

# Outcomes of an Ethical Work Climate among Salespeople

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Received: March 4, 2013

Accepted: June 11, 2013

Online Published: July 2, 2013

doi:10.5430/ijba.v4n4p1

URL: <http://dx.doi.org/10.5430/ijba.v4n4p1>

## Abstract

Establishing and maintaining an ethical work climate is important for all organizations. However, it is especially important for salespeople since they serve a boundary spanning role in the organization. This study analyzed an ethical work climate using a sample of 426 salespeople. The results indicate that an ethical work climate influences salespersons' level to which they identify with their organization's vision and goals. Ethical work climate also was related to turnover intentions, but only related to turnover indirectly through organizational identification. Research implications are discussed.

**Keywords:** ethical climate, organizational identification, turnover

More than thirty years ago Murphy and Laczniak (1981) stated that marketing was the business function most often linked with unethical behavior. Although all areas of marketing can be scrutinized for questionable ethical behavior, professional selling is often mentioned as the marketing area where dubious behavior occurs. Salespeople are the "front line" representatives of the company. Their behavior is related to the company's image (Jaramillo, Mulki, and Solomon, 2006). Thus, ensuring ethical behavior among salespeople is important. One of the best ways to encourage ethical behavior among salespeople is to develop an ethical work climate.

While sales force research has shown that ethical climate is related to a variety of work outcomes (Babin, Boles, and Robin, 2000; Jaramillo, Mulki, and Solomon, 2006), recent research has shown that the presence of an ethical work climate is related to the degree to which salespeople identify with their company (DeConinck, 2011; Briggs, Jaramillo, and Weeