation for this, is that strong market competition evokes an instrumental decision frame in leaders, which leads to immoral decision making that stimulates leaders condoning unethical behavior that is profitable for the company (Desmet, Hoogervorst, & Van Dijke, 2015). In contrast, it is argued that low market competition invokes a too weak signal of an instrumental decision frame (Bogner & Barr, 2000).

Besides market competition as the context in which organizations and leaders operate, organizations have rules in the form of codes of governance and codes of conduct. Codes of conduct are a compilation of rules governing the behavior of members in an organization. However, the mere presence of a code of conduct does not affect ethical behavior, probably because to being too ubiquitous, codes of conduct lose meaning to people (Kish-Gephart, Harrison, & Treviño, 2010). This can also be seen in types of rules. Rules that are too general in nature have no significant effect on ethical decision making, probably because it is too weak in ordering someone explicitly not to do something (Mulder, Jordan, & Rink, 2015; Cialdini, et al., 2006). However, rules that have a specific mindset, which explicitly tells people they ought not to do something, may stimulate ethical decision making by people. Therefore, specific rules may also serve as a countermeasure for leaders not undertaking disciplinary actions towards ethical transgressions (Mulder, Jordan, & Rink, 2015).

Another concept that is expected of positive moral actions is moral identity. It is suggested that people who have certain moral traits, described as moral identity, has positive effects on ethical outcomes (Mayer, Aquino, Greenbaum, & Kuenzi, 2012). These moral managers tend to uphold their moral values, because morality is part of their self-concept and identity (Aquino & Freeman, 2012).

Therefore, leaders who consider moral values as a part of their identity will more likely be able to uphold their moral values in every situation (Mayer, Aquino, Greenbaum, & Kuenzi, 2012).

Most studies examined consequences rather than determinants of disciplinary action, despite extensive academic interest in leader discipline (Podsakoff, Bommer, Podsakoff, & Mackenzie, 2006). This study therefore focuses on leaders' abilities and disabilities towards disciplining ethical transgressions made by their subordinates, when internal rules in the organization are present. This research examines a possible solution to countereffect unethical behavior in organizations: rule specificity. Specific rules, more strongly than general rules, can stimulate ethical decisions, because specific rules lead to less moral rationalizations in people (Mulder, Jordan, & Rink, 2015). In contrast to specific rules, general rules tend to sort a lesser effect on ethical decision making, probably because it is weak in ordering people to refrain from certain types of behaviors (Mulder, Jordan, & Rink, 2015; Cialdini, et al., 2006).

But this study also focuses on to what extent the environment as a context to leaders, high or low market competition, has a significant impact on rules helping leaders engage in moral disciplinary behaviors. I will argue that specific rules not only induce more ethical decision making in leaders, but as a countermeasure, specific rules also influence leaders' disciplining behavior when they operate in environments of high market competition. I build my case mainly on combining elements of two previous studies on the effect of rules on ethical decision making and on the effect of market competition on moral disciplinary behavior (Desmet, Hoogervorst, & Van Dijke, 2015; Mulder, Jordan, & Rink, 2015). I also examine the extent to which leaders own personalities affect their disciplinary responses towards ethical transgressions by employees, besides the context in which they operate.

1.1 Research problem

The problem this study addresses is the negative effect of high market competition on the disciplining behavior of organizational leaders towards ethical transgressions made by employees (Desmet, Hoogervorst, & Van Dijke, 2015). Organizational leaders, besides the nature of their personalities, should be stimulated by rules to discipline their employees for unethical behaviors, but the ineffectiveness of behavioral codes clearly does not stimulate ethical decision making in all cases. It is expected this is due to the ubiquitous nature of codes conduct (Kish-Gephart, Harrison, & Treviño, 2010), wherein rules that are too general in nature or too vague causes it to lose meaning to people (Sweitzer & Hsee, 2002). Therefore, this research examines to what extent internal specific ethical rules, as opposed to general ethical rules, are effective in counteracting unethical behavior in organizations, even when its leaders operate in environments of high market competition.

There is no clear line to when a general rule ends and a specific rule begins, but I make a distinction mainly based on what in the theoretical framework are described as descriptive norms and injunctive norms.

A descriptive norm is a broadly framed statement that describes what people are doing at a given time and it leaves more room for people to look around themselves to judge what is appropriate (Cialdini, et al., 2006; Cialdini, 2003). An injunctive norm explicates an order to people in which they are instructed to not engage in a specific type of behavior that is disapproved or engage in a specific type of conduct that is approved (Cialdini, et al., 2006). I will give examples for both types of norms in the theoretical framework.

The research also focuses on the organizational leaders themselves and it examines if their moral personality traits stimulate more of their own disciplinary actions towards ethical transgressions made by employees when they operate in environments of high market competition. The moral personality of leaders is described as moral identity and is explained in more detail in the theoretical framework.

To what extent do specific rules help leaders operating in high competitive markets discipline ethical transgressions by employees? And to what extent does moral identity influence this relationship?

The specific combination of rules and market competition as the context in which leaders operate and their own moral identities as influencers of their ethical behaviors have not been examined before.

1.2 Academic relevance

This study aims to add theoretical contributions to the literature. The first three contributions are replicative in nature and they will test if the theories outlined in the literature review hold, by using another sample in the population. The first theoretical contribution will be to replicate and test how and if general and specific rules in the organization's codes of conduct do or do not evoke more ethical decision making by people, which will add to the work of Mulder, Jordan, & Rink (2015). The second contribution will be to replicate and test whether market competition truly influences leaders' disciplining behavior towards ethical transgressions when they operate in high competitive markets, as opposed to low competitive markets. This will add to the work of Desmet, Hoogervorst, & Van Dijke (2015). The third contribution will be to test whether moral identity influences ethical outcomes in organizations, which contributes to the work of Mayer, Greenbaum, & Kuenzi (2012).

This study aims to explore new theories as well. Leaders are suggested to be influenced by their environment in ways they make decisions based on economic reasoning, instead of decisions based on moral values (Desmet, Hoogervorst, & Van Dijke, 2015). This study's contribution is to what extent specific rules are a countermeasure to the negative environmental effect market competition has on ethical decision making by leaders in general. And more specific, to what effect specific rules have on leaders' actual disciplining behavior towards ethical transgressions when they operate in high competitive markets as opposed to influencing ethical decisions alone.

The theory will explore whether the impact of rules on the moral disciplinary behavior of leaders will differ when market competition is high, as opposed to low market competition. But also, it will explore whether market competition influences ethical decision making in organizations, of which Desmet and colleagues explain there is still much to learn. These theories will contribute to the work of Mulder, Jordan, & Rink (2015) and Desmet, Hoogervorst, & Van Dijke (2015). The part where this study focuses on leaders' reactions to ethical transgressions contributes to the ethical leadership literature of Brown & Treviño (2005).

Besides these environmental factors and organizational internal rulesets, leaders are also suggested to be influenced by their own personalities in ways they are more likely to engage in ethical decision making. Leaders who consider moral values as a part of their identity more likely uphold these moral values in every situation, also known as moral identity (Mayer, Aquino, Greenbaum, & Kuenzi, 2012; Aquino, Freeman, Reed, Lim, & Felps, 2009). This study's contribution to this theory is to what extent the effect moral identity has on ethical decision making in leaders when general or specific moral rules in the organization are present. If this also effects the disciplining behavior of leaders towards ethical transgressions when they operate in high competitive markets, this finding will then also contribute to the work of Desmet, Hoogervorst, & Van Dijke (2015).

The moderating effect of moral identity on the relationship between rules and ethical decision making and possible corresponding disciplinary responses will be empirically researched for the first time. Testing the moderating effect of moral identity on the relationship of market competition and moral disciplinary responses will serve as a contribution to the work of Desmet, Hoogervorst, & Van Dijke (2015). This will also contribute to the moral identity research and theory as well, as it could be possible we will find this theory's limits concerning its positive effects on ethical outcomes when rules in organizations are present (Aquino & Reed, 2002).

1.3 Social and practical relevance

An important practical objective of this study is to create more moral awareness for leaders operating in high competitive markets, as we could expect that some leaders will not have been taught that setting ethical standards is an important part of the job (Ghoshal, 2005; Etzioni, 1988). To stimulate more moral awareness, the outcomes of this study, concerning the relation between rules, market competition and moral identity on disciplining ethical transgressions will be send to respondents when they give notice.

Another objective is to better equip managers and policymakers operating in high competitive markets in implementing general or specific rules. Specific rules, more than general rules, are expected to positively influence ethical decision making and possibly also influence moral disciplining behavior towards ethical transgressions made by their employees. It will show managers and other organizational leaders that rules are a possible solution for evoking more of their managers' disciplining behavior towards ethical transgressions in markets where the competition is high, as opposed to low.

But besides helping managers better equip themselves on making ethical decisions, the findings of this study will also help organizations' board of directors and supervisory boards solve a piece of the puzzle in how they can set ethical standards in their organizations. Policy makers can write their codes of conduct in such a way that the extent of general and specific ethical rules is just right for the type of organization that operates in low competitive markets or high competitive markets.

If found positive, the moderating effect of moral identity on the relationship between rules and moral disciplinary behavior can help organizations in high competitive markets empower their people or select new people to leadership positions when they score high on moral identity. It is then found that moral identity is of stronger influence on ethical decision making and disciplining ethical transgressions in high competitive markets, as opposed to low competitive markets.

Organizations' policy makers can use specific rules to further positively influence leaders when their employees engage in unethical conduct, if it is found that specific rules support leaders with low moral identities discipline ethical transgressions made by employees. Finally, policy makers, leaders and employees alike can be trained how to focus the attention on rules in their organizations and how to implement and internalize specific rules to stimulate an ethical climate in their workplace. The training should address the influence of high market competition on their disciplining behaviors and how specific rules can be supportive.

1.4 Readers' guide

In the second chapter the theoretical framework can be read, which describes in more detail the concepts of leaders, rules, market competition and moral identity and the effect this has on ethical decision making in organizations.

In the third chapter, the method of data collection and data analysis is explained.

The fourth chapter presents the results of the study.

The fifth chapter discusses the results and the theoretical and practical implications.

2 THEORETICAL FRAMEWORK

2.1 Ethical leaders and the punishment of unethical behavior in organizations

Leaders, as strategic decision makers in organizations, opposed to low or mid-level employees, identify themselves as the planners of the organization and thus focus on achieving the goals of the organization (Dutton & Jackson, 1987; Horton, McClelland, & Griffin, 2014). For organizations to survive todays uncertain and turbulent environment, organizations need flexible and adaptive leaders to obtain and sustain competitive advantage (Yukl, 2008). One reason that leaders matter to organizations is because they make sense of the environment in which the organization operates and through this sense making, managers establish a heightened sense of control and thus feel they can improve the products and services of the company (Thomas, Clark, & Gioia, 1993). Another important reason is that leaders influence the behaviors of their subordinates to contribute to organizational performance, as extensive leadership research and actions has shown, for example through transformational leadership (Bass, 1985) and charismatic leadership (Conger & Kanungo, 1998).

Ethical leadership largely influences the behavior of followers by establishing ethical standards and communicating them to employees (Brown & Treviño, 2006). A decision itself is ethical when it is "both legally and morally acceptable to the larger community" and an unethical decision is a decision that is either "illegal or morally unacceptable to the larger community" (Jones, 1991). Leaders are considered ethical when their decisions are based on altruistic principles, instead of selfish reasoning (Brown, Treviño, & Harrison, 2005). Most ethical leadership research focuses on organizational outcomes showing positive effects on employee attitudes, such as job satisfaction, affective commitment, work engagement and reducing turnover intentions (Brown, Treviño, & Harrison, 2005; Neubert, Carlson, Kacmar, Roberts, & Chonko, 2009; Tanner, Brugger, Van Schie, & Lebherz, 2010; Ruiz, Ruiz, & Martinez, 2011). Research has also focused on positive behavioral outcomes of ethical leadership, which includes citizenship behavior (Kacmar, Bachrach, Harris, & Zivnuska, 2011), voice behaviors (Walumbwa & Schaubroeck, 2009) and job performance (Walumbwa, et al., 2011).

An important aspect of ethical leadership is rewarding and punishing subordinates for ethical conduct (Treviño, 1992). Verbal reprimands, suspensions, and terminations are examples of negative consequences that qualify as punishment, withholding a pay raise or a bonus are some examples of withdrawals of positive consequences (Treviño, 1992). In organizations, people pay close attention to behaviors that are rewarded and punished (Treviño, 1992). Social theory argues that through attractive role models, people learn from these rewards and punishments (Bandura, 1986). When subordinates learn through this role modeling that positive behaviors are valued and rewarded and that unethical behaviors are punished, they are more likely to engage in or refrain from such behaviors (Brown, Treviño, & Harrison, 2005). They are informed about the benefits of ethical behavior and the costs of behavior that is inappropriate. Ethical leaders are therefore models that through social learning reward appropriate and discipline inappropriate conduct (Gini, 1998).

Their ability to give punishments and rewards suggests that supervisors should have the strongest influence on the behaviors of their employees (Davis & Rothstein, 2006). Leaders have moral obligations among employees and disciplining employees who transgress ethical norms (Brown & Treviño, 2006). And even though punishing ethical transgressions does not directly contribute to organizational performance, it helps establish an ethical climate and it prevents unethical practices in the future (Victor & Cullen, 1988; Mayer, Kuenzi, & Greenbaum, 2010). However, rewarding ethical behavior does not necessarily increase ethical behavior, as the presence of the reward risks undermining the intrinsic value of ethical behavior (Trevino & Youngblood, 1990).

In the past, the traditional view on punishing subordinates was generally negative and discouraged, because it "is thought to produce undesirable behavioral, attitudinal, and affective side effects that outweigh any benefits" (Luthans & Kreitner, 1985). This view on punishment was generally viewed as an event between manager and subordinate. It was later proposed that punishment should be a social phenomenon that influences observer's cognitions and actions in a group and that the outcomes of punishment can be both negative and positive (Treviño, 1992). In the same research, Treviño argues that one of the reasons that punishment may deter misconduct is when the costs of misconduct are calculated to exceed its benefits (Treviño, 1992). At a later stage this was also found in a study that researched how sanctioning systems influences ethical decision making, albeit somewhat in another form: the presence of weak sanctions influences a focus on narrow-minded business aspects of a decision, in contrast to a focus on the ethical aspects when no sanctions were present (Tenbrunsel & Messick, 1999). In summary, sanctioning and punishing unethical behavior in organizations by leaders has its benefits. Punishment deters misconduct and can have a positive effect on ethical decision making by observers in a work-group (Treviño & Ball, 1992).

Despite its apparent benefits, the context in which organizations reside can explain why punishing unethical behavior do not always occur by its leaders. For example, the context of market competition negatively impacts ethical decision making and this will be explained in the chapter after the next. First, I will explain a theory that looks at the problem on a more psychological level, as a possible solution to ethical misconduct. The presence of specific rules stimulates ethical decision making in organizations, which is outlined in the next chapter.

2.2 The effect of rules on the punishment of unethical behavior

For organizations, there are different type of rules and one can view them as external and internal. We find rules that are external in the form of legislation, which expresses certain general rules government and society tells an organization that it needs to obey to (Vos & De Bree, 2016). An organizations' internal ruleset can be found in the form of codes of governance and codes of conduct (Vos & De Bree, 2016). But in general, rules have the deontological function of communicating one's duty and helping to avoid harmful outcomes (Rawls, 1955). A rule that invokes a type of behavior for example could be "drive slowly", which targets a driver' speeding behavior to avoid the possibility of an accident (Mulder, Jordan, & Rink, 2015).

Rules also function as injunctive norms that disapproves of certain behaviors in a context which are not desirable socially, by expressing "ought" or "should" (Cialdini, et al., 2006). These are rules that involves perceptions of which behaviors are typically approved or disapproved (Cialdini, 2003). Cialdini and colleagues reveal here that negative information is the most effective, like being asked or told not to do something. An example of this would be that customers of a fast-food restaurant should be told not to leave their litter on the table, but put it in the garbage can, as opposed to being told that the restaurant should be kept clean for their own safety. This last norm is called a descriptive norm and they focus more on what others will be doing at a given time to see what is the appropriate behavior (Cialdini & Trost, 1998) and they sort a lesser effect on misconduct (Cialdini, et al., 2006). Indeed, research has shown that injunctive norms can help people understand why certain behaviors are unethical and can guide their behavior in a desired direction, for example inducing cooperation, even when they know that their behavior is not being monitored (Mulder & Nelissen, 2010).

Rules that stimulate ethical behavior in an organization would typically be laid out and combined in a code of conduct, which is a compilation of rules governing the behavior of members in an organization. A code of conduct that is properly enforced where employees perceive that individuals are being held responsible for code compliance, can have a powerful positive influence on unethical choices (Kish-Gephart, Harrison, & Treviño, 2010). In contrast, the mere presence of a code of conduct does not affect ethical behavior (Kish-Gephart, Harrison, & Treviño, 2010). A possible reason is that, due to being too ubiquitous, codes of conduct can lose meaning to people (Kish-Gephart, Harrison, & Treviño, 2010). Another possible reason is that it induces high cognitive load because of high elaboration, which reduces the effectiveness of injunctive norms (Kredentser, Fabrigar, Smith, & Fulton, 2012). That is, a person must actively process injunctive messages to check if it fits with their own values, which requires more cognitive elaboration (Kredentser, Fabrigar, Smith, & Fulton, 2012; Cialdini, 2003). Descriptive norms require less cognitive processing, because it involves looking at the behaviors of others to judge what is appropriate (Cialdini, 2003).

In the examples above, we can see that one cannot say that rules automatically drive ethical behavior, but that somehow the type of message and the way you define a rule matters to evoke some type of ethical behavior. More recently, it was found that specific rules do induce ethical decisions more strongly than general rules, because it reduces the involvement of moral rationalizations (Mulder, Jordan, & Rink, 2015). A "moral rationalization" means that a certain decision is rationalized in a way that justifies an immoral decision, for example that the decision is 'not so bad' or 'not that harmful to others', but in fact it is (Mulder, Jordan, & Rink, 2015). People use such cognitive mechanisms to convince themselves that their unethical behavior is defensible and as such, these self-serving rationalizations make unethical behavior hard to root out and could even encourage corruption in organizations (Ashforth & Anand, 2003).

As said before in the introductory comments, most studies examined consequences rather than determinants of disciplinary action, despite extensive academic interest in leader discipline (Podsakoff, Bommer, Podsakoff, & Mackenzie, 2006).

My proposition therefore will be to find evidence of a new determinant of disciplinary action by leaders. First, codes of conduct that are not properly enforced do not stimulate ethical behavior (Kish-Gephart, Harrison, & Treviño, 2010). For codes to be effective, it should be introduced (stimulate awareness of code), implemented in the organizations' processes, internalized (convincing managers and employees of code) and enforced (monitoring and maintaining code) (Kaptein, 2008, p. 5). Enforcement can be achieved when employees perceive that individuals are being held responsible for code compliance (Kish-Gephart, Harrison, & Treviño, 2010). Enforcing the punishment of unethical behavior is effective in deterring unethical conduct and it can have a positive effect on ethical decision making by observers in a work-group (Mayer, Greenbaum, & Kuenzi, 2012; Treviño & Ball, 1992). Given that specific rules are more of a distinct mandate about what is "the right thing to do" and that they explicitly order people to refrain from a type of behavior (Mulder, Jordan, & Rink, 2015; Cialdini, et al., 2006), framing rules in specific ways could be a solution to the ubiquitous nature of codes of conduct, which in general reduces the effectiveness of injunctive norms (Kredentser, Fabrigar, Smith, & Fulton, 2012).

A code of conduct's general ethical rule for stimulating the disciplining behavior of leaders for ethical transgressions by employees could be: "the insurances branches' code of conduct states that insurers should handle selling insurances responsibly". This rule gives managers no information regarding when this responsibility by the employee has not been met and it does not order an employee to refrain in a type of conduct. Therefore, it could also give managers and employees more room to engage in moral rationalizations where they decide that the decision is not so "bad" (Mulder, Jordan, & Rink, 2015), because people tend to rationalize their unethical decisions especially when judgment criteria are uncertain or vague (Sweitzer & Hsee, 2002). A code of conduct's specific rule for stimulating the moral disciplinary behavior of leaders could be: "the insurances branches' code of conduct states that is not allowed to sell two overlapping insurances". This gives managers more explicit information about what type of behavior violates the organizational ethical code and should give the manager more space to discipline employees for their unethical behavior as opposed to not engage in a disciplinary action. These specific rules give more of a distinct mandate about what individuals should not do and people therefore may also likely reduce their moral rationalizations by asking if acting against the rule is morally permitted.

Therefore, the hypothesis is that specific rules evoke disciplinary actions towards unethical conduct in leaders more strongly than general rules, because they give leaders less leeway to engage in moral rationalizations and therefore immoral decision making.

Hypothesis 1: specific rules evoke leaders' disciplining behavior towards ethical transgressions made by employees more strongly than general rules.

However, the effectiveness of rules on the punishment of ethical misconduct may depend on the context in which leaders and organizations resides, which is explained next.

2.3 The influence of market competition on the punishment of unethical behavior

One explanation to why leaders may not always make the ethical decision and punishing employees for their ethical transgressions is the context of market competition. The effect of the turbulence of the environment on the decision making of leaders has been a subject of numerous studies in the past. For one, it appears that market competition matter to leaders because of the lower performance in terms of growth and profitability an organization makes when it finds itself in an instable and turbulent environment (Baum & Wally, 2003). Market competition has been linked to unethical conduct in organizations, for example when a company hires children instead of adults to reduce the cost price of a product (Shleifer, 2004). In other words, market competition matter to leaders, because their decision-making matters most when the level of competition becomes higher and where the competitive advantage seems to diminish (Bogner & Barr, 2000). In fact, faster and more intuitive decision-making of leaders is positively related to a firms' performance, particularly in high velocity environments (Baum & Wally, 2003).

In a recent study, the external environment in which organizations and its leaders operate was argued to explain why leaders fail to discipline ethical transgressions committed by employees. In markets where the competition is high, leaders will be stimulated to view a transgression of an employee to whether it is beneficial to the company (i.e., instrumental), instead of viewing the decision through a moral lens (Desmet, Hoogervorst, & Van Dijke, 2015). They found these decisions are more based on an instrumental frame, i.e. is this transgression profitable for my company, than a moral decision frame, i.e. does this transgression violate an ethical norm and should I intervene? (Desmet, Hoogervorst, & Van Dijke, 2015). Therefore, an instrumental decision frame will lead to amoral decision-making (Tenbrunsel & Smith-Crowe, 2008). Thus, leaders may base their response to unethical acts of employees on instrumental values rather than considering ethical values (Tenbrunsel & Smith-Crowe, 2008).

Because of this instrumental frame leaders use in high competitive markets, leaders condone unethical behavior that is profitable for the company (Desmet, Hoogervorst, & Van Dijke, 2015). In contrast, low market competition invokes a too weak signal of an instrumental decision frame, because the environment is relatively stable and organizational performance is not under threat (Bogner & Barr, 2000). Therefore, in markets where the competition is too low to evoke an instrumental decision frame, leaders base their decision-making on other frames of which they believe is appropriate for the situation, for example an ethical frame when the context signals that there are ethical aspects to the situation (Tenbrunsel & Messick, 1999).

The type of decision frames and corresponding behaviors that are evoked in decision-makers when they operate in different contexts are based on the two-phase signaling-processing model developed by Tenbrunsel and Messick (1999). This model proposes that the context, which in the study is examined through sanctioning systems, influences how individuals deduce a situation and chooses a type of decision frame accordingly (i.e., instrumental or ethical), called the signaling stage.

The context influences leaders' decision making and it can instigate an ethical, instrumental (or business), legal or environmental decision frame (Tenbrunsel & Messick, 1999). The type of decision frame that is evoked determines the behavior of decision-makers, called the processing stage. A specific context thus gives decision-makers more stimuli to view the ethical implications of the situation they are in and ethical considerations are more likely being thought of when a decision is being made (Jones, 1991; Tenbrunsel & Smith-Crowe, 2008). Hence, when an ethical decision frame is evoked at the signaling stage, instead of an instrumental decision frame, leaders will always base their response on the moral intensity of the act (Vitell, et al., 2003), and the extent to which the moral act was intended by the individual (Cushman, 2008).

The latter may also in part be explained by how people react to integrity trust violations. One single incident of a dishonest act concerning a matter of integrity tends people to believe that the individual exhibits a lack of integrity and therefore they automatically perceive the individual not having integrity at all, which is hard to disconfirm (Kim, Dirks, Cooper, & Ferrin, 2006). Integrity-trust-violations, which are also regarded to be violations of ethical kind, are to some extent repaired when violators mitigate blame or even engage in denial of the act perpetrated (Kim, Dirks, Cooper, & Ferrin, 2006). However, managers should not stimulate work climates where people lie about one's culpability, as lying is demonstrated to also exert detrimental effect on trust and for one trust is important for fruitful long term buyer/seller relationships (Benton & Maloni, 2005). Rather, unethical acts like integrity-based trust violations should be avoided from the start (Kim, Dirks, Cooper, & Ferrin, 2006). Therefore, in contexts where ethical decision frames are evoked and leaders view transgressions of employees to whether it fits with the organizations' moral code, leaders should yet again hold employees accountable for unethical conduct to avoid it from occurring again. As said before, disciplinary actions towards ethical transgressions deters misconduct and it will again be proposed as the appropriate response in the next hypothesis (Treviño & Ball, 1992).

I build my second and third hypothesis based on the above discussion that when high market competition as a context is present, leaders are influenced by an instrumental decision frame that may view employees' ethical transgressions from the perspective to whether the employee's unethical act is instrumental to the company, i.e. in terms of costs and benefits. Strong market competition as a turbulent environment evokes an intuitive and fast decision making style in leaders which relates to the threat of the firms' performance (Baum & Wally, 2003). Therefore, leaders may condone employees' unethical acts that are profitable for the company because of this context and disciplining them for unethical conduct will thus less likely occur (Desmet, Hoogervorst, & Van Dijke, 2015). In contrast, in stable, more predictable environments of low market competition where organizational performance is not under threat and instrumental decision frames are less likely to be evoked, leaders are more likely to have room for them to make ethical considerations first, instead of instrumental ones.

In these environments, leaders will more likely take disciplinary actions against unethical conduct because they will feel the appropriate response is the ethical one and not the instrumental one where cost-benefit calculations are being made.

Therefore, the second hypothesis is that in environments where market competition is low, leaders will more likely respond to unethical acts of employees using moral reasoning and evoke more disciplinary action towards ethical transgressions than in environments where market competition is high.

Hypothesis 2: low market competition (vs. high) more strongly evokes leaders' disciplining behavior towards ethical transgressions made by employees.

In markets where the competition is high, as opposed to low, an instrumental decision frame is evoked that can lead to leaders condoning unethical decisions by employees that are profitable for the company (Desmet, Hoogervorst, & Van Dijke, 2015). A leader's response towards an unethical act will be based more on this economic reasoning, i.e. the costs and benefits for the company, instead of ethical reasoning (Desmet, Hoogervorst, & Van Dijke, 2015). Therefore, high market competition negatively influences the disciplinary behaviors of leaders towards unethical conduct by employees because of this instrumental frame that stimulates leaders condoning unethical conduct that is profitable for the company (Desmet, Hoogervorst, & Van Dijke, 2015). I argue however that rules are a possible way out when this instrumental decision frame effects leaders disciplining behavior towards ethical transgressions. My argument is that specific rules will have stronger effects on leaders' disciplining behavior towards ethical transgressions when they operate in high competitive markets, as opposed to low competitive markets.

First, in environments of high market competition where the context does not signal to leaders that there are ethical aspects to the situation, general rules will not likely influence the disciplinary behavior of leaders towards ethical transgressions. Because general rules are too vague and judgmentally uncertain to order someone to refrain from a type of unethical behavior (Sweitzer & Hsee, 2002), they will not likely stimulate leaders' decision lens in a way they will view ethical implications to the situation they are in and think of ethical considerations first instead of instrumental ones (Tenbrunsel & Messick, 1999). General rules will also give leaders more leeway to rationalize their moral decisions as they are not a distinct mandate about what type of behavior is right and wrong (Mulder, Jordan, & Rink, 2015), especially in environments where there is no room for ethical considerations to being thought of first.

In contrast, specific rules leave less leeway to rationalize moral decisions, as they are a distinct mandate about what is right and wrong and they order people to refrain from a certain type of behavior (Mulder, Jordan, & Rink, 2015; Cialdini, et al., 2006). For environments of high market competition, where the context signals cost-benefit calculations instead of moral reasoning, specific rules may just evoke a kind of context that overrules decision making based on this economic reasoning and it may give leaders more room to make ethical considerations before the instrumental ones.

Second, in environments of low market competition, it is more likely that ethical decision frames can be evoked where ethical considerations can be thought of first when decisions are being made (Tenbrunsel & Messick, 1999). Therefore, leaders refraining from punishing employees for their ethical transgressions is also less likely, because this context does not signal cost-benefit calculations that would stimulate leaders condoning ethical transgressions that are profitable for the company (Desmet, Hoogervorst, & Van Dijke, 2015).

General rules will to some extent sort a more positive effect on the disciplinary behavior of leaders towards ethical transgressions relative to environments of high market competition, because in environments of low market competition, leaders are more likely stimulated to view ethical aspects to the situation first (Jones, 1991). Therefore, the judgmentally uncertain nature of general rules will probably have a less detrimental effect to the engagement of moral rationalizations by leaders when they operate in environments of low market competition (Sweitzer & Hsee, 2002). Specific rules will probably have a less likely added effect on the disciplinary behavior of leaders towards ethical transgressions in environments of low market competition, as opposed to high market competition, again because of the likelihood that this environment stimulates leaders to viewing ethical aspects to situations and where ethical considerations are being thought of first (Jones, 1991). Reducing leaders' moral rationalizations, as specific rules do, will therefore less likely be needed in these environments to stimulate the disciplining behavior of leaders towards ethical transgressions (Mulder, Jordan, & Rink, 2015).

Specific rules should however still have more impact on the disciplining behavior of leaders towards ethical transgressions than general rules do in this environment, because specific rules are less vague in ordering people to refrain from a type of behavior which does not stimulate ethical behaviors in general (Sweitzer & Hsee, 2002). Specific rules may have an effect even in environments of low market competition in some cases.

Based on the above discussion, the third hypothesis is that specific rules, as opposed to general rules, will have the most effect on the disciplining behavior of leaders in environments of high market competition, as opposed to low market competition.

Hypothesis 3: specific rules (vs. general) evoke more strongly leaders' disciplining behavior towards ethical transgressions made by employees when market competition is high (vs. low).

After reviewing the literature, to my knowledge, the way rules, general and specific, can influence a leaders' disciplining or punishing behavior towards unethical conduct when they operate in markets, both high and low, have not been empirically researched before. However, besides the context in which leaders reside, there is a concept still left out of the equation of possible antecedents of moral disciplinary behavior, which is the extent to which people internalize and symbolize moral values as a part of their identity.

2.4 How moral identity influences disciplining unethical behavior

Scholars have argued that having certain moral traits, which is described as moral identity, a person would inherently be more committed to engage in moral action (Colby & Damon, 1993). A person's moral identity may be associated with certain beliefs, attitudes, and behaviors (Cheryan & Bodenhausen, 2000). It has been described as a self-regulatory mechanism that motivates moral action and "a commitment to one's sense of self to action that promote and protect the welfare of others" (Hart, Atkins, & Ford, 1998, p. 515). For moral identity people, moral concerns are one's motivational and emotional systems, they take their responsibility towards these concerns and they are a basis for one's self-concept and identity (Blasi, 1995). Moral understanding and moral emotion are examples of some of these motivational and emotional systems.

However, moral identity may play a role in motivating moral action (Monroe, 2001). Trevino and colleagues argue of a person who creates moral codes for others, i.e. moral managers, while also speaking of a moral person who conforms to a "complex code of morals" (Trevino, Hartman, & Brown, 2000). A person who has these two traits combined has a reputation for someone who displays ethical leadership (Trevino, Hartman, & Brown, 2000). An "ethical executive" therefore must also find ways to focus the organization's attention on ethics that will guide the actions of all employees in the organization (Trevino, Hartman, & Brown, 2000). A moral person is described as a person that has a set of stable traits as personal characteristics, for example trustworthiness, honesty, sincerity and integrity (Trevino, Hartman, & Brown, 2000).

There was relatively little known about the mechanisms through which having a moral identity influences moral action in the recent past however (Hardy & Carlo, 2005). But recent research shows that having certain personal traits predicts leadership effectiveness, and a survey research linked perceived leader effectiveness with perceptions of the leader's honesty, integrity and trustworthiness (Den Hartog, et al., 1999). In line with this, moral identity has been associated with positive effects on ethical outcomes (Mayer, Aquino, Greenbaum, & Kuenzi, 2012). For example, two studies have shown that moral identity is positively related to prosocial behaviors such as charitable giving (Aquino & Reed, 2002), and negatively related to unethical behaviors such as lying (Aquino, Freeman, Reed, Lim, & Felps, 2009).

Moral identity influences people's internalized notions of what is right and wrong and it acts as a self-regulatory mechanism which influences moral behavior (Aquino & Reed, 2002). Aquino and Reed's conception of moral identity has two dimensions, one of which captures its public aspect, which they call symbolization, and the other its private expression, which they call internalization. The moral identity internalization scale looks at the degree to which the moral traits are central to the self-concept (Aquino & Reed, 2002). Research on *moral identity internalization* show positive relationships with moral reasoning, volunteering, satisfaction from volunteering, and donating cans of food to the needy (Aquino & Reed, 2002; Reynolds & Ceranic, 2007).

The symbolizations scale looks to the degree to which the moral traits reflect people's actions in the world. Individuals who score high on *moral identity symbolization* demonstrate their qualities of moral traits through moral actions (Aquino & Reed, 2002). Prior research shows positive relationships between symbolization and volunteerism, charitable giving, and willingness to aid outgroups (Aquino & Reed, 2002; Reynolds & Ceranic, 2007).

Given the scandals happening in today's world by top management, there is a widespread believe that power corrupts and people that have power can have a negative impact on the common good by acting only in their own self-interest (Galinsky, Magee, Inesi, & Gruenfeld, 2006; DeCelles, DeRue, Margolis, & Ceranic, 2012; Keltner, Gruenfeld, & Anderson, 2003). For moral identity, power can go both ways. Power can corrupt those people with low moral identity, but enable them who possesses high moral identity, because those with weak moral identities are expected to engage in more self-serving behavior and those with high moral identities reduce self-serving behavior where they act in ways that benefits the common good when in a position of power (DeCelles, DeRue, Margolis, & Ceranic, 2012).

Leaders with high moral identities are more likely to resist pressures of competition (i.e. maintaining the bottom line) that would cause leaders with low moral identities stop engaging in ethical behaviors and stop punishing unethical ones (Mayer, Aquino, Greenbaum, & Kuenzi, 2012). It is suggested therefore that organizations should consider their people's moral identity when they promote them to powerful leadership positions (DeCelles, DeRue, Margolis, & Ceranic, 2012). It is plausible that maintaining this self-consistency is due to the premise of the moral identity model, which is a powerful source of moral motivation, and in general people desire maintaining self-consistency (Aquino & Freeman, 2012). This self-consistency is explained by the theory that when people act against their self-image, they will experience cognitive dissonance, which in general people try to minimize (Monroe, 2001). People therefore engage in behaviors that reflect their identity because stop doing so would cause them to feel high levels of discomfort and should also occur if they engage in unethical behaviors (Mayer, Aquino, Greenbaum, & Kuenzi, 2012).

However, one scholar argues that the act of punishing or rewarding others, especially under pressures of public scrutiny can be viewed as a threat to one's self-image and moral identity and people with high moral identities consequently shift from individual preference to societal rules (Bell & Hughes-Jones, 2008; Bandura, Barbaranelli, Caprara, & Pastorelli, 1996). This will be more successful when those rules are perceived to be grounded in irrefutable moral principles (Bell & Hughes-Jones, 2008).

I build my third argument based on the above discussion on moral identity, market competition and rules. I argue that moral identity moderates the relationship between rules and market competition on moral disciplinary behavior. First, we have seen that rules that have a specific mindset tend to sort a positive effect on ethical decision making, in part because it decreases moral rationalizations in people (Mulder, Jordan, & Rink, 2015).

For this theory, specific rules will likely not have any significant effect on leaders with high moral identities (as opposed to low), who consider moral values as a part of their identity, because they are not likely to engage in moral rationalizations and reducing it will therefore not be necessary. Leaders with high moral identities are suggested to always engage in ethical behaviors regardless of the situation because refraining from punishing unethical behaviors would act against their self-concepts and causes them to experience cognitive dissonance (Mayer, Aquino, Greenbaum, & Kuenzi, 2012; Aquino, Freeman, Reed, Lim, & Felps, 2009; Monroe, 2001). Therefore, they are also more likely to engage in ethical behaviors and punishing unethical ones regardless the existence of general or specific rules for unethical behaviors, because they will always try to minimize experiencing cognitive dissonance (Monroe, 2001).

There is some evidence that people who have moral identity tend to fall back on specific moral rules when they engage in the act of punishing or rewarding others, especially under scrutiny (Bell & Hughes-Jones, 2008). The evidence for this theory is rather anecdotal than empirical however, because this study did not explicitly test the nature of specific rules and how it interacts with moral identity. Leaders with low moral identities will more likely be positively affected by specific rules than leaders with high moral identities, because we can expect people with low moral values will more likely engage in moral rationalizations, because they do not consider moral values as a part of their identity and therefore they will not engage in ethical behaviors in every situation (Mayer, Aquino, Greenbaum, & Kuenzi, 2012; Aquino, Freeman, Reed, Lim, & Felps, 2009; Monroe, 2001).

General rules relative to specific rules allow more room for moral rationalizations, probably because a general rule is too weak in stating what is right and wrong, too weak in stating what a person should or should not do, or too ubiquitous that is loses meaning to people (Mulder, Jordan, & Rink, 2015; Mulder & Nelissen, 2010; Cialdini, et al., 2006; Kish-Gephart, Harrison, & Treviño, 2010). We can expect that leaders who score high on moral identity will likely not be significantly affected by general rules of ethical nature, as highly moral leaders are expected to engage in ethical behaviors and punishing unethical behaviors regardless of the situation and context (Mayer, Aquino, Greenbaum, & Kuenzi, 2012).

Leaders who score low on moral identity and do not likely uphold their moral values regardless of the situation and context (Mayer, Aquino, Greenbaum, & Kuenzi, 2012), general ethical rules will not likely stimulate them to engage in more ethical behaviors, because a general rule of ethical nature is too weak in stating what act is morally not permitted and what act a person should or should not do (Cialdini, et al., 2006). Based on the above, the fourth hypothesis is that low moral leaders will engage in more disciplining behavior towards ethical transgressions when specific rules are present.

Hypothesis 4: leaders with low moral identities (vs. high) will engage in more disciplining behavior towards ethical transgressions made by employees when specific rules (vs. general) in the organization are present.

Then the matter of market competition. It was argued before that leaders with high moral identities are more likely to engage in punishing unethical behaviors regardless of the situation and context, because they will always try to minimize experiencing cognitive dissonance and discomfort (Monroe, 2001). Therefore, leaders with high moral identities will also not base their decisions on cost-benefit calculations in environments of high market competition and refrain them from punishing unethical conduct, as they will always uphold their moral values.

In contrast, leaders who score low on moral identity will likely not uphold their moral values in every situation, because they do not consider moral values as a part of their identity and do not experience discomfort when they do not discipline unethical behaviors (Mayer, Aquino, Greenbaum, & Kuenzi, 2012; Aquino, Freeman, Reed, Lim, & Felps, 2009; Monroe, 2001). Therefore, leaders with low moral identities will more likely still be influenced by the instrumental decision frame that is evoked in environments of high market competition that refrain them from punishing unethical conduct by employees (Desmet, Hoogervorst, & Van Dijke, 2015).

The fifth hypothesis therefore is that high moral leaders, as opposed to low moral leaders, will engage in more disciplinary responses towards ethical transgressions in environments of high market competition

Hypothesis 5: leaders with high moral identities (vs. low) will engage in more disciplining behavior towards ethical transgressions made by employees when market competition is high (vs. low).

2.5 Conceptual framework and hypotheses: the effect of rule specificity on the disciplining behavior of leaders towards ethical transgressions in different intensities of market competition

In the literature review I argued that specific rules influence ethical decision making in general and that market competition is a possible cause for leaders refraining from disciplinary behaviors towards ethical transgressions by employees. As discussed, disciplining ethical transgressions can deter misconduct in the future. Thus, this study's conceptual model focuses on leaders' disciplinary responses towards ethical transgressions made by employees in organizations. It will reveal whether specific rules are a countermeasure for the negative effect of strong market competition on the disciplinary behavior of leaders. The moderating effect of moral identity on the relation of market competition and moral disciplinary responses and on the relation of rules and moral disciplinary responses will also be tested.

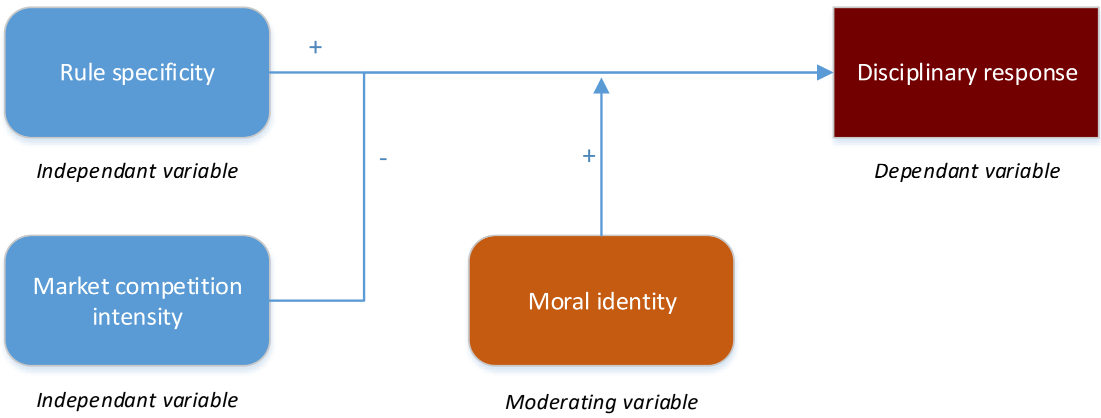

FIGURE 1 CONCEPTUAL MODEL

Conceptual model's hypotheses:

- H1: specific rules evoke leaders' disciplining behavior towards ethical transgressions made by employees more strongly than general rules.
- H2: low market competition (vs. high) more strongly evokes leaders' disciplining behavior towards ethical transgressions made by employees.
- H3: specific rules (vs. general) evoke more strongly leaders' disciplining behavior towards ethical transgressions made by employees when market competition is high (vs. low).
- H4: leaders with low moral identities (vs. high) will engage in more disciplining behavior towards ethical transgressions made by employees when specific rules (vs. general) in the organization are present.
- H5: leaders with high moral identities (vs. low) will engage in more disciplining behavior towards ethical transgressions made by employees when market competition is high (vs. low).

3 METHOD

3.1 Online experiment

The theory testing and exploratory nature of the hypotheses made in this study will be tested by means of an online vignette study with 6 different scenarios. The reason for choosing an experimental design is that it can help us to understand psychological processes and causal mechanisms because of the high amounts of control afforded to the researcher (Trevino & Den Nieuwenboer, 2014). Through the results of this study, it will be tested if specific rules, more than general rules, indeed lead to more disciplinary behavior in leaders towards ethical transgressions and if low market competition leads to more disciplinary behavior, as opposed to high market competition. Also, the moderating effect of moral identity will be tested on this relationship. The study therefore cover all hypotheses in this research.

3.2 Participants and design

The study had a 3 (rules: general/specific/no rules) by 2 (market competition: low/high) between-subjects design. Respondents were collected by means of snowball sampling through different networks and channels, for example via social media (professional network) and e-mail (business undergraduate students, immediate colleagues at my employer and acquainted companies). The first respondents were asked to invite acquaintances to participate in the study. I aimed for 120 respondents, but ended up with 213 respondents. Respondents were randomly assigned to one of the 6 conditions by the computer.

The study had several control questions in place to verify if the respondent understood the scenario that was presented, and other control variables like gender, age and in a position of leadership were included. The dependent variable had a variable in place where instead of taking disciplinary action towards ethical transgressions, respondents could also answer they would not undertake any action. The experiment was pilot tested first and one adjustment to the experiment was made after the reported feedback. Respondents were asked to look at 8 moral identity personality traits. Afterwards they were asked to imagine a person who has these personality traits. Respondents were then asked to answer questions concerning their own moral values and identity. The pilot tester was therefore confused by the phrase “imagine a person who has these personality traits”, because the experiment ultimately asked respondents to answer questions concerning their own moral values that reflected their own identity. This phrase was therefore removed from the live experiment.

However, one respondent pointed out that there was a fault in the high market competition scenario, early in the process of the actual live experiment. The scenario stated that the division suffered a loss because one of the employees sold two overlapping insurances. The case closed with the fact that the division had gained a profit because of the actions of the employee, which was the intended situation. Therefore, the experiment should have stated the division had gained a profit due to an employee selling two overlapping insurances.

I concluded there were 5 responses which had the faulty scenario. Therefore, I removed these respondents from the final analysis, leaving 208 respondents in total. To begin my analysis, I recoded the response-items of the different scenarios into two variables: rule specificity (1: no rule, 2: specific rule and 3: general rule) and market competition (1: low competition and 2: high competition).

Among the respondents, 63% were male, 37% were female and on average were 39.77 of age (SD = 11.43); 89.1% worked more than 12 hours per week and 60.1%, the biggest group, worked 31 to 40 hours a week and 27.9% worked more than 40 hours a week. As for their educational background, 4.3% had only secondary education (high school), 4.8% completed vocational education, 48.1% had bachelors and 42.8% completed university. As for their leadership positions, 43.3% of the respondents were in a position of power; 24% supervised between 1 and 10 employees, 8.7% supervised between 11 and 20 employees, 2.9% supervised between 21 and 30 employees, 2.4% supervised between 31 to 40 employees, 2.9% supervised between 41 and 50 employees and 2.9% supervised more than 50 employees.

3.3 Scenario

Respondents were asked to imagine that they are the head of an insurance division, a role that oversees employees in a department that sells insurances to customers. There were two scenarios' that differentiated between whether the company finds itself in a low or high competitive environment.

Participants in the high market competition condition read:

"The industry in these specific insurances is highly competitive", "The competition between companies in this industry is very large and many new companies enter the market" and "Making profit in this industry does not come naturally and much effort is taken to gain a profit".

In contrast, participants in the low market competition condition read:

"The industry in these specific insurances is very stable", "The competition between companies in this industry is not very large and few new companies enter the market" and "Making profit in this industry comes naturally, not much effort needs to be done to gain a profit".

After the presentation of one of the above conditions, participants read that the company had made a profit during the year. The respondents were then shown that this profit is due to an employee who sold two overlapping insurances to a customer. Respondents then were asked if they will reward or punish the employee and if so, what kind of punishment this will be.

Rule manipulation

In the three experimental conditions, a new rule is introduced. In the general rule condition, the code of conduct of the insurance branch states that employees should sell insurances responsibly.

In the specific rule condition, the code of conduct of the insurance branch states that employees are not allowed to sell two overlapping insurances. In the no rule condition, the code of conduct of the insurance branch states that there are no general or specific rules for selling insurances.

3.4 Measures

Disciplinary behavior. Managerial response was measured using the approach of Hunt and Vasquez-Parraga (1993; see also Mengüç, 1998 and De Coninck & Lewis, 1997) on a 1-item scale with 9 answer possibilities, "reward this employee for his behavior (give higher salary and bonus, give bonus or give soft or strong encouraging feedback)", "take no action" or "reprimand this employee his behavior (soft oral or written feedback, strong oral or written feedback, officially oral and written feedback, or fire the employee)".

Disciplinary intentions. The extent to which leaders engages in a type of disciplinary behavior of leaders is measured with an item-scale using three items adapted from Hunt & Vasquez-Parraga (1993), which was also used by Desmet and colleagues in their study on testing whether market competition influences ethical transgressions in organizations (Desmet, Hoogervorst, & Van Dijke, 2015). These items assessed the degree to which the participant would "reprimand this employee for his behavior", "take no action" or "reward the employee", using a 7-point Likert-scale (1=completely disagree, 4=neutral, 7=completely agree). Not undertaking any action is asked as well, which indicates if leaders use other decision making principles than the ethical ones. The questions were combined in a leader disciplinary scale (α =.66).

Market competition / Manipulation check. The extent to which leaders find themselves in high or low market competition was tested on a 7-point Likert-scale (1=completely disagree, 4=neutral, 7=completely agree). Market competition was tested with two items based on the work of Pecotich, Hattie, and Low (1999), after the scenario explained that the environment is stable or turbulent: "competition in the industry of this company is high" and "in this industry, our company finds it difficult to make profits". This question served as a manipulation check, to check whether respondents understood the scenario that was presented and understood whether they find themselves in a stable or turbulent environment. The two questions were combined in the manipulation check scale (α = .91).

Moral rationalizations. Respondents' moral rationalizations of selling two overlapping insurances were measured with the following six statements on a 7-point Likert-scale: (1) ''It is acceptable two sell two overlapping insurances'', (2) ''If I sell two overlapping insurances, I do not disadvantage anyone'', (3) ''It is acceptable to sell two overlapping insurances, even if more is payed than necessary'', (4) ''I would disappoint someone if I do not sell two overlapping insurances'', (5) ''If anyone is at fault here, it is those companies and not me, therefore, I can easily sell these two overlapping insurances'', and (6) ''I do nothing wrong when I sell two overlapping insurances when I am being asked to'' (1 =completely disagree, 4=neutral, 7 =completely agree).

The statements were alterations of the statements that were used in the study of Mulder and colleagues (Mulder, Jordan, & Rink, 2015). These statements are based on three rationalization techniques distinguished by Bandura et al. (1996): (1) minimizing the consequences (Statement 2), (2) moral justifications (Statements 1, 3, 4 and 6), and (3) shifting responsibility (Statement 5). These questions were combined in the moral rationalizations scale (α = .74).

Moral identity. Both internalization and symbolization items from Aquino and Reed's (2002) scale was used to measure the centrality of moral identity. First, the respondents were shown 8 moral characteristics a moral person has, which also were developed by Aquino and Reed (2002) (i.e. kind, nice, compassionate, friendly, free giving, etc.). Second, the respondents were asked using 10-items if they feel good about the characteristics shown in the question on a 7-point Likert-scale (1=completely disagree, 4=neutral, 7=completely agree). All questions were combined in the moral identity scale (α= .81).

4 RESULTS

Manipulation check

A 2 (Market competition (High/Low)) × 3 (Rule specificity (General/Specific/No rules)) ANOVA on the competition manipulation check scale shows the expected significant main effect of market competition ($F(1,202)= 470.75$, $p < .001$, $\eta 2= .70$). Leaders in the high market competition condition perceived the market as more competitive ($M= 5.91$, $SD= .14$) than the leaders in the low market competition condition did ($M= 1.77$, $SD= .13$). No other effects were significant.

Hypothesis 1, 2 and 3 testing

Hypothesis 1 checks to what extent specific rules (vs. general rules) lead to more disciplining behavior towards ethical transgressions. Hypothesis 2 checks whether environments of low market competition (vs. high) more strongly evokes leaders' disciplining behavior towards ethical transgressions made by employees. Hypothesis 3 checks to what extent specific rules (vs. general rules) lead to more disciplining behavior towards ethical transgressions, when market competition is high (vs. low). The control condition of having no rules is added to the analysis.

A 2 (Market competition (High/Low)) x 3 (Rule specificity (General/Specific/No rules)) ANOVA on disciplinary behavior also revealed a main effect of rules ($F(2,202)= 5.78$, $p= .004$, $\eta 2= .054$). Respondents were slightly more inclined to engage in disciplinary behavior towards ethical transgressions in the specific rule condition ($M= 7.09$, $SD= 1.34$) than in the general rule condition ($M = 6.64$, $SD= 1.17$). The control condition, in which no rules were present, yielded the least results ($M= 6.31$, $SD= 1.52$; Tukey post hoc $p < .01$ $d= .54$, for the specific rule versus the no rule contrast). The main effect of market competition was not found ($F(1,202)= .044$, $p= .835$, $\eta 2= .000$), nor did the interaction effect of rules and competition yield a significant result ($F(2,202)= .076$, $p= .927$, $\eta 2= .001$). Hypothesis 1 is confirmed by these results and Hypothesis 2 and 3 are rejected.

Table 1

Means & standard deviations for disciplinary behavior in 3x Rule specificity 2x Market competition design

	No rule	Specific rule	General rule
Disciplinary behavior	6.31 (1.52)	7.09 (1.34)	6.64 (1.17)

Note: $p = < 0.05$).

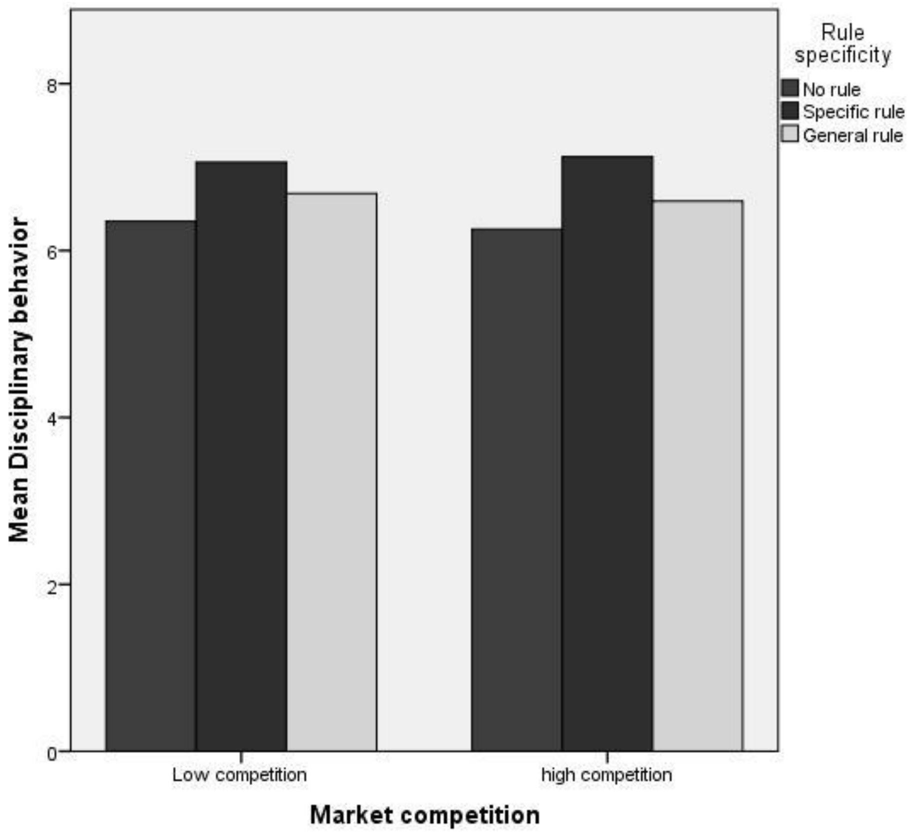

FIGURE 2 MEAN DISCIPLINARY BEHAVIOR FOR TYPE OF RULE SPECIFICITY IN LOW AND HIGH MARKET COMPETITION CONDITIONS

Because the disciplinary intentions scale had a low α (.66), I ran two separate analysis two disciplinary intentions scale items. The first analysis was made on the item where the leader reprimands the employee for his behavior. The second analysis was made on the item where the leader compliments the employee for his behavior, which was recoded.

A 2 (Market competition (High/Low)) x 3 (Rule specificity (General/Specific/No rules)) ANOVA on the disciplinary intentions scale item where the leader reprimands the employee for his behavior revealed a main effect of rules ($F(2,202)= 3.678$, $p= < 0.5$, $\eta 2= .035$). Respondents were slightly more inclined to engage in disciplinary behavior towards ethical transgressions in the specific rule condition ($M= 5.86$, $SD= 1.25$) than in the general rule condition ($M = 5.70$, $SD= 1.21$). The control condition, in which no rules were present, yielded the least results ($M= 5.26$, $SD= 1.59$; Tukey post hoc $p < .05$ $d= .42$, for the specific rule versus the no rule contrast). The main effect of market competition was not found ($F(1,202)= .644$, $p= .423$ $\eta 2= .000$), nor did the interaction effect of rules and competition yield a significant result ($F(2,202)= .076$, $p= .514$, $\eta 2= .007$).

A 2 (Market competition (High/Low)) x 3 (Rule specificity (General/Specific/No rules)) ANOVA on the recoded disciplinary intentions scale item where the leader compliments the employee for his behavior revealed no significant effect rules ($F(2,202) = 1.191$, $p = .306$, $\eta 2 = .035$). The main effect of market competition was not found ($F(1,202) = 0.085$, $p = .771$ $\eta 2 = .000$), nor did the interaction effect of rules and competition yield a significant result ($F(2,202) = 1.392$, $p = .251$, $\eta 2 = .014$). When this item was recoded and put into the whole scale however, the scale reported a negative Cronbach alpha's. Therefore, the question arises if this item was valid enough to measure this concept.

Hypothesis 1 is again confirmed by these results and Hypothesis 2 and 3 are rejected.

Table 2

Means & standard deviations for disciplinary intentions in 3 Rule specificity X 2 Market competition design

	No rule	Specific rule	General rule
Disciplinary intentions item where leader reprimands behavior	5.26 (1.59)	5.86 (1.25)	5.70 (1.21)

Note: p = < 0.05).

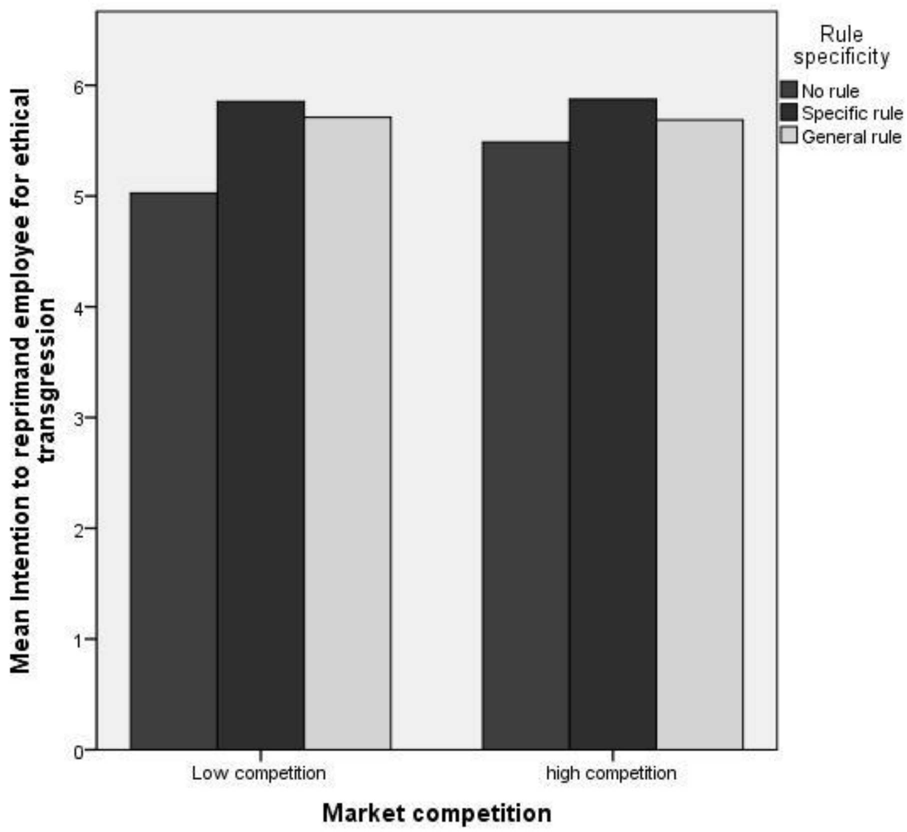

FIGURE 3 MEAN INTENTION TO REPRIMAND EMPLOYEE FOR ETHICAL TRANSGRESSION FOR TYPE OF RULE SPECIFICITY IN LOW AND HIGH MARKET COMPETITION CONDITIONS

Hypothesis 4 and 5 testing

These hypotheses check if moral identity moderates the relation between rules and market competition on disciplinary behavior of ethical transgressions. Hypothesis 4 checks the relation between specific rules (vs. general rules) and disciplinary behavior and when leaders score high on moral identity, it is expected leaders will not engage in more disciplinary behavior of ethical transgressions. Hypothesis 5 checks the relation between high competition (vs. low) and disciplinary behavior and when leaders score high on moral identity, they will likely engage in more disciplining behavior of ethical transgressions in this environment.

A 2 Market competition (High/Low) x 3 Rule specificity (General/Specific/No rules) ANOVA on disciplinary behavior with the moral identity scale as the continuous variable (entered as a covariate in the analysis), showed again that rules had the main effect, ($F(2,196)= 5.252$, $p= .006$, $\eta2= .054$). The main effect of moral identity was not found ($F(1,196)= .006$, $p= .941$, $\eta2= .000$), nor the interaction effects of moral identity and rules ($F(2,196)= .149$, $p= .861$, $\eta2= .002$) and moral identity and competition ($F(1,196)= .214$, $p= .644$, $\eta2= .001$). The 3-way effect of moral identity, rules and competition was not found either ($F(2,196)= .020$, $p= .981$, $\eta2= .000$). Hypothesis 4 and 5 therefore were not found by these results and are rejected.

I ran two additional 2 (Market competition (High/Low)) x 3 (Rule specificity (General/Specific/No rules)) ANOVA's on both the disciplinary intentions scale and on the disciplinary intentions scale item where leaders intend to reprimand the employee for his behavior with moral identity as the continuous variable (entered as a covariate in the analysis), but both analyses yielded no significant results. No interaction was found.

Supplemental analyses for hypothesis 4 and 5

I also ran an additional 2 (Market competition (High/Low)) x 3 (Rule specificity (General/Specific/No rules)) ANOVA on disciplinary behavior with moral identity as the continuous variable (entered as a covariate in the analysis) on the group who responded having leadership positions in organizations, but no significant effects other than rules were found ($F(2,85)= 3.866$, $p= < .05$, $\eta2= .083$). However, competition had a marginal significant main effect in the group where respondents responded not having leadership positions in their organizations ($F(1,113)= 3.034$, $p= .084$, $\eta2= .026$) in contrast to the group where respondents responded having leadership positions in their organizations ($F(1,85)= .804$, $p= .373$, $\eta2= .009$). Respondents who responded not having leadership positions in their organizations engaged in marginally significant more disciplinary behavior towards ethical transgressions in the low market competition condition ($M = 7.09$, $SD = 0.85$), than in the high market competition condition ($M = 6.76$, $SD = 1.28$).

The centrality of moral identity is sometimes measured with the entire scale and sometimes it is measured in two separate subscales. As said before in the literature review, these subscales are called *moral identity symbolization* (α= .78) and *moral identity internalization* (α= .79). Both subscales show positive effects, but the moral identity internalization scale is known to be a better model for predicting (un)ethical behavior (see Mayer, Greenbaum, & Kuenzi, 2012). Therefore, I split moral identity into these two subscales and ran two additional 2 (Market competition (High/Low)) x 3 (Rule specificity (General/Specific/No rules)) ANOVA's on disciplinary behavior with both moral identity subscales as the continuous variable (entered as a covariate in the analysis).

On the moral identity internalization model, rules revealed again as the main effect and was statistically significant ($F(2,196)= 5.613$, $p = .004$, $\eta2= .054$). All 3 rule conditions yielded the same mean results we saw in the ANOVA in hypotheses 1 and 3. The main effect of *moral identity internalization* was not found ($F(1,196)= .186$, $p= .667$, $\eta2= .001$), nor the interaction effects of *moral identity internalization* and rules ($F(2,196)= .307$, $p= .736$, $\eta2= .003$) and *moral identity internalization* and competition ($F(1,196)= .201$, $p= .655$, $\eta2= .001$). The 3-way effect of *moral identity internalization*, rules and competition was not found either ($F(2,196)= .147$, $p= .863$, $\eta2= .002$).

On the moral identity symbolization model, rules revealed again a main effect ($F(2,196)= 4.752$, $p = .010$, $\eta2= .046$). The main effect of *moral identity symbolization* was not found ($F(1,196)= .181$, $p= .671$, $\eta2= .001$), nor the interaction effects of *moral identity symbolization* and rules ($F(2,196)= .252$, $p= .778$, $\eta2= .003$) and *moral identity symbolization* and competition ($F(1,196)= 1.254$ $p= .264$, $\eta2= .006$). The 3-way effect of *moral identity symbolization*, rules and competition was not found either ($F(2,196)= .011$, $p= .989$, $\eta2= .000$).

Moral rationalizations

A 2 Market competition (High/Low) x 3 Rule specificity (General/Specific/No rules) ANOVA on disciplinary behavior, with both the moral identity scale and the 6-item moral rationalizations scale entered as covariates, showed that moral rationalizations had a very significant main effect ($F(1,189)= 15.918$, $p= < .001$, $\eta2= .078$) and that rules had a main effect ($F(2,189)= 4.952$, $p < .01$, $\eta2= .050$). When respondents engaged in disciplinary behavior towards ethical transgressions in the specific rule condition ($M= 7.09$, $SD= 1.34$), they also engaged in less moral rationalizations ($M= 2.72$, $SD= .87$). No other significant effects were found.

Because the moral rationalizations scale had three different strategies, I made some additional analyses with the items for these strategies as covariates. However, the 4-item moral justications strategy scale had a low alpha (a = .63). Therefore, I made an analysis with the scale's most general item “it is acceptable to sell two overlapping insurances” as a covariate.

A 2 Market competition (High/Low) x 3 Rule specificity (General/Specific/No rules) ANOVA on disciplinary behavior, with both the moral identity scale and the moral rationalizations items for the three separate strategies (Statement 1, 3 and 6) entered as covariates revealed no main effect of rules ($F(2,165)= 0.593$, $p= .584$, $\eta 2= .006$), nor market competition ($F(1,165)= 0.967$, $p= .327$, $\eta 2= .006$), nor for the moral rationalizations item where respondents minimizes the consequences ($F(1,165)= 2.602$, $p= .109$, $\eta 2= .016$) and nor for the item where respondents shifts responsibility ($F(1,165)= 1.700$, $p= .194$, $\eta 2= .010$). There was a marginal significant main effect of the item where respondents engaged in moral justifications ($F(1,165)= 3.052$, $p= .083$, $\eta 2= .018$). When respondents engaged in disciplinary behavior towards ethical transgressions, they also engaged in marginally significant less moral justifications ($b= -.725$, robust $SE= .28$, $t(1) = -2.596$, $p < 0.1$). However, a three-way interaction effect of rules, market competition and the moral rationalization item where respondents engaged in moral justifications was found ($F(2,165)= 9.338$, $p < .01$, $\eta 2= .0683$). Respondents engaged in disciplinary behavior towards ethical transgressions in the low competition condition only with the no rule condition ($b= -.946$, robust $SE= .38$, $t(2) = 2.47$, $p= .015$) and specific rule condition ($b= -.1.457$, robust $SE= .44$, $t(2) = 3.28$, $p < .01$) and where they engaged in less moral justifications ($M= 2.2$, $SD= 1.09$). No other significant effects were found.

Supplemental analyses for moral rationalizations

Because moral rationalizations is an important antecedent for specifc rules and ethical decision making, I made some additional analysis with the moral rationalizations scale as the dependent variable. A 2 Market competition (High/Low) x 3 Rule specificity (General/Specific/No rules) ANOVA on moral rationalizations with moral identity as a covariate revealed no significant effect of rules ($F(2,196)= 0.639$, $p= .529$, $\eta 2= .006$), nor for competition ($F1,196)= 0.009$, $p= .925$, $\eta 2= .00$) and nor for moral identity ($F(1,196)= 0.432$, $p= .512$, $\eta 2= .002$). No interaction effect was found for rules and competition ($F(2,196)= 1.356$, $p= .260$, $\eta 2= .014$).

I also made some additional analyses on the items of the three separate strategies for moral rationalizations as the dependent variable. Because the 4-item moral justications strategy scale had a low alpha ($a = .63$), I made an analysis on this scale's most general item: "it is acceptable to sell two overlapping insurances". Three separate analysis therefore were made, reported below.

A 2 Market competition (High/Low) x 3 Rule specificity (General/Specific/No rules) ANOVA on the moral rationalizations scale item where respondents minimizes the consequences (Statement 2) with moral identity as a covariate revealed no signifcant effects for rules ($F(2,198)= 0.348$, $p= .707$, $\eta 2= .004$), nor for competition ($F(1,198)= 0.596$, $p= .441$, $\eta 2= .003$), nor for moral identity ($F(1,198)= 3.153$, $p= .077$, $\eta 2= .016$). No interaction effects were found.

A 2 Market competition (High/Low) x 3 Rule specificity (General/Specific/No rules) ANOVA on the moral rationalizations scale item where respondents justify immoral decisions (Statement 1) with moral identity as a covariate revealed no signifcant effects for rules ($F(2,198)= 0.492$, $p= .612$, $\eta2= .005$), nor for competition ($F(1,198)= 0.190$ $p= .672$, $\eta2= .001$), nor for moral identity ($F(1,198)= 0.443$, $p= .506$, $\eta2= .002$). No interaction effects were found.

A 2 Market competition (High/Low) x 3 Rule specificity (General/Specific/No rules) ANOVA on the moral rationalizations scale item where respondents shifts responsibilty (Statement 5) with moral identity as a covariate revealed no signifcant effects for rules ($F(2,198)= 0.405$, $p= .667$, $\eta2= .004$), nor for competition ($F(1,198)= 1.755$, $p= .187$, $\eta2= .009$), nor for moral identity ($F(1,198)= 0.094$, $p= .759$, $\eta2= .000$). No interaction effects were found.

5 DISCUSSION AND CONCLUDING REMARKS

This study investigated how market competition influences ethical misconduct by leaders and how they condone unethical acts by employees that are profitable for the company. It studied to what extent rules are a possible solution to countereffect this misconduct. Moral identity was added as a moderator to examine to what extent people's moral personalities influence their ethical decision making and their corresponding disciplinary behaviors towards ethical transgressions. Based on the theory that specific rules, more than general rules, are the most effective in eliciting ethical decision making in people (Mulder, Jordan, & Rink, 2015), this study argued that specific rules would also lead to more of our leaders' disciplining behavior towards ethical transgressions made by employees. Indeed, the results support that specific rules, slightly more than general rules, elicit the strongest effect on the disciplining behavior of leaders towards ethical transgressions made by employees (Hypothesis 1). In contrast, the presence of specific and general rules more strongly elicits leaders' disciplining behavior of ethical transgressions as opposed to the presence of having no rules in the organization.

The study did not find any support for the hypothesis that low market competition, as opposed to high market competition, evokes more strongly leaders' disciplining behavior towards ethical transgressions made by employees (Hypothesis 2). The study did also not find any support for the proposition that specific rules (vs. general) evoke more strongly leaders' disciplining behavior towards ethical transgressions when they operate in environments of high market competition (vs. low) (Hypothesis 3). Also, the main effect of market competition on leaders' disciplining behavior towards ethical transgressions was not found.

The moderating effect of moral identity on the relationship between rules, market competition and moral disciplinary behavior was not supported by these results as well. The results also show that leaders who possess low moral identities, as opposed to high, do not significantly elicit more disciplining behavior towards ethical transgressions made by employees when specific rules in the organization are present (Hypothesis 4). The relation was not significant. The results also show that leaders who possess high moral identities (vs. low) do not significantly engage in more disciplining behavior towards ethical transgressions made by employees when they find themselves in environments of high market competition (Hypothesis 5).

When adding moral rationalizations to the equation, the results show that when leaders engage in disciplinary behavior towards ethical transgressions when specific rules in the organization are present (vs. the presence of having no rules), they also tend to engage in less moral rationalizations. The results also show that when leaders engage in disciplinary behaviors towards ethical transgressions in environments of low market competition and where specific rules or no ethical rules in the organization are present, they also significantly engage in less moral rationalizations, in such a way that they do not engage in moral justifications (Bandura, Barbaranelli, Caprara, & Pastorelli, 1996).

The study did not find any support for the effect of rules, market competition and moral identity on engaging in less moral rationalizations. The moral identity internalization and symbolization subscales revealed no significant effect on the disciplinary behavior of leaders towards ethical transgressions.

Theoretical implications

The findings reported in this research contribute to existing theory in several ways. First, it contributes to the existing theory of the positive effect of specific and general rules on ethical decision making in people that is not based on leader-subordinate relationships and this study did not include the punishment of people for their unethical behavior (Mulder, Jordan, & Rink, 2015; Cialdini, et al., 2006). The effect of specific rules on ethical decision making in people is again supported by this study, because the results found that leaders make ethical decisions towards ethical transgressions by employees by responding with disciplinary behaviors when specific rules are present.

Contributing to the theory, as opposed to stimulating ethical decision making in people in more general terms, framing rules in specific ways also stimulate leaders' disciplining behavior towards ethical transgressions made by employees in organizations, than rules framed in general ways. An important remark however is that the results revealed the effect of specific rules on the disciplinary behaviors of leaders towards ethical transgressions is only slightly stronger than the effect of general rules on this outcome. It is possible this is due to the scenario presenting only one rule, whereas organizational codes of conduct have the possibility of implementing many general rules and therefore it could become too ubiquitous and causes to lose meaning to people (Kish-Gephart, Harrison, & Treviño, 2010).

Second, the findings suggest that when leaders discipline their subordinates for ethical transgressions when specific rules in the organization are present, they also tend to engage in less moral rationalizations. This contributes to the theory of moral rationalizations, which argues that people's engagement in self-serving justifications or rationalizations encourages unethical behavior and this adds to the work of several authors (Bandura, Barbaranelli, Caprara, & Pastorelli, 1996; Detert, Treviño, & Sweitzer, 2008; Moore, Detert, Treviño, Baker, & Mayer, 2012). The findings confirm that rules framed in specific ways that orders people to refrain from a type of behavior leads people to make ethical decisions and therefore they also engage in less moral rationalizations. Inversely, engaging in less moral rationalizations when specific rules in the organizations are present indeed encourages ethical behaviors in people. More specifically, the findings contribute that specific rules influence more of our leaders' disciplining behaviors towards ethical transgressions made by employees in organizations and that engaging in less moral rationalizations in part explains why these disciplinary actions by leaders are taken.

Adding to this theory, when leaders engage in disciplinary behaviors towards ethical transgressions made by employees in environments of low market competition (vs. high), when specific rules or no rules in the organization are present, they also engage in less moral rationalizations in such a way they do not engage in moral justifications. However, the main effect of reducing moral justifications on the disciplinary behaviors of leaders towards ethical transgressions was marginally significant. Conceivably, reducing moral justifications is only fully explained when specific rules and low market competition as influencers of leaders' disciplinary behaviors are examined in one scientific model. However, the interaction effect again enforces that specific rules reduce moral rationalizations, in this case moral justifications, and it does this even in environments of low market competition of which I argued that specific rules do not per se evoke disciplinary behaviors of leaders towards ethical transgressions.

The positive effect of having no rules and specific rules only in this environment is perhaps explained because environments of low market competition are suggested to evoke decision frames in people other than the instrumental decision frame, for example an ethical decision frame and that systems where no sanctioning takes place, as opposed to weak, can support ethical aspects to situations (Tenbrunsel & Messick, 1999). This perhaps could explain why both the presence of specific rules and the presence of having no rules influence leaders' disciplining behavior towards ethical transgressions in this environment. It is then also possible that the type of general rule was indeed too weak to evoke disciplinary actions towards ethical transgressions when these ethical frames in leaders were induced (Cialdini, et al., 2006; Mulder, Jordan, & Rink, 2015). However, this is only true when leaders do also not engage in moral justifications when engaging in disciplinary actions towards ethical transgressions.

Low market competition, as opposed to high, had a marginally significant effect on disciplining ethical transgressions for respondents who responded not having leadership positions in their organizations. No scientific conclusions can be drawn from this result, but the marginal statistical significance can perhaps stimulate other scholars to examine if and how subordinates operating in environments of low market competition are influenced by types of decision frames strong enough that would always make them think of ethical considerations first. This would support the theory that leaders are more sensitive to organizational challenges posed by the external environment than subordinates do (Horton, McClelland, & Griffin, 2014), and therefore do not discipline employees for their ethical transgressions in environments of high market competition, as this condones employees' unethical acts to whether this is profitable for the company (Desmet, Hoogervorst, & Van Dijke, 2015).

The part where this study focuses on leaders' reactions to ethical transgressions contributes to the ethical leadership literature. Managing ethical conduct with the help of rewards and punishments and acting as an ethical role model is an important aspect of the ethical leadership style (Brown & Treviño, 2006).

This study contributes that framing rules in specific ways, more than framing them in general ways, influence leaders' disciplining behavior of ethical transgressions by employees in ways that more disciplinary actions by leaders are taken. The strongest punitive action, firing the employee for his unethical behavior, was taken the least.

As the context in which leaders operate, high market competition has been found to evoke an instrumental decision frame that influences leaders' abilities for taking disciplinary actions towards ethical transgressions, because they will view an unethical act to whether it is beneficial or detrimental to the company (Desmet, Hoogervorst, & Van Dijke, 2015). As such, specific rules were argued to enhance these abilities in these environments, as it reduces moral rationalizations in people (Mulder, Jordan, & Rink, 2015). This effect was not supported by the results in all analyses however, but the effect of specific rules on the disciplining behavior of leaders without the context of market competition was. The question rises therefore if the online vignette study as a method for finding relations between the concepts of rules and market competition on leaders' moral disciplinary behaviors has found its methodological limits. Arguable, this is due to several causes.

First, it could be that rules have a too high impact on guiding people's decision making towards disciplinary actions of ethical transgressions and therefore overrule the effects of market competition on this outcome and in this scenario. Specific rules especially evoke an implementation mindset that entails cognitions related to specific goal-directed actions to be implemented, to achieve one's goal (Gollwitzer, 1990). Conceivably, this implementation mindset could be of a stronger psychological process than the instrumental decision frame that is evoked when leaders operate in environments of high market competition. Or perhaps in general, rules truly do not differentiate between the environmental contexts in which leaders operate. However, this is probably only true because the context of market competition on the disciplinary behaviors of leaders maybe only be validly measured by means of a survey or research methods of qualitive nature. Perhaps the difference between low and high market competition cannot be measured with an online vignette study.

The possibility of evoking ethical decision frames in environments of low market competition, as opposed to high, had no effect on the disciplining behavior of leaders towards ethical transgressions. Perhaps this is again due to methodological limits and the experiment and underlying scenario that was used to explain low market competition does not evoke this ethical decision frame in people. However, it could also still be possible that environments of low market competition in reality do not always evoke ethical decision frames in people and it sometimes make way for other decision frames.

It is also possible that market competition and ethical disciplinary behavior is being understood fully only by top management leaders who make sense of the environment in which organizations operate (Dutton & Jackson, 1987; Horton, McClelland, & Griffin, 2014).

The finding of the non-significance effect of the level of market competition on leaders' disciplinary responses towards ethical transgressions and the above reasoning on methodological limits adds to the work of Desmet, Hoogervorst, & Van Dijke (2015).

For the non-significant moderating effect of moral identity on the relationship between rules, market competition and moral disciplinary behavior and the main effect of moral identity on moral disciplinary behavior, the same reasoning can be applied concerning the methodological limits as discussed earlier with market competition. It is argued that the internalization scale is more effective in predicting (un)ethical behavior than the symbolization scale does (Mayer, Aquino, Greenbaum, & Kuenzi, 2012). Regarding the concept of rules, perhaps the positive effects of moral identity on ethical decision making and moral disciplinary action has found its limits when rules in the organization are present. This could explain why the moral identity internalization subscale had no significant effect on the disciplinary behaviors of leaders towards ethical transgressions by employees.

The presence of specific rules may also evoke stronger psychological processes than experiencing moral values as self-concepts for people with moral identity do, because specific rules are a distinct mandate about what is right and wrong, about what is "the right thing to do" and reduce moral rationalizations (Mulder, Jordan, & Rink, 2015). However, it could be possible that leaders who possess high moral identities are not too fond engaging in disciplinary actions, especially under scrutiny, and therefore fall back on specific moral rules or societal rules, which relates to the work of Bell & Hughes-Jones, (2008) and Bandura, Barbaranelli, Caprara, & Pastorelli (1996).

It would not seem likely that leaders with high moral identities do not uphold their moral values when instrumental decision frames in environments of high market competition in them are evoked in this scenario, because of possible methodological issues concerning market competition as discussed before. However, it is possible that instrumental decision frames are a hard thing to overcome and that having moral values as a part of one's identity is not enough to countereffect this frame of mind. New research with other methods should examine whether instrumental decision frames in the minds of people are stronger psychological processes than the moral values people internalize as a part of their self-concepts. This could give a definitive answer to the question if leaders with high moral identities still uphold their moral values in environments of high market competition. These findings of moral identity contribute to the work of Aquino & Reed (2002).

In this study, rules, market competition and moral identity had no significant impact on moral rationalizations. I believe this is due to the sequence in which the experiment was conducted. As a control measure, moral rationalizations was added to further support the hypothesis of the positive effect of rules on leaders' behavioral actions towards disciplining ethical transgressions. As such, the moral rationalizations scale was added after the introduction of the rule given in the scenario and after the dependent variables of moral disciplinary behavior. This could explain why moral rationalizations could not be reliably measured as the dependent variable.

In contrast, the effect of specific rules on reducing moral rationalizations in people was found in another study, by means of offline experiments with participants, as apposed to the online experiment used in this study (Mulder, Jordan, & Rink, 2015). This is adds the work of these authors.

