



Morality and competence of organizations: Effects on perceived organizational prestige, positive worth-of-mouth behaviour and organizational citizenship behaviour of employees, and the role of moral disengagement

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## **Abstract**

The current study examined the effect of organizational competence versus organizational morality on perceived organizational prestige, positive worth-of-mouth behaviour of employees and organizational citizenship behaviour, and the moderating role of moral disengagement herein, and builds upon social identity theory (Tajfel & Turner, 1979). The study was conducted among students of Leiden University placed in the role of employee (N = 106), and a two-by-two (morality high/low; competence high/low) between subjects design was used. The results of an Analysis of Variance (ANOVA) showed support for the prediction that both organizational competence and organizational morality positively affect prestige and positive worth-of-mouth behaviour of employees (H1 and H2), however organizational morality was found to be a non-significant predictor of organizational citizenship behaviour. Besides, a hierarchical regression revealed that morality is a stronger predictor of organizational prestige and positive worth-of-mouth behaviour than competence (H3). Furthermore, as predicted an Independent samples T-test showed that employees who work for an immoral but competent organization report less organizational prestige and positive worth-of-mouth behaviour than employees of a moral but less competent organization (H4). Subsequently, moderation analyses showed that the effect of immorality on perceived organizational prestige, positive worth-of-mouth behaviour and citizenship behaviour was not moderated by moral disengagement (H5). Theoretical and practical implications are discussed, as well as limitations and suggestions for further research.

*Key words:* Organizational morality, organizational competence, organizational prestige, employee worth-of-mouth behaviour, organizational citizenship behaviour.

## **Introduction**

In general, profit organizations are considered as competent organizations when they are proficient, highly successful and highly skilled, which they therefore strive for. Studies have shown that this business competence ensures that individuals react positively to these organizations. Job seekers for instance prefer to work for organizations that are highly successful (Cable & Turban, 1993), employees are more willing to contribute to the organization (e.g., to make recommendations for further improvement of the organization) when they consider their organization a successful organization (Fuller et al., 2006), and individuals consider organizational competence a positive aspect of the organization (Van Prooijen & Ellemers, 2015). Hence, it would be of great importance for organizations to pursue business competence and organizational success as this is a critical positive aspect of organizations. However, blind pursuit of business competence and organizational success can also affect the organization negatively. Negative consequences for instance may result if organizations solely focus on organizational goals, and therewith hinder the public interest and/or unintentionally disregard the well-being of their employees, and therefore become penalized (e.g. financial sanctions for not having complied with environmental regulations, reputation damage, etc.). This has resulted in the fact that acting *moral* is becoming highly on the agenda in several industries. For example, industries wherein the product being manufactured is damaging for the environment (e.g. oil and gas industry) or industries in where the product can be harmful to human health (e.g. tobacco companies) are called upon to act more moral. As a result, it is argued more and more that organizations should shift their focus on the ability to achieve organizational success to a focus on ethical or *moral* business conduct (e.g. Van Prooijen & Ellemers, 2015). Besides, it has been argued that organizational morality has potential to more strongly affect the job attitudes and work behaviours of employees than organizational competence (Van Prooijen & Ellemers, 2015). Nevertheless, nowadays a lot of employees are still working for organizations that are acting unethical or immoral. An explanation for this could be that employees take moral distance of the

immoral actions of their organization. Employees who psychologically distance themselves from the immorality organization may thus continue to work for the immoral organization and continue to report a positive work attitude and positive perception of the organization. To date, only prior research has been conducted to the effect of organizational morality versus organizational competence. However, the effect of organizational morality versus organizational competence on perceived organizational prestige, positive word-of-mouth behaviour, and organizational citizenship behaviour, of employees, has not been addressed by researchers. Interactive effects of organizational morality and organizational competence, and the fact that moral disengagement may make that lowered organizational morality does not undermine employee job attitudes and work behaviours, have neither been researched previously. Using a social identity perspective (Leach, Ellemers & Barreto, 2007), we will hence research whether morality will have a stronger effect than competence on the perception of the organization and work attitudes of employees (i.e., perceived organizational prestige, positive word-of-mouth behaviour, organizational citizenship behaviour). Additionally, we will examine whether employees who work for a high competent, but low moral organization will perceive less prestige of their organization and will report a less positive work attitude, that employees working for a low competent and high moral organization, and whether moral disengagement buffers negative effects of lowered organizational morality on employee job attitudes.

#### *Positive aspects of an organization*

In 1979, Tajfel and Turner proposed a theory in which a framework was offered about behaviour and attitudes of people in terms of groups to which they belong. Firstly the concept of ‘social identity’ was introduced as “that part of an individual’s self-concept which derives from his knowledge of his membership of a social group (or groups) together with the emotional significance attached to that membership” (Tajfel, 1974, p.69). In other words; one’s social identity is the beliefs about the self, which one adopts, dependent on the group one belongs to.

The social identity theory (Tajfel & Turner, 1979) proposes that people derive part of their identity from the group they belong to. Because the status of the group to which people belong contributes to their self-evaluation and self-esteem, people prefer to belong to groups that compare positively to other groups (Ellemers et al., 2008). This mechanism also applies in organizations, which means that employees will also think about themselves as a part of the organization. Individuals hence prefer to belong to organizations that compare positively to other organizations, as this contributes to positive self-evaluation or self-esteem (Ellemers et al., 2008). Furthermore, building on Social Identity Theory (Tajfel & Turner, 1979), researchers found that positive features of the organization induce positive job attitudes and work motivation among employees (e.g., Ellemers et al., 2011). Two positive features of organizations are competence and organizational morality (Van Prooijen & Ellemers, 2015).

