

ASSESSING AND ACQUIRING ETHICAL LEADERSHIP COMPETENCE¹

Iordanis Kavathatzopoulos

Uppsala University

Dept. of IT-HCI

Box 337

751 05 Uppsala, Sweden

Tel: +46184716894

Fax: +47118511925

e-mail: iordanis@it.uu.se

URL: www.uu.se

About the author: Iordanis Kavathatzopoulos is a Professor at the Department of Information Technology, Human-Computer Interaction, Uppsala University, Sweden. He got his PhD in Psychology and he is also Docent in Psychology. His main research interests are in the areas of Ethical Competence, Ethical Training and Assessment, Information Technology Ethics, Ethical Usability and Ethical Autonomous Systems. Prof. Kavathatzopoulos has developed education programs for the training of ethical competence of professional decision makers, and he has constructed special tests for the assessment of ethical problem-solving and decision-making ability. He has constructed tools, methods and computerized instruments to be used in designing of ethically usable IT systems and supporting decision makers in real-life ethical issues. Leaders and professionals from the areas of business, politics, and research have been trained using the methods and tools for ethical competence. Private corporations and government organizations have repeatedly applied the tools to support decision-making, to map organizational needs in ethics, and to assess the ethical competence of their employees.

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ABSTRACT

Leaders need the ability to handle any moral problem that may arise during their professional activities; they need ethical competence. Ethical skill is, in psychology and in accordance to the classical philosophical position, understood as the basis and the aim of ethical competence of leaders. Based on that, we can construct valid assessment tools and training programs that support the acquisition and use of ethical competence and skills.

1. INTRODUCTION

In our changing global world, where we have an increasing lack of moral guidance and where we feel a greater need for knowing how to do the right thing, ethical competence stands out as an important matter to focus our interest on. Especially in the area of professional life it is necessary, for leaders as well as for organizations, to have the ability to handle all kinds of moral problems that may arise during any business or work activity. Failure to address moral issues properly may have a significant impact in the area of organizational life and business affecting profits, image, and public relations as well as work environment, employee relations and intra-organizational processes.

Leaders are needed to take care of this. They have to produce working solutions and guide others to follow the right way. Competence to handle moral problems in a satisfying way is therefore very important for any responsible leader and for all kinds of private and government organizations. Since antiquity classical philosophy has maintained that ability to be a leader to oneself, i.e., a governor, *κυβερνήτης*, is a presupposition to be a leader for others (Πλάτων [Platon], 1992a). Education in business ethics should equip future professionals and support current leaders with the skill to make difficult decisions. Ethical competence is therefore the most important goal of training and support programs in business ethics. We need reliable and effective methods to stimulate and support leaders' ethical competence, and here some ideas are presented and discussed on how to be successful with this important task. Essentially the study of ethical competence implies an attempt to describe and assess psychological processes or functions aimed at the handling of moral problems: How leaders reason in front of moral problems, how they solve these problems, and how they make their decisions. Are there good and less good ways to reason about a moral problem? Can we train leaders to be more competent in handling moral problems, and can we assess the need or evaluate the outcome of training?

When we are facing a moral problem we first try to use an automatic way of handling it, we follow either our feelings or an authority. To be critical, self-critical, systematic or dialectic is not something we do easily. Still, ethics demands personal skills and suitable organizational processes, not only the feeling of doing the right thing. Rational solving of moral problems seems to be difficult.

Real-life moral problems are often accompanied by strong emotions, which is not usually the case with e.g. technical problems. It is therefore difficult for a problem-solving process, loaded with many strong feelings, to find the right emotional balance and be objective and rational.

Solutions to moral problems are much more controversial than solutions to other kinds of problems, since it is difficult to agree on the context-dependent definition of 'right' and 'wrong'. Persons or groups that benefit from some moral principle often find it morally right, whereas those who do not benefit from it might regard the same principle as being morally wrong. Facing a personal moral dilemma implies that arguments for and against a certain moral principle can be concurrently valid in the thoughts of one and the same individual.

Solutions to moral problems may be in conflict with other moral values pertaining to the same situation. Then a leader has to choose one principle over the other. Moreover, under certain conditions, even double standards and hypocrisy may be morally necessary for a leader who aims to be successful and effective.

Authority affects ethical problem solving and decision making significantly. Obedience to authority implies non-rational or heteronomous thinking, and our proneness toward obedience is so strong that we can even do things that we find morally wrong. Individuals in groups or in organizations conform easily to the majority, and they adopt more extreme positions when they are in a group together with other like-minded people. Decision making in authoritarian, insulated, cohesive and stressful groups suspends critical and systematic thinking, the so-called groupthink phenomenon.

The content of moral statements dominates our moral perception and hinders investigation of the process of creation of the same moral statements. Usually we react directly to the content of a moral statement by accepting it if we agree and by rejecting it if we disagree. It is difficult for us to focus on the procedure behind a moral solution. On the other hand, regarding the acceptance of logical or technical statements it is easier to focus on methodological aspects.

All the above conditions increase the complexity of moral problem solving. The way people solve every-day moral problems is far from being fully rational. It would therefore be

necessary to support rational ethical thinking, problem solving and decision making, especially for persons who are expected to provide working solutions and who lead other people.

However important the solution of a moral problem may be, ethics is about making a choice. Consequently, the interesting aspect is how the choice is made, or not made; whether it is made in a bad or in a good way. The focus here is on how, not on what; on the process not on the content. Indeed, regarding the effort to make the right decision, philosophy and psychology point to the significance of focusing on the process of ethical decision making rather than on the normative content of the decision.

2. THE SKILL TO MAKE THE RIGHT DECISION

The philosophical position of ethics as a choice, which focuses on the way choices are made and on the skills involved, starts from the Socratic dialog, one of the most important methods to philosophize. In the Socratic dialog we see that *aporia* (lack of knowledge, a state of puzzlement, confusion, doubt) is the goal rather than the achievement of a solution to the problem under investigation. Reaching a state of no knowledge, that is, throwing aside false ideas, opens up for the right solution. Uncritical acceptance of any idea channels the process of leader's thinking to uncontrolled directions. The issue here for the philosopher or the leader is to avoid this risk and to help himself/herself and the other person in the dialog to think in the right way (Πλάτων [Platon], 1981, 1992b).

Thinking in the right way is not easy and apparently the ability to do so has been supposed to be the privilege of the few able ones, *aristoi* or *philosophoi* (Πλάτων [Platon], 1992a).

According to the Platonic theory these people were supposed to be and act as the leaders of society because they had the skill to make decisions; not because they had the right answers, but because they could find the right answers. They can use the right tools to examine and discard any false idea, i.e. they are able to philosophize. What is of interest here is that the basis of division between leaders and followers in *politeia* was neither heritage or wealth or religion, but skill alone. For example, one of the main duties of these leaders was to search for gifted children and train them to be the future leaders.

We can see the same way of thinking in the Aristotelic theory. Here we meet a more pragmatic and realistic approach to the issue of ethics and leadership, and the main issue is the ability of citizens to participate in politics. Many different skills are necessary for one to be a successful political person, but one is the most important virtue, *phronesis* ('Αριστοτέλης [Aristoteles], 1975). This virtue, *arete*, is a presupposition for all other virtues; it is the virtue

of criticism, self-criticism, reflection and wisdom; it is the basis of philosophizing and it refers only to itself.

The view of ethics as a process of thought, solving moral problems and of creating moral knowledge, and consequently the focus on the ability to maintain this process in the right way, can be traced throughout the whole history of philosophy until today. Kant captured and expressed it very clearly in his theory. The solution of a moral problem can be found in the basic principle behind it, which is *synthetic a priori*. Thinking is necessary to achieve this; thinking that is independent of external or irrelevant causes, i.e., *autonomous* thinking. It is thinking that demands the decision maker's rational capacities. When people are free from false illusions and have the necessary skills they can use the right method to find the right solution to their moral problems (Kant, 2006).

What is suggested by philosophy, when a moral problem has to be solved, is to try to run the process of problem solving in the right way, as it is prescribed by the classical philosophers. If this condition is satisfied it will be possible to find the most suitable solution to the moral problem at hand. What is needed then is ability on the part of the owner of the moral problem. And this philosophical position has been expressed in psychological terms and it has been studied with psychological methods.

Ethical skill as a psychological construct, and in accordance to the philosophical position, is understood as the basis and the aim of ethical competence of leaders at personal and organizational levels.

3. ETHICAL COMPETENCE

When people face a moral problem they have great difficulties in not confusing moral goals, values, feelings and emotions with the problem-solving and decision-making processes and the methods adopted for the solution of the problem. Usually, they do not clearly see the context of the problem, nor do they analyze it in the same way they often do with problems of nature. In psychological theory this is described as the moral phase of heteronomy, which in contrast to autonomy, means that the individual does not use functional problem-solving strategies, that is, critical rational thinking.

Focusing on the process of ethical decision making, psychological research has shown that people use different ways to handle moral problems. According to the work of Piaget (1932) when people are confronted with moral problems they think in a way which can be described as a position on the heteronomy-autonomy dimension. Heteronomous thinking is automatic, emotional and uncontrolled thinking, or simple reflexes that are fixed dogmatically on general

principles, independently if they belong to the decision maker or are imported from an external authority. Thoughts and beliefs coming to mind are never doubted. There is no effort to create a holistic picture of all relevant and conflicting values in the problem people are confronted with. Awareness of one's own personal responsibility for the way one is thinking or for the consequences of the decision is missing. Autonomous thinking, on the other hand, focuses on the actual problem situation, and its main effort is to search for all relevant aspects of the problem. When one is thinking autonomously the focus is on the consideration and investigation of all stakeholders' feelings, duties and interests, as well as all possible alternative ways of action. In that sense autonomy is a systematic, holistic and self-critical way of handling a problem.

Ethical competence is not the use of autonomy every time a moral problem has to be solved. Rather, it is the ability to use it if and when the problem at hand demands it; not to use it always and for any kind of moral problem. On the other hand, heteronomy is actually working, even though it is an automatic, mostly unconscious and a constrained way to handle moral problems. People use it most of the time and they repeatedly manage to produce satisfactory solutions to their problems; and this is only a description, not a prescription. When facing a moral problem, decision makers do not adopt purely autonomous or heteronomous ways in their efforts to solve it and to make a decision. They use a mix of these two ways. And most often they adopt ways that are dominated by heteronomy (Kavathatzopoulos & Rigas, 1998, 2006). Heteronomy is what we can use easily, but we need the ability to use autonomy when necessary in order to be ethically competent.

4. ASSESSING ETHICAL COMPETENCE

Based on the above philosophical position and psychological research we can get an appropriate frame for the development of a pertinent measurement device for the description of ethical competence. Such an instrument follows these theoretical lines and attempts to assess only the psychological process in handling moral issues, and to avoid the open and direct or the unconscious and confused involvement of normative judgments in the cognitive problem-solving and decision-making processes. Previous research has shown that it is possible to construct assessment methods which follow the above mentioned theoretical principles, e.g. semi-structured interview (Piaget, 1932).

The Ethical Competence Questionnaire has been constructed in two versions, one for politicians and one for business people (Kavathatzopoulos & Rigas, 1998, 2006). The business version, ECQ-WLB, consists of seven moral dilemmas representing conflicts with

which a businessperson can be confronted. The themes of the items describe various representative business ethics situations which cover a broad area in business ethics issues such as integrity, cover-up, public relations, discrimination, whistle blowing, fraud, and promise keeping.

The items in the questionnaire are stories about persons active in working life and business who encounter problems of moral character. Each item consists of a short story about a business or working life dilemma followed by four alternatives representing different factors, or aspects, to be considered before any decision is made. The task of the participant is to place himself/herself in the position of the main agent in the story and attempt to solve the problem. The participant is asked to choose the two most important alternatives to consider before any decision is made and rank them. It is supposed that, in order to find a solution, the participants reason in terms of the heteronomy-autonomy dimension, and that the choosing and ranking of the two most important alternatives indicates the participants' degree of ethical competence. The purpose of ECQ-WLB is to indicate whether or not the start of the critical analysis process of the dilemma has occurred. Heteronomous responses mean that participants are not supposed to be able to analyze critically the dilemma situation since they fix their thinking on the directives of an internal or external moral authority, or because they accept a moral feeling without further investigation. On the other hand, autonomous responses mean that participants have already taken the first step in the critical analysis process by highlighting the core of the dilemma. They have a clear perception of the conflict. They consider, focus their attention on, and confront the opposing solutions of the dilemma. They do not take anything for granted and they question all principles and all alternative ways of action.

Accordingly, the tension between certainty and doubt is used to operationalize heteronomy and autonomy in the alternatives that follow the description of each dilemma in the items. Heteronomous alternatives express no doubt on what is stated there. Autonomous alternatives express uncertainty.

The four alternatives were designed so that two of them represented the heteronomous ethical function and the other two represented the autonomous ethical function. Two heteronomous and two autonomous alternatives are used in order to give the participant the possibility to choose among them independently of the moral values involved, that is, the preferred decision to solve the dilemma in this or that way. The issue of interest is the way individual participants think and not the solutions they give to those conflicts. The preference for a special action is not relevant in scoring, that is, the focus is on the process of making a decision rather than on what the actual decision would be.

Professionals at three different levels of organizational hierarchy from business and working life as well as people with no experience in business or working life participated in the evaluation of ECQ-WLB. The study showed that a questionnaire with the ambition to assess ethical competence as a cognitive skill in the area of working life and business as well as in the area of politics can be constructed with acceptable psychometric properties. The reliability of the ECQ-WLB is satisfactory. We assumed that conditions at higher levels of hierarchy in a business organization pose increased demands on moral thinking that lead to differences in ethical competence. From this we expected persons at a higher organizational level to show higher ethical competence compared to persons at lower levels of hierarchy or to persons with no experience in business and working life. Indeed the obtained results show that there is a positive relation between hierarchy level and ECQ-WLB score. The results obtained are similar to those obtained earlier in the area of politics (see Kavathatzopoulos & Rigas, 1998), which indicates that the psychological process approach to the assessment of ethical ability is not restricted to a particular domain but may have broader applicability to different areas of human activity.

Regarding leadership and based on the above mentioned philosophical position the hypothesis was that higher levels of organizational hierarchy demand higher levels of ethical competence. According to the Piagetian theory, the adoption of one or the other moral phase, heteronomy or autonomy, is dependent on its adaptive function in a certain area of activity. A reasonable assumption is that different levels of hierarchy in business organizations pose different demands on moral thinking that lead to differences in moral phase. More specifically, persons at a higher organizational level should show higher ethical levels of autonomy because they usually do not have the opportunity to find satisfying solutions to their moral problems by relying on some authority, or because the frequency of new unanticipated problems does not allow the recourse to existing knowledge. On the other hand, persons at lower levels have at least the possibility to rely on their superiors or on organizational processes and routines for satisfying advice and support as well as the possibility to use previous knowledge because of a supposed higher recurrence frequency of the same problems. For them, therefore, an ethical problem solving process that is more heteronomous than autonomous may be more adaptive in many occasions. People with little or no experience in business and working life should also show lower levels of autonomy since they had not the chance to evaluate autonomy in these areas of activity.

5. ACQUIRING ETHICAL COMPETENCE

A person who is handling his/her moral problems autonomously is unconstrained by fixations, authorities and uncontrolled or automatic thoughts and reactions. He or she is able to start the thought process of considering and analyzing critically and systematically all relevant values in a moral problem situation. This may sound trivial since everybody would agree that this is exactly what one is expected to do when confronting a moral problem. However, this skill is not so easy to use in real situations. Psychological research has shown that plenty of time and certain conditions are demanded before people can acquire and use the ethical ability of autonomy (Sunstein, 2005).

Nevertheless, there are people who have learnt to use autonomy more often, usually people at higher organizational levels or people with higher responsibility (Kavathatzopoulos & Rigas, 1998, 2006). Training and special tools do also support the acquisition of higher ethical competence. Previous efforts have shown that it is possible to promote autonomy, and thus ethical competence. The results are positive regarding the acquisition and use of ethical autonomy, both longitudinally and in real life (Kavathatzopoulos, 1993, 1994a, 2004, 2011). In accordance to what has been said before, heteronomy is inherent in our way to handle moral problems. Autonomy is the difficult part. Therefore, we have to train and support it in education programs. We have ethical competence when a decision maker is not bound to the exclusive use of heteronomy but is ready to use autonomy when this is required by the moral problem at hand. Ethical competence is here defined as the ability of a person to use a suitable problem-solving and decision-making method when facing a moral problem, and the ability of an organization to build, maintain and use suitable processes, tools and mechanisms in handling relevant moral issues. Focus is on the processes themselves, whether they are psychological or social, and not on their results.

Decision makers and leaders need the ability to handle moral issues satisfactorily, and this means that they need a high level of competence and skills. Ethical competence consists of a number of skills at personal and group levels such as high awareness about ethical and sustainability issues, personal ability to handle and solve problems, ability to participate in the construction and management of appropriate organizational processes, ability to create, apply and revise rules and principles, ability to explain, communicate and participate in dialog with stakeholders, and also high ethical confidence and trust to own skills and competence.

Indeed, an education program based on the above philosophical and psychological principles and with the above aims has been developed and applied in courses where people with

different backgrounds participated. Previous research showed clearly that we can achieve the educational goals (see for example Kohlberg, 1985).

These education programs are three-day classical workshops of ten to twelve participants with at least one one-day follow-up, approximately a month later. The program focuses primarily on the difference between heteronomous and autonomous thinking which participants have to learn by practicing on a number of moral problems. Participants have been practicing by the using seventeen exercises allocated in four different training blocks focusing on ethical awareness, on personal ethical skills, on organizational principles and processes, and on application in real-life professional contexts.

In the workshops of the education and training program, autonomy training was based entirely on participants' personal and organizational moral values. During training participants learned how to use autonomy in order to identify pertinent values and weigh them against possible actions. They focused primarily on the difference between heteronomous and autonomous thinking which participants had to learn by practicing on a number of moral problems. Participants worked through different blocks of exercises covering all aspects of ethical competence as well as its application in real life.

In the workshop participants were encouraged to identify real problems from their own professional life: problems they felt were important or problems they were concerned about. Practicing autonomy on real-life moral problems is a presupposition for learning. It has been reported that practicing on hypothetical problems, for example at university courses, does not lead to ethical competence in real-life professional activities (Sims, 2002; Weber, 1990).

Furthermore, learning is facilitated if instructions are adapted to the zone of proximal development (Vygotsky, 1962, 1978) or the extension of cognitive schemata (Piaget 1962), and this happens when instructions are about real problems. Practicing on one's own real moral problems gives participants the chance to experience directly the value of autonomy in decision making and problem solving. Experiencing the value of instructions is the necessary precondition for learning and using what is learned in real life.

After a short introduction during which autonomous thinking was demonstrated, participants were placed in small groups of three to four persons to work together on moral problems which they formulated themselves from their own professional life. After working with the exercises in small groups, participants gathered again in the whole group where they presented and discussed their group work.

Understanding that moral problems may arise or being able to recognize them once they are there is very important. We cannot handle a moral problem if we do not perceive it. The first

block of exercises was focused on stimulating participants' ethical awareness. There were three relatively provocative exercises. The first one urged the participants of the small groups to put on a list real-life situations which have no moral implications whatsoever. Of course they never managed to create such a list. By failing to find morally neutral situations they got the insight of the omnipresence of possible moral problems, even in situations they previously thought were not related to morality. The second and the third exercises were about identifying risks with morally correct principles, like friendship and love, and identifying possibilities with morally incorrect principles like war and torture. By managing to identify several such risks and possibilities participants understood that many things that are taken for granted can be questioned. However, handling moral problems in an ethically competent way may also stimulate ethical awareness as well as the other way around.

Personal ethical skills are the basis of ethical competence. Persons have to know how to treat a moral problem, how to think, how to analyze it and how to make a decision. After the awareness exercises participants turned to the training of their ability to handle moral problems. This block contained six exercises focused on the ability to recognize the different ways of handling moral problems, and on the ability to use autonomy. The first exercise was the formulation of a relevant moral dilemma and its preferred or possible solution.

Participants were building on their experience from previous awareness exercises and they were training their ability to identify and express in a clear way moral problems that were important to them. The second exercise focused on the difference between heteronomy and autonomy. In small groups participants gave examples of thinking that was heteronomous and autonomous, while they were attempting to find a solution to the problem. By juxtaposing these two ways of thinking they were able to perceive and internalize their difference. It is important for them to be able to recognize how they think when they face a moral problem. The third exercise trained the autonomous way of thinking. Autonomous analysis of a moral problem is a necessary ability for ethical competence. It is therefore important for the participants to have a complete mastery of it. The fourth exercise was about making a decision based on an autonomous analysis of a moral problem.