Practical implications

This thesis began with the question why organizations, its leaders and employees frequently engage in unethical conduct and that high market competition, as it evokes an instrumental decision frame in people, is a possible answer to this question. An instrumental decision frame influences leaders' behaviors in ways they view unethical behaviors of employees to whether this is beneficial for the company. The presence of specific rules was said to be a possible countermeasure for this problem and leaders who possess high moral identities (vs. low) were argued to not engage in more disciplinary behaviors of ethical transgressions when specific rules in the organization are present. Also, leaders who possess high moral identities were argued to engage in more disciplining behavior towards ethical transgressions when they operate in environments of high market competition. This study supports the theory of specific rules leading to ethical decision making in people and disciplining others for ethical transgressions in organizations.

Rules can be framed in broad general terms (i.e. employees should only engage in ethical conduct when selling insurances) or specific ways (i.e. employees should not sell two overlapping insurances). Because the implementation of specific rules leads to more disciplining behavior of leaders towards ethical transgressions made by employees, organizations and their policy makers should implement specific rules when their goal is to positively guide their leaders towards moral disciplinary action. Specific rules can be implemented to invoke in leaders a kind of cognitive mindset supportive of behaviors that disciplines employees for ethical transgressions. However, the implementation of only specific rules has the need to be adjusted for every possible ethical violation, which is a near impossible feat to accomplish (Mulder, Jordan, & Rink, 2015).

Policy makers therefore should implement an intelligent set of general and specific rules, for example grouping them in categories. Although general rules elicit weaker effects on the moral disciplinary behavior of leaders towards ethical transgressions, it is argued that it is possible they elicit other positive effects as well (Mulder, Jordan, & Rink, 2015). The general rule therefore can encompass a set of ethical rules for guiding generally wanted behavior, i.e. "employees should always refrain from engaging in unethical conduct and corruptive behavior" and for example division specific rules, i.e. "employees may not sell two overlapping insurances" or "employees may not steal tools from the tool cabinet". Also, policy makers can think of prioritizing their specific rules.

They should decide which types of ethical transgressions has the highest impact on the organization and its environment and develop their specific rules accordingly.

Board members and policy makers should think of implementing these rules regardless of the level of market competition and regardless of their leaders having or not having moral identities. They should take notice however that environments of low market competition tend to evoke decision frames that supports the implementation and presence of specific rules and even of no rules, as leaders engage in less moral rationalizations in such ways they do not engage in moral justifications when making ethical decisions in this environment.

Overall, the findings suggest that specific rules should guide all sorts of people in leadership positions towards disciplining ethical transgressions made by their employees. Finally, policy makers, leaders and employees alike can be trained how to focus the attention on rules and how to implement and internalize specific rules to stimulate an ethical climate in their workplace. The training should address how framing ethical rules in specific ways can be supportive of stimulating disciplinary behaviors towards ethical transgressions.

Strengths, limitations and future research

This study had several strengths. The study had a six-scenario design with control measures to thoroughly examine possible effects of different rule specificities and competitive environments on moral disciplinary behaviors of leaders. Besides the hypotheses that were made based on the literature review, this study also focused on other possible mechanisms to be as thorough as possible. For example, the moral rationalizations of leaders were tested not only as a control variable, but also as the dependent variable. The study split moral rationalizations into its sub strategies and it revealed an additional interaction effect.

Moral identity was also divided into its subscales to explore other possible outcomes. Also, the disciplinary behaviors of leaders were tested in the entire sample and on the two groups who responded being actual leaders in organizations and who responded not holding leadership positions in their organizations. Some additional analyses were made on the disciplinary behaviors of leaders to also strengthen the analyses. Finally, instead of focusing on ethical decision making and the possible antecedents of rules, market competition and moral identity, it can be considered a strength that specific rules can now also be considered supportive of a decision frame that positively influence actual leaders' disciplinary behavior towards ethical transgressions.

Some limitations on this research exist as well. As discussed after the results in this study, it is possible that an online vignette study has reached its methodological limits when exploring new relations on the concepts of market competition and moral identity. A live experiment perhaps can investigate these concepts in better ways. It could in part explain why the effects of market competition and moral identity on the disciplinary behaviors of leaders towards ethical transgressions was not found. Also, larger random samples can be used to further strengthen generalization of the findings in this study.

Future research should look onto other methods to explore and perhaps replicate these concepts and their underlying relationships. This study focused on the behavioral outcomes of leaders towards other employees. It can be interesting to focus on the behavioral outcomes of employees as well and what countermeasures can be put into place to prevent them from engaging in unethical conduct. It would also be interesting to investigate the concept of decoupling on the relation between specific rules and ethical behavioral outcomes on these leader-subordinate relationships.

The theory of decoupling explains why policy is sometimes adopted in organizations, but not implemented, because the policy is too vague or provides little information and loses connection to the day-to-day practice (Bromley & Powell, 2012). Perhaps decoupling explains why employees (who work the day-to-day operations in the business), do not always make the ethical decision before any other, because the vast number of specific rules needed to make necessary quality information renders the implementation too complex. If this is true, research should then investigate what categories or numbers of specific rules are necessary to prevent the process of decoupling by leaders and employees. Research could then focus on ways and numbers to which leaders and employees engage in decoupling. Studying these effects gives us tools to implement and target specific rules in organizations in efficient ways.

New research on the effect of market competition and moral disciplinary responses can also look to other objects of study, for example by investigating samples of low, middle and top managers. Research has shown that top-level leaders have a more optimistic view of ethics in the organization than their lower-level colleagues (Treviño, Weaver, & Brown, 2008). And as moral identity theorizes people's identities and self-concepts towards moral values, it can be interesting to investigate the effect of people's advanced cognitive moral development on moral disciplinary responses (Kohlberg & Goslin, 1969).

The possible positive or negative side effects of disciplining employees for their unethical behavior was not investigated in this study. Therefore, it could be interesting to study the effects of punishing (vs. rewarding) employees for their ethical transgressions in organizations where specific and/or general rules are implemented. Finally, it would be interesting to investigate people's construal-levels, which is that people can view an event close to the self as more concrete, as opposed to viewing an event distant to the self as more abstract (Trope & Liberman, 2010), which can be a possible antecedent of specific and general rules. It is possible that specific rules are viewed as an event closer to self and therefore elicit a type of moral behavior, as opposed to general rules being viewed as an event more distant to the self, which could explain why the latter is somewhat weaker in evoking leaders' disciplinary responses towards ethical transgressions made by employees.

Concluding remarks

The scandals happening in our world today has raised important questions to why leaders and employees often engage in unethical conduct and what countermeasures can be put into place to actively stimulate our leaders' disciplinary behaviors towards ethical transgressions made by employees. This study's finding that specific rules positively influences leaders' disciplining behavior towards ethical transgressions made by employees should inspire policy makers to implement specific rules to stimulate an ethical climate in their workplace. Policy makers should focus the attention on specific rules in their organizations and train their leaders how to spread and use specific rules accordingly.

Scholars should look onto other possible antecedents of specific rules to further explain how they work on the minds of people active in all sorts of roles. By achieving this, we could then perhaps start developing and targeting specific rules and start writing our codes of conduct in efficient ways to which they will have the most impact on ethical decision making processes. And to have specific rules arranged in ways they will have the most impact on stimulating the disciplining behavior of leaders towards ethical transgressions made by employees. Then perhaps finally, we will start moving leaps forward in the process of stopping unethical conduct and corruption in our organizations.

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APPENDIX A. EXPERIMENT

<PAGE 1>

I ask you to read the following situation carefully and to imagine you are experiencing this situation yourself.

<High market competition> (these sentences were not presented in the experiment)

You are working in the company Koral. Koral is a big company, mainly specialized in selling insurances for accidents at work. The marketplace in these specific insurances is very competitive. The competition between companies in this market is very big and many new companies enter the marketplace. Realizing profit does not come natural: the company often needs to take everything they have got to win new customers and gaining new profit.

<Low market competition>

You are working in the company Koral. Koral is a big company, mainly specialized in selling insurances for accidents at work. The marketplace in these specific insurances is very stable. The competition between companies in this market is not so big and few new companies enter the marketplace. Realizing profit comes natural: the company does not need to take everything they have got to win new customers and gaining new profit.

<PAGE 2>

Within the company, you oversee the customer acquisition division. As the leader, you are responsible for making the decisions when needed.

The previous financial year, your division has made a relatively big profit as opposed to the year before. After analyzing the annual figures, it appears that this profit is for a big part because one of your employees (employee X) has sold several companies two overlapping insurances and consequently the companies are double insured for some risks. Therefore, these companies have paid more than necessary and your company has made more profit.

<Rule manipulation>

General rule condition: "The insurances branches' code of conduct states that insurers should handle selling insurances responsibly"

Specific rule condition: "The insurances branches' code of conduct states that insurers are not allowed to sell two overlapping insurances"

No rule condition: "The insurances branches' code of conduct states no general or specific rules for selling insurances".

APPENDIX B. SURVEY QUESTIONS

Please respond to the following statements to check whether the above text was clear:

(1 = completely disagree.........4 = neutral.........7 = very strongly)

The competition in Koral's industry is big	1	2	3	4	5	6	7
It takes a lot of effort for Koral to make a profit.	1	2	3	4	5	6	7

As a leader, which action do you want to undertake against the employee?

Choose 1 option

Give employee X a bonus and pay raise
Give employee X a bonus
Give employee X strong encouraging feedback
Give employee X light encouraging feedbabck
Take no action
Give employee X a mild (oral or written) reprimand
Give employee X a strong (oral or written) reprimand
Give employee X an official (oral and written) reprimand
Fire employee X

As a leader, to what extent do you want to undertake the following actions against the employee?

(1 = completely disagree.........4 = neutral.........7 = very strongly)

Give employee X a compliment	1	2	3	4	5	6	7
Take no action	1	2	3	4	5	6	7
Give employee X a reprimand	1	2	3	4	5	6	7

Imagine you are living in the same situation as employee X. Please respond to the following statements:

(1 = completely disagree.........4 = neutral.........7 = very strongly)

It is acceptable to sell two overlapping insurances	1	2	3	4	5	6	7
If I sell two overlapping insurances, I will not disadvantage anyone.	1	2	3	4	5	6	7
It is acceptable to sell two overlapping insurances, even if more is payed than necessary.	1	2	3	4	5	6	7
I will disappoint someone if I do not sell two overlapping insurances.	1	2	3	4	5	6	7
If it is anyone's fault, it is these companies and not me. That's why I can just sell two overlapping insurances.	1	2	3	4	5	6	7
I do nothing wrong when I sell two overlapping insurances when I am being asked to.	1	2	3	4	5	6	7

Please take a look at the personality traits below:

Caring
Compassionate
Fair
Friendly
Generous
Hardworking
Honest
Kind

Please respond to the statements below regarding above personality traits:

(1 = completely disagree.........4 = neutral.........7 = very strongly)

The fact that I have these characteristics is communicated to others by my membership in certain organizations.	1	2	3	4	5	6	7
Having these characteristics is not really important to me	1	2	3	4	5	6	7
I often wear clothes that identify me as having these characteristics	1	2	3	4	5	6	7
The kinds of books and magazines that I read identify me as having these characteristics	1	2	3	4	5	6	7
The types of things I do in my spare time (e.g., hobbies) clearly identify me as having these characteristics	1	2	3	4	5	6	7
I would be ashamed to be a person who has these characteristics	1	2	3	4	5	6	7
A big part of my emotional well-being is tied up in having these characteristics	1	2	3	4	5	6	7
I strongly desire to have these characteristics	1	2	3	4	5	6	7
It would make me feel good to be a person who has these characteristics	1	2	3	4	5	6	7
I am actively involved in activities that communicate to others that I have these characteristics	1	2	3	4	5	6	7

Thank you for your participating in this research. Finally, can you give the following data?

You are a (Male/Female)
What is your age?: _______
What is your highest level of education completed? _______________________
What is your job / sidejob? __________________
Are you in a position of leadership? (Yes/No)
If so, how many employees fall under your leadership? (1 to 10, 11 to 20, 21 to 30, 31 to 40, 41 to 50, more than 50).
How many hours do you work in a week? (1 to 11, 12 to 20, 21 to 30, 31 to 40, more than 40)