We defined competence as the extent to which the organization is successful and capable to achieve organizational goals (Prooijen & Ellemers, 2015). According to March and Simon (1958), the indications of the degree of successfulness of organizations lie in the society, in which the organization is active. March and Simon (1958) have discussed three indications of organizational success, namely; Organizational visibility, goal achievement and employee status level. These contribute to organizational success, and signal organizational competence. It is discussed that competence is an important aspect of positive evaluation of the in-group (Leach et al., 2007). That is, employees may evaluate their organization more positively when they consider their organization a competent organization, because they invest work effort into the organization with the aim to derive financial benefits from the organization. In research of Van Prooijen and Ellemers (2015) it was shown that individuals consider an organization attractive, and are more inclined to apply for a job at the organization, when the organization is perceived as a competent organization. Additionally, Fuller et al. (2006) found that aspects that signal the competence of the organization (e.g., organizational visibility) foster perceived organizational prestige and

willingness to work for the organization among employees. There thus is an effect of organizational competence on job attitudes and work motivation of employees.

Morality deals with universal moral values: honesty, sincerity and trustworthiness (Ellemers et al., 2011). As discussed by De Waal (1996), morality is crucial for the viability of human groups as a lack of morality can interfere the goals of individuals as well as the goals of the group as a whole. Individuals thus consider morality a positive feature of groups and organizations (Leach, Ellemers & Barreto, 2007), and organizational morality hence refers to the extent to which the organization is acting moral. Studies have on the other hand shown that immorality of organizations can be harmful for the organization, as it can hinder the achievement of organizational goals, and that individuals react negatively to immorality of organizations. In a similar vein, perceived organizational morality makes employees identify with the organization and take pride in the organization, and thus fosters positive attitudes towards the organization (Ellemers et al., 2011). Moreover, studies consistently show that injustice of organizations (i.e., organizational immorality) motivates employees to retaliate against the organization (e.g., Skarlicki & Folger, 1997). Thus, organizational morality affects the job attitudes and work motivation of employees.

Researchers have argued and found that organizational morality is a stronger predictor of employee job attitudes and work motivation than organizational competence. Van Prooijen and Ellemers (2015) for example found that team members who consider their team members moral members of the group consider the team more attractive, while the competence of the team members of the group did not affect the attractiveness. Moreover, team members also tended to identify more with the team when they considered the team members moral, where competence of the team members did not have an effect on the identification with the team (Van Prooijen & Ellemers, 2015). Conclusive, previous research has shown that organizational competence and

organizational morality are potential influencers of employee job attitudes and work motivation, and organizational morality may be the strongest predictor. However, only preliminary research has been conducted in the context of organizations, and the effects of organizational morality relative to organizational competence have not been determined for outcomes such as organizational prestige, positive worth-of-mouth behaviour, and organizational citizenship behaviour, of employees.

#### *Prestige as organizational perception of employees*

People tend to evaluate the status concerning the group they belong to through on the one hand how the outside group evaluates the group and on the other hand how the inside group evaluates the group (Tyler and Blader, 2003). In organizational context prestige can be seen as the extent to which the organization is considered as an organization held in high regard by outsiders of the organization (Fuller et al., 2006), which is an indicator of the status of the organization. Employees will evaluate themselves in terms of how other people think of them on basis of their membership of a particular organization. Ellemers and colleagues (2011) already studied that organizational morality relates to organizational pride of employees, which is a *private* evaluation of the status of the organization. To date, no research has been conducted on the influence of morality on the perceived organizational prestige. Previous studies suggest that perceived organizational prestige results from success in achieving organizational goals (March & Simon, 1958, Fuller et al., 2006) and organizational performance (Fuller et al., 2006). The current study will extend previous findings on organizational prestige by further investigating the influence of organizational competence and organizational on perceived organizational prestige.

#### *Word-of-mouth behavior and Citizenship behavior as work attitudes of employees*

In the view of the attraction of talented future employees, worth-of-mouth communication is a very important and effective resource for employee recruitment. Worth-of-mouth - the delivery of

both positive and negative information about an organization by an employee - is often seen as a reliable and credible source of corporate information (Feng Uen et al., 2013). It can be lucrative for the attractiveness of organizations to stimulate their employees to actively spread a positive worth-of-mouth, or in other words, to promote the organization. However, despite of the fact that worth-of-mouth is a good source of attracting new employees, it is not fully under the control of the organization. In their research, Feng Uen et al. (2013) found that employer brand management correlates positively with employee worth-of-mouth, which indicates that positive features of the organization play a role in positive word-of-mouth behavior of employees. Further, organizational prestige plays a mediating role in the relation between employer brand management and worth-of-mouth referrals (Feng Uen et al., 2013).

In previous literature about employee behaviour in organizations, a distinction can be made between in-role behaviour and extra-role behaviour (Van Dyne and Lepine, 1998). Where in-role behaviour can be defined as the behaviour that is prescribed and expected on the basis of role- and job description (Katz, 1964), is extra-role behaviour the voluntary performance of work tasks (Van Dyne and Lepine, 1998). Based on the typology of Van Dyne and Lepine (1998) *organizational citizenship behaviour* as a form of helping, which is one of the four types of extra-role behaviour in where employees show affiliate conducive behaviours, and which is important for organizations since it positively contributes to the organization.

In line with previous research, we now predict:

**H1:** Among employees, organizational morality has a positive direct effect on perceived organizational prestige (H1a), and a positive indirect effect on positive word-of-mouth behavior (H1b) and organizational citizenship behavior (H1c) via organizational prestige.

**H2:** Among employees, organizational competence has a positive direct effect on perceived organizational prestige (H2a), and a positive indirect effect on positive word-of-mouth behavior (H2b) and organizational citizenship behavior (H2c) via organizational prestige.



**H3:** Among employees, organizational morality affects perceived organizational prestige (H3a), positive word-of-mouth behavior (H3b) and organizational citizenship behavior (H3c), above and beyond organizational competence.

*Combinations of organizational morality and organizational competence*

A distinction can thus be made between two positive aspects of the organization: competence and morality. We argue that organizational competence and organizational morality are features of organizations that can co-exist, which means that organizations can be evaluated by their degree of competence and morality. Subsequently, organizations can be classified into different types of organizations. Organizations can be perceived as a highly competent and highly moral organization; a lowly competent and lowly moral organization; a highly competent and lowly moral organization (e.g. an organization that is successful in selling harmful products, such as cigarettes); or a lowly competent and highly moral organization (e.g. a charitable organization that aims to help individuals in need but is not very effective). In business the main purpose of organizations is to make profit by selling a product, where acting ethical is of secondary importance (Maric et al., 2011). It follows that companies sometimes use unethical procedures in their producing process or sales of an unethical product. Doing so, at the benefit of the organization, may on the other hand harm the public benefit. Research has not yet addressed the effects of organizational competence and organizational morality in combination with each other, nor focused on the effects on employee job attitudes and work motivation of trade-offs that organizations make. A preliminary study (Maric et al., 2011) examined whether employees felt the responsibility to report unethical deeds of their highly competent yet immoral organization. The research showed that the employees understand the overall concept of morality, and acknowledge the importance of morality in business life. However, the study also showed that employees regularly are not aware of the immoral behaviours of their organization (Maric et al.,

2011). Nevertheless, when the immoral actions of the competent organization do become public (e.g. via actions of journalists), it is important to have an understanding of how employees of the organization will react.

In the current research it will be examined to what extent organizations can be classified on the basis of organizational competence and organizational morality, and if these different types of organizations lead to differences in organizational perception and work attitudes of employees. In line with the research on the relative importance of organizational morality versus organizational competence (Van Prooijen & Ellemers, 2015), we predict:

**H4a:** Employees working for an immoral competent organization consider their organization as less prestigious, than employees working for a moral, but less competent organization.

**H4b:** Employees working for an immoral competent organization are less likely to promote the organization via positive word-of-mouth behavior, than employees working for a moral, but less competent organization.

**H4c:** Employees working for an immoral competent organization demonstrate less organizational citizenship behavior, than employees working for a moral, but less competent organization.

#### *Moral disengagement*

While organizational morality is considered a favourable aspect of organizations, and low organizational morality is regarded to negatively affect the job attitudes and work motivation of employees, it also is the case that on a daily basis numerous workers continue to perform work for organizations that have a negative reputation and/or work practices that are immoral (e.g., selling harmful products, harming and repressing others, etc.). It is researched by Ashfort and Kreiner (1999) that employees who perform work with a physical, social or moral taint, are not affected by the “dirtiness” of the work due to social creativity (e.g., reframing). It could therefore be possible for individuals to take moral distance from organizational behaviour they consider to

be 'bad' (Bandura, 1999). Moral disengagement is a self-regulatory process which makes it possible for individuals to not experience for example feelings of guilt when they are acting immoral or when they make unethical decisions (Detert, Sweiter & Klebe Treviño, 2008) or when they are working for an immoral group or organization. In other words, it is possible for employees to take moral distance of unethical procedures and results of their organization, so they will be able to still work for an immoral organization without evaluating their selves negatively. According to Bandura (1999) moral disengagement takes place via different cognitive mechanisms of which moral justification, displacement of responsibility, diffusion of responsibility, distortion of consequence and attribution of blame are relevant for the current research.

Moral justification occurs, when an individual wants to morally justify his or her immoral behaviour. By moral justification one makes the immoral behaviour acceptable for oneself (Bandura, 1999). In case of displacement of responsibility and diffusion of responsibility the individual reduces his or her responsibility toward the damage that one has caused. In both mechanisms individuals are aware of their harmful behaviour, but they shift the responsibility towards others (Bandura, 1999). The displacement of responsibility mechanism makes individuals attribute the responsibility for their behaviour to their executives or another person in charge instead of to themselves (Bandura, 1999; Moore, 2008). The diffusion of responsibility mechanism occurs when an individual attributes an immoral decision to different group members, so that he or she is not personally responsible. This mechanism can ensure that in the end the responsibility diminishes, because nobody feels personally responsible for the harm. (Bandura, 1999; Moore, 2008)

In case of the other cognitive mechanisms, it is not about consciously acting immoral and replacing the responsibility, but about reframing the behaviour so that the personal harm is minimized. (Moore, 2008) By distortion of consequences one is aware of the harmful behaviour, but avoids to be confronted with the caused damage. When this mechanism is activated the

individual will avoid facing the caused harm in all ways (Bandura, 1999). Finally, by attributing blame the individual attributes the blame of the harmful behaviour to for example the victim. (Detert, Sweiter & Klebe Treviño, 2008)

These different forms of moral disengagement can influence the way in which employees cope with immorality of their organization. This moral disengagement can thus have a moderating effect on the influence that immorality of organizations has on organizational perception and work attitude of employees. We thus hypothesize:

**H5:** Among negative employees, the effect of immorality of an organization on perceived organizational prestige (H5a), positive word-of-mouth behavior (H5b) and organizational citizenship behavior (H5c) of employees is moderated (i.e. weakened) by moral disengagement.

## **Method**

### *Research participants & design*

130 persons participated in the experiment for either a reward in the form of course credits or money. Eventually the data of 24 participants was not useful since they were not enrolled in university, so they were removed from the study. The final amount of participants is 106 students, which consisted of 85 women and 21 men (mean age = 22.16, SD = 6.30). The distribution over the conditions varied between 24 participants and 28 participants per condition. A two-by-two (organizational morality low/high; organizational competence low/high) factorial between subjects design was used.

### *Procedure*

The experiment took place in a research lab at the Faculty of Social Sciences of Leiden University. The lab consisted of eight separate rooms with a computer in each room. The task was performed on a computer. The sessions started each hour and a minimum of one and a maximum

of eight students were able to participate each session. The experiment lasted fifteen to twenty minutes. Before the experiment took place the participants received an informed consent, which had to be signed. After the session the participants were debriefed and received the reward (course credits or a small financial compensation).

The experiment consisted of a questionnaire on the Internet, which participants had to complete in the lab. First the participants were asked for general relevant information, such as gender, age, student number and work experience. These questions were partly asked in a multiple-choice format and partly asked in an open question format.

After the general part, the participant was presented a scenario that placed the participant in the role of employee working for a Dutch car company called '*AutoTech*'. Within this company the participant was operating at the '*Innovation & Development*' department. At this department the participant was responsible for the addition of innovative features to the cars.

After this introduction the participants were assigned to one of four conditions. The manipulation of morality was performed in two different scenarios: high morality and low morality. In the high morality condition participants received a scenario in which AutoTech was presented as an environmentally friendly organization, which focused on sustainability. In the high morality condition it was emphasized that AutoTech is a moral organization because it acts fair and just to the environment. In contrast, in the low morality condition participants had to read the scenario in which AutoTech was described as an environmentally unfriendly organization that doesn't care about pollution and continues to produce cars that are harmful to the environment.

To convey the competence of the organization two scenarios were used: high competence and low competence. In the high competence condition participants had to read a scenario of AutoTech as a very successful and competent organization. In the low competence scenario AutoTech on the contrary was described as an organization that is not successful and doesn't sell enough cars due to high competition and lack of innovative technologies.

Subsequent to the manipulations were manipulation checks. These manipulation checks were measured with items on seven-point Likert scales, with 1 suggesting ‘completely disagree’ and 7 suggesting ‘totally agree’.

### *Dependent measures*

To measure organizational prestige, the scale of organizational prestige of Fuller and colleagues (2006) was used. The items of the scale were adjusted to the organization that was used in this experiment. The items that were used were: “I think that AutoTech has a good reputation in the society”, “I think that AutoTech has a good image” and “I think that AutoTech makes a positive contribution to society”.

To measure the willingness to promote the organization the worth-of-mouth scale of Jin Feng Uen and colleagues (2015) was used. This four-item scale is based on the worth-of-mouth scale of Srinivasan, Anderson and Ponnnavolu (2002) and was originally focused on e-commerce. The items of the scale were adapted to an organizational context. For example the items: “How likely is it that you would recommend AutoTech to your friends as a nice place to work?” and “How likely is it that you would recommend to your friends to work for AutoTech?” were used to measure the willingness of employees to promote the organization.

Citizenship behaviour was measured with the scale developed by Van Dyne and Lepine (1998). Since the items of this scale were developed for general organizational purposes some small adjustments were made to make sure the items would fit the subject of the experiment (e.g. “This particular co-worker volunteers to do things for this work group” was changed into “I am willing to work voluntary for AutoTech”).

To measure Moral Disengagement the scales of Detert (2008) were used. To develop the items for this experiment the items of the scale of Detert (2008) were adjusted to be usable in the current research. For example, the item “Teasing someone does not really hurt them” was changed into “Selling cars is not really very bad for the environment” and “Sharing test questions

is just a way of helping your friends” was changed into “Selling polluting cars is just a way of helping your family”. For this study the scales that were used were: Moral Justification, Displacement of Responsibility, Diffusion of Responsibility, Distortion of Consequences, Advantageous Comparison, Euphemistic Labelling and Attribution of Blame. These scales were combined into a Moral Disengagement Total Scale.

## **Results**

### *Factor analysis, reliability analysis & correlation analysis*

A factor analysis was performed to examine item patterns and to inspect whether scales did not overly overlap. For the outcome variable prestige the different items all scored highly ( $> .80$ ) on the same component. All the items of the variable citizenship behavior scored highly ( $> .70$ ) on the same component, except for the item “I would work for AutoTech voluntary” which scored  $>.40$  on that particular component. The items of the variable promoting the organization all scored high enough ( $> .60$ ) on the same component. However, the items of the variable promoting the organization also scored on the variable citizenship behavior. Additionally, a forced three fixed factor analysis showed the underlying pattern of the three different scales organizational prestige, word-of-mouth behavior and citizenship behavior of employees.

To examine the reliability of the different scales the Cronbach’s Alpha were calculated. The Cronbach’s Alpha of the experienced morality scale was .94 (3 items), which indicated a highly reliable scale. For the experienced competence scale the Cronbach’s Alpha was .91 (3 items), so this made this scale highly reliable as well. Besides, the Cronbach’s Alpha for prestige was .90 (3 items), which meant that the scale of prestige was highly reliable. The citizenship behavior scale was highly reliable as well, since the Cronbach’s Alpha was .93 (8 items). This also counted for the promotion of the organization scale, of which the Cronbach’s Alpha was .94 (4 items). Thus, the internal consistency of the scales was high enough to proceed.

To check whether there were significant associations between model variables, the correlations were calculated and inspected.

**Table 1. Correlation matrix**

	Morality	Competence	Organizational Prestige	Citizenship Behavior	Promote the Organization
Morality	1				
Competence	.06	1			
Organizational Prestige	.74***	.32**	1		
Citizenship Behavior	.01	-.21*	.08	1	
Promote the organization	.49***	.17	.63***	.42***	1

\*  $p < .05$ . \*\*  $p < .01$ . \*\*\*  $p < .001$ .

The morality manipulation correlated highly with the experienced morality ( $r = .59, p < .001$ ) and less with the experienced competence ( $r = .47, p < .001$ ). The competence manipulation correlated highly with the experienced competence ( $r = .52, p < .001$ ), but didn't correlate with the experienced morality ( $r = .01, p = ns$ ).

Furthermore, as shown in Table 1, there was a highly positive correlation between organizational morality and prestige of the organization ( $r = .74, p < .001$ ) and there was a positive correlation between organizational morality and the willingness of employees to promote the organization ( $r = .49, p < .001$ ). However there was no correlation between organizational morality and citizenship behavior of employees ( $r = .01, p = ns$ ). Besides, there was a positive correlation between organizational competence and prestige ( $r = .32, p < .01$ ) and a marginal positive correlation between organizational competence and the willingness to promote the organization ( $r = .17, p < .10$ ). Moreover, there was a negative correlation between organizational competence and citizenship behavior of employees ( $r = -.21, p < .05$ ).

Since model variables correlated, we continued the research.



### *Manipulation checks*

To check whether the manipulations had effect a one-way ANOVA was performed. The participants assigned to the low organizational morality condition ( $M = 3.60$ ,  $SD = 1.46$ ) experienced less organizational morality than the research participants assigned to the high organizational morality condition ( $M = 5.39$ ,  $SD = .95$ ),  $F(1,104) = 56.13$ ,  $p < .001$ ,  $\eta^2 = .35$ . The participants of the low competence condition ( $M = 3.50$ ,  $SD = 1.45$ ) experienced less organizational competence than the participants assigned to the high organizational competence condition ( $M = 5.13$ ,  $SD = 1.26$ ),  $F(1,104) = 38.00$ ,  $p < .001$ ,  $\eta^2 = .27$ . Thus, the manipulations of organizational morality and organizational competence were effective.

One-way ANOVA's also were used to check whether the manipulations influenced each other. There turned out to be no significant effect of the organizational competence manipulation on the experienced organizational morality,  $F(1,104) = .01$ ,  $p = ns$ . However, there was a significant difference between the participants assigned to the low organizational morality condition ( $M = 3.55$ ,  $SD = 1.60$ ) and the high organizational morality condition ( $M = 5.02$ ,  $SD = 1.58$ ) in terms of experienced organizational competence,  $F(1,104) = 28.88$ ,  $p < .001$ ,  $\eta^2 = .22$ . Thus the organizational competence manipulation did not influence the experience of organizational morality of subjects, but the organizational morality manipulation did influence the experience of organizational competence of subjects. Yet the effect of the organizational competence manipulation on perceived organizational competence was stronger than the effect of the organizational morality manipulation. In sum, it was concluded that the manipulations of organizational morality and organizational competence had worked sufficiently.

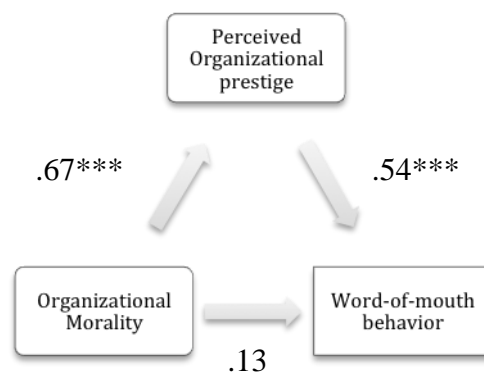
### *Effects of organizational morality and organizational competence*

It was predicted that organizational morality has a positive effect on perceived organizational prestige (H1a). This prediction was supported by the data. There was a significant difference between the means of the employees assigned to the low morality condition ( $M = 2.90$ ,  $SD =$

1.29) and the employees assigned to the high morality condition ( $M = 5.43, SD = 1.01$ ),  $F(1,104) = 126.23, p < .001, \eta^2 = .55$ . Thus, employees that work for an immoral organization experience less organizational prestige than employees working for a moral organization.

Additionally, it was predicted that organizational morality has a positive effect on the word-of-mouth behavior of employees (H1b) and organizational citizenship behavior of employees (H1c), via perceived organizational prestige. There was an effect of organizational morality on the willingness of employees to promote the organization,  $F(1,104) = 32.06, p < .001$ . Which means that employees of a low moral organization ( $M = 3.63, SD = 1.47$ ) were significantly less willing to promote their organization than employees that work for a highly moral organization ( $M = 5.08, SD = 1.16$ ). The mediation analysis showed full mediation of organizational morality on word-of-mouth behavior of employees, via organizational prestige,  $\beta = .37, p < .001$ , which is shown in *figure 1*. An additional bootstrap analysis as prescribed by Hayes (2013) confirmed that only the indirect effect of organizational morality on word-of-mouth behavior was significant, since the confidence interval did not include 0 ( $LLCI = .20, ULCI = .54$ ).

**Figure 1. Mediation model of Organizational Morality on Word-of-mouth behavior**



\*  $p < .05$ . \*\*  $p < .01$ . \*\*\*  $p < .001$ .

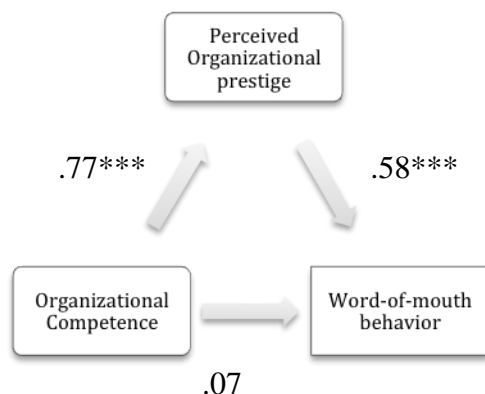
The data showed no support for the expectation that organizational morality affects the organizational citizenship behavior of employees,  $F(1,104) = .02, p = ns$ . So, according to the

data the morality of the organization has no effect on the organizational citizenship behavior of the employees of the organization. Moreover there was no effect of organizational prestige on citizenship behavior of employees,  $F(1,104) = .66, p = ns$ , which indicates that experienced organizational prestige does not influence the citizenship behavior of employees.

In conclusion, employees of a moral organization perceive organizational prestige and are more willing to promote the organization, however, organizational morality and organizational prestige did not affect the organizational citizenship behavior of employees.

Furthermore, a positive effect was predicted of organizational competence on organizational prestige (H2a). This prediction was supported by the data. An ANOVA showed a significant effect of organizational competence on organizational prestige,  $F(1,104) = 11.85, p = .001, \eta^2 = .10$ , and the predicted difference between the participants that were assigned to a low organizational competence condition ( $M = 3.65, SD = 1.89$ ) and the participants that were assigned to the high organizational competence condition ( $M = 4.74, SD = 1.30$ ) in the extent to which they experienced organizational prestige. Furthermore it was predicted that organizational competence affects the willingness to promote the organization (H2b) and organizational citizenship behavior of employees (H2c) positively, via perceived organizational prestige. There was a marginal significant difference between participants assigned to the low organizational competence condition ( $M = 4.13, SD = 1.53$ ) and participants assigned to the high organizational competence condition ( $M = 4.62, SD = 1.44$ ) when it comes to willingness of employees to promote the organization,  $F(1,104) = 2.94, p < .1, \eta^2 = .03$ . The mediation analysis showed a significant full mediation effect of organizational competence on word-of-mouth behavior via perceived organizational prestige,  $\beta = .45, p < .001$ . The effect is shown in *Figure 2*. Additional bootstrap analysis as prescribed by Hayes (2013) confirmed that only the indirect effect of organizational competence on word-of-mouth behavior was significant, since the confidence interval did not include 0 ( $LLCI = .23, ULCI = .62$ ).

**Figure 2. Mediation model of Organizational Competence on Word-of-mouth behavior**



\*  $p < .05$ . \*\*  $p < .01$ . \*\*\*  $p < .001$ .

Furthermore, a significant effect was found of organizational competence on citizenship behavior of employees,  $F(1,104) = 4.81$ ,  $p < .05$ ,  $\eta^2 = .04$ . There thus was a significant difference in the willingness to show organizational citizenship behavior between participants that were working for a low competent organization ( $M = 4.87$ ,  $SD = .93$ ) and participants that were working for a highly competent organization ( $M = 4.35$ ,  $SD = 1.47$ ). However the effect was not mediated by perceived organizational prestige.

All in all, the data supported the hypothesis that there is an effect of competence on the perceived prestige of the organization and the willingness to promote the organization, via organizational prestige. Employees of a highly competent organization perceived a greater organizational prestige in comparison with employees of a low competent organization. Besides, employees in a highly competent organization were more willing to promote the organization than employees of a low competent organization. Additionally, organizational competence affects organizational citizenship behavior of employees, which indicates that employees of a highly competent organization show slightly less citizenship behavior than employees of a low competent organization. This, however, is not in line with the hypothesis.

### *Effects of organizational morality versus organizational competence*

It was predicted that the effect of organizational morality is stronger than the effect of organizational competence on organizational prestige (H3a).

Firstly, a factorial ANOVA was performed. The two-way ANOVA showed that the F value of organizational morality ( $F(1,102) = 155.33, p < .001, \eta^2 = .52$ ) is larger than the F value of organizational competence ( $F(1,102) = 23.86, p < .001, \eta^2 = .08$ ), which indicates that the effect of organizational morality was stronger than the effect of organizational competence on the experience of employees of organizational prestige. Additional to the ANOVA, a Hierarchical Regression Analysis showed in Step 1 that the effect of organizational morality on the perceived prestige of the organization is significant ( $\beta = .74, p < .001$ ), and in Step 2 of the Hierarchical Regression Analysis the effect of organizational morality ( $\beta = .73, p < .001$ ) on perceived organizational prestige turned out to be stronger and more significant than the effect of organizational competence ( $\beta = .28, p < .001$ ). Thus, the prediction that organizational morality is a stronger predictor of perceptions of organizational prestige than organizational competence is supported by the data.

It also was expected that the effect of organizational morality is stronger than the effect of organizational competence on willingness to promote the organization (H3b).

The two-way ANOVA revealed that the effect of organizational morality on the willingness to promote the organization ( $F(1,102) = 31.60, p < .001, \eta^2 = .22$ ) was stronger than the effect of organizational competence on willingness of employees to promote the organization,  $F(1,102) = 2.82, p < .1, \eta^2 = .02$ . Furthermore, Step 1 of the Hierarchical Regression Analysis showed that organizational morality was a significant predictor ( $\beta = .49, p < .001$ ) of the willingness to promote the organization. Step 2 of the Hierarchical Regression Analysis showed that the effect of organizational morality ( $\beta = .48, p < .001$ ) on willingness to promote the organization was stronger than the effect of organizational competence ( $\beta = .14, p = .11$ ). As hypothesized, the

effect of organizational morality is stronger than the effect of organizational competence on the willingness of employees to promote the organization.

Lastly, we predicted that the effect of organizational morality on organizational citizenship behavior is stronger than the effect of organizational competence (H3c).

The two-way ANOVA revealed that only organizational competence has a significant effect on citizenship behavior,  $F(1,102) = 4.74, p < .05, \eta^2 = .04$ . There was no significant main effect of organizational morality on citizenship behavior,  $F(1,102) = .07, p = ns$ . The Regression Analysis also showed that only the effect of organizational competence was significant ( $\beta = -.21, p < .05$ ). Even though it was predicted that organizational morality would have a stronger effect than competence on the willingness of employees to show citizenship behavior, the data didn't support the prediction. For employees the organizational competence is thus the only predictor of their willingness to demonstrate citizenship behavior.

#### *Effects of types of organization*

We predicted that employees who work for an immoral but competent organization consider their organization less prestigious than employees of a moral but incompetent organization (H4a). This prediction was supported by the data. An independent-samples t-test showed that there was a significant difference in amount of experienced organizational prestige between the employees that were working for a moral but low competent organization ( $M = 5.26, SD = 1.12$ ), and employees that were working for an immoral competent organization ( $M = 3.76, SD = .98$ ),  $t(48) = 4.99, p < .001$ . This indicates that employees that work for an immoral, but competent organization consider their organization as less prestigious than employees that work for a moral, but less competent organization.

Further, we predicted that employees that work for a low moral, but highly competent organization are less likely to promote the organization than employees of a moral, but incompetent organization (H4b). A t-test showed that there was a significant difference in amount

of willingness to promote the organization between participants working for a low competent but moral organization ( $M = 5.09$ ,  $SD = 1.08$ ), and participants that work for an immoral, but competent organization ( $M = 4.09$ ,  $SD = 1.49$ ) for the willingness of employees to promote the organization,  $t(48) = 2.717$ ,  $p < .01$ . Thus, the willingness of employees to promote the organization decreased when they worked for an immoral, highly competent organization relative to a high moral, but low competent organization.

Lastly it was predicted that employees working for an immoral, but highly competent organization are less likely to show citizenship behavior than employees of a moral, but incompetent organization (H4c). For this prediction the t-test showed that there was a marginal significant difference between the participants assigned to a highly moral, but low competent organization ( $M = 4.94$ ,  $SD = 1.02$ ) and the an immoral, but highly competent organization ( $M = 4.35$ ,  $SD = 1.43$ ) in the likeliness to show citizenship behavior,  $t(48) = 1.682$ ,  $p < .1$ . This indicated that employees of an immoral, but highly competent organization showed less citizenship behavior than employees of a moral, but low competent organization.

#### *The role of moral disengagement*

Furthermore, it was expected that employees that work for an immoral organization experience less prestige (H5a), willingness to promote the organization (H5b) and organizational citizenship behavior (H5c) unless they take moral distance.

To test these hypotheses a moderation analysis was performed (Hayes, 2013). The moderation analysis showed that the hypotheses were not supported by the data.

For experienced prestige of the organization a regression analysis showed that the model was significant,  $F(3,102) = 46.38$ ,  $p < .001$ . Moreover, the effect of organizational immorality on prestige was significant as well ( $\beta = -3.19$ ,  $p < .001$ ). However, the effect of the moderation interaction (immorality X moral disengagement) was not significant ( $\beta = .17$ ,  $p = ns$ ). The same was the case for the effect of organizational immorality on the willingness to promote the

organization. The regression model was significant,  $F(3,102) = 12.11, p < .001$ . The effect of organizational immorality on the willingness to promote the organization was marginal significant ( $\beta = -2.33, p < .10$ ). Nevertheless, there was no interaction effect (immorality X moral disengagement) since the interaction coefficient was not significant ( $\beta = .23, p = ns$ ). As organization (im)morality did not affect organizational citizenship behavior, Hypothesis 5c was not supported.

It can thus be concluded that moral disengagement didn't reduce the effect of immorality on experienced organizational prestige and willingness of employees to promote the organization, when employees were working for an immoral organization

## **Discussion**

The research results showed that organizational morality and organizational competence affect organizational outcomes (i.e., organizational prestige, positive word-of-mouth) in the predicted way, and that organizational morality is a stronger predictor of perceived organizational prestige and willingness to promote the organization than organizational competence. Furthermore, the research showed that employees of an organization that is highly skilled, but acts immoral perceive less organizational prestige and are less willing to promote the organization than employees that work for a moral organization that is less skilled. Finally, moral disengagement was not found to moderate (weaken) the effect of organizational immorality on the experienced organizational prestige, willingness to promote the organization, and citizenship behavior of employees. What are the theoretical and practical implications of these findings, and the limitations and suggestions for further research?

### *Theoretical implications*

Many researchers and business professionals consider organizational competence as the most important predictor of organizational outcomes. Recently, researchers (e.g., Van Prooijen &



Ellemers, 2015) have started to argue that blind pursuit of organizational competence and success can backfire upon the organization, and reasoned that organizational morality is a stronger predictor of employee job attitudes and work motivation than organizational competence. The current study examined the relative importance of organizational morality and organizational competence, because to date only preliminary research in the context of organizations has been conducted (i.e., Van Prooijen & Ellemers, 2015; Ellemers et al., 2011) or studies were conducted in natural groups (e.g., Ellemers et al., 2008). To extend previous findings, the current research focused on effects of organizational morality versus organizational competence on new outcome variables, namely perceived organizational prestige, willingness of employees to promote the organization, and citizenship behavior of employees. The current study thus contributes to the literature, because it extends findings of Ellemers et al. (2011; Van Prooijen & Ellemers, 2015) and shows that organizational morality, beyond organizational competence, positively affects job attitudes and indicators of work motivation of employees that were previously unaddressed.

Furthermore, this study represents a contribution to the literature, because it introduced the idea that organizations can be classified by in terms of their competence and morality, and that combinations of organizational competence plus organizational morality should affect the job attitudes and work motivation of employees. Indeed organizations can for instance be characterized by low organizational morality and high organizational competence at the same moment (e.g., in case a company that is successful in selling a product that is harmful for the environment). In other words, we argued that organizational competence and organizational morality are unique features of organizations that are not perceived as secluded from each other, but that can be perceived simultaneously by employees. In this way, profiles of organizations were constructed, and the effects of profiles on organizational prestige, employee worth-of-mouth behavior and organizational citizenship behavior were examined, and significant effects were observed. This represents a new approach to examining positive features of organizations, and hence this research contributes to the literature.

Lastly the study added some insights in the role of moral disengagement in the relation between on the one hand immorality of organizations and on the other hand the perceived prestige, willingness to promote the organization and citizenship behavior of employees. Whereas moral disengagement has been studied in contexts of decision making (Detert, Sweiter & Klebe Treviño, 2008) and the perpetration in immoral activities (Bandura, 1999), there had not been any research conducted on the effect of moral disengagement on employees of organizations that act immoral. Unlike previous findings that moral disengagement plays a key role in immoral decision making (Detert, Sweiter & Klebe Treviño, 2008), moral disengagement didn't reduce the effect of immorality on perceived organizational prestige that an employee experiences, and the worth-of-mouth behaviour of employees. However, the non-significant effect may have resulted from the fact that the outcome variables organizational prestige and worth-of-mouth behaviour that were measured were focused on the organizational image to outsiders of the organization. It thus can be reasoned that moral disengagement weakens effects of organizational immorality on for instance pride, which is focused on internal employee experience of the organization. Despite of the fact that there was no moderating effect of moral disengagement on our organizational outcomes, the current research introduced the idea of effects of moral disengagement in immoral organizations.

### *Practical implications*

Besides the theoretical contributions of the study, it also is of great practical use in organizations. The study demonstrated that morality is a stronger predictor of perceived organizational prestige and word-of-mouth behavior of employees than organizational competence. It is thus of great importance for organizations to display organizational morality to employees. As Ellemers and colleagues (2011) stated in their study, perceptions of Corporate Social Responsibility (CSR) activities by the organization increase perceived morality of employees. CSR practices can for example involve ethical behavior as displayed by care for the environment or community

involvement (Ellemers et al., 2011). It thus can be useful for organizations to involve CSR in their policies to increase the experienced organizational morality by employees, which will lead to a greater sense of prestige of the organization and more willingness of employees to promote the organization. For organizations it is beneficial when their employees experience the organization as prestigious, because of effects perceived organizational prestige has on positive word-of-mouth. Indeed, it regularly is profitable for organizations when their employees promote the organization.

#### *Limitations of the research and implications for future research*

There are limitations of the current research that have to be considered. First of all, the study took place among students in a laboratory. The participants of the study were all highly educated students with age between 18 and 27 of which 85 were women and 21 were men. This sample is just a small reproduction of the whole working population, so that can cause weak external validity. External validity is described by Calder, Phillips and Tybout (1982) as the extend to which results can be generalized to other situations, people and places. It can be questioned whether the same results would arise when the study was reproduced in a different environment, on a different time with another sample (for example with lower educated middle-aged people). Moreover it can be questioned whether these results can be generalized from a student population to a working population in an organization. In order to overcome this issue, we asked whether the participants had a (part-time) job before they received the manipulations and questionnaires. 67.3 percent of the participants indicated to work (part-time), so it can be assumed that the greatest part of the participants is familiar with working in an organization. Consequently, additional research has to be done to examine the validity and generalizability of the research findings.

A second limitation of the current research is that there hasn't been measured actual behavior. Since this study was conducted in a laboratory in which participants had to read a scenario, the answers that were given on the asked questions only show their intention to perform certain

behavior. However, these intentions are still very valuable for the study of behavior in organizations. The experiment was designed in such a way that participants had to emphasize with the scenario and some control questions were asked to check whether the participants understood the organizational situation they were in. These intentions thus come close to the real behavior the participant would demonstrate. However it would be valuable to further research the behavior of employees in organizations to validate the results of current research.

There are also some implications for further research. First of all, it could be useful to research sociability as a positive trait of an organization besides competence and morality. As evident from Leach et al. (2007), sociability is also a positive feature of organizations. Thus, it remains to be researched whether organizational morality is a stronger predictor of employee job attitudes and work motivation than organizational sociability.

Further, it might be interesting to examine additional mediating and moderating variables that might play a role in effects of organizational morality on outcomes. Since organizational prestige as mediator is focused on how employees think others evaluate the organization it would be valuable to research a mediator that is focused on how employees themselves evaluate their organization, for instance by researching organizational pride as a mediating mechanism. Furthermore, it would be interesting to examine the effect of organizational morality on job commitment or work motivation. There is some evidence that for example that there is a positive relation between job commitment of employees and efficient time use (Allen & Meyer, 1990). Researching other organizational outcomes will thus contribute to practical implications for organizations.

Lastly, researchers are encouraged to further examine the role of moral disengagement in effects of organizational (im)morality, since theory and multiple studies make clear that moral disengagement can lead individuals to engage in and/or lend assistance to immoral acts.

**In conclusion**

It is thus important for organizations to focus on morality and ethical behavior besides being competent and highly skilled. We thus recommend organizations to adopt organizational morality as a guiding feature for the organization. Further research should show the effect of moral disengagement on other factors of organizational perception of employees, and the influence of positive traits of organizations on the experience and behavior of their employees.

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