Even though the focus of the whole program is on the process of solving moral problems it is necessary to supplement it by coming eventually to a conclusion and by providing arguments to support it. The fifth exercise was about choice between heteronomy and autonomy.

Actually most of moral problems can be resolved by a simple heteronomous way although some more complex ones demand the adoption of the more laborious autonomy method. In that sense decision makers have to have the ability to choose which method is more suitable

in a certain case. The last sixth exercise of this block was about dialog, explanation and argumentation. In a role play groups of participants made decisions affecting each other and used arguments based on heteronomy and on autonomy. By that they were able to experience the much higher convincing power of autonomy as well as to perceive its ability to start and maintain a good dialog atmosphere.

Acquiring the ability to handle personal moral problems only is not satisfactory in professional life. One needs the ability to solve moral problems of the group or of the organization, for example, how to handle moral conflicts or how to create and apply ethical principles. This training block contained six exercises as the previous one did. In the first exercise participants identified and described situations in which moral problems and conflicts were more likely to occur. In the second exercise participants made a list of moral conflicts and scandals that had been encountered previously by their organization as well as efforts that failed to solve moral problems. In the third exercise participants created a list of successful solutions given to moral problems and conflicts by their organization. These three exercises helped participants to get a picture of the ethical condition of their organization, and to acquire information which could be used as the basis to develop ethical guidelines and to propose relevant organizational changes in a later phase of the training.

The fourth exercise of this training block was about using the autonomous method to create ethical principles. The focus was on the method itself, on the analysis of the situation, and on how to express and state an ethical principle. Ethical principles were created in an autonomous way and they were expressed in such a way as to stimulate autonomous thinking, when one had to interpret and apply them in real life situations. The fifth exercise implied the creation of a complete ethical code for the organization. And the last sixth exercise was about the formulation of a plan for organizational change to heighten the ability of the organization in handling ethical issues.

The last training block focused on the application of what had been learned during education to real-life activities. This training block contained two exercises. The first exercise took place at the work place of the participants after finishing the first part of the education program. It was a practice of moral problem solving, construction of ethical guidelines, proposition of organizational changes, and dialog/argumentation on situations that emerged during participants' everyday activities. All this was also documented by each participant. The second exercise took place during the follow-up occasion approximately one month after the first training period. Participants presented their homework, reflected on the results, and received support by the trainers and by each other.

Ethical competence and its component skills were assessed using the different versions of ECQ as well as additional self-report and other complementary questionnaires and interviews. They were also independently evaluated by the participating organizations. The results showed clearly that the participants used their new skills in their real professional life and that they were very satisfied. After training they had higher ethical awareness, it was easier for them to handle ethical problems at a personal level, ethical argumentation and communication was more effective, and their ethical confidence was higher.

6. CONCLUSION

Ethical competence is not the acceptance or application of this or that moral principle, but the ability to use the suitable thought or organizational method during the effort to handle a real-life moral problem. To do this one has to be aware of the difference between various ways of handling moral problems, and to be a master of thinking and acting in a way that independently, systematically and critically considers all stakeholders' relevant values, principles, interests, feelings, duties, needs and beliefs. Ethical competence, then, is someone's ability to think in the most suitable way along the heteronomy-autonomy dimension that is demanded by the moral problem at hand. It is important, nevertheless, to underline the fact that since heteronomy is the default method the difficulty lies with learning to use autonomy, i.e. to think in a rational way.

Leaders need high ethical competence and confidence in working with moral issues in their organizations. Defining ethical competence as process ability, i.e. philosophizing, allows us to construct tools to assess it and methods to train it. That is necessary in order to solve moral problems effectively and satisfactorily, and to make moral decisions in accordance with relevant values, principles and interests. We have seen that training can help leaders to acquire the skills and to apply them in handling real-life moral problems. Spontaneous subjective and knee-jerk reactions to moral issues may give solutions to problems, which probably satisfy the people's moral feelings. However, with such more or less emotional reactions or with such uncritical following of a strong idea, the relevant factors of the particular moral problem are certainly not fully taken into account. Besides, uncontrolled reactions and dogmatic fixations are not acts of leadership. What leaders need is an approach that focuses on ethical competence and skills. Suitable assessment tools, training programs and support methods can help leaders to handle moral problems and to provide ethical guidance to their organizations.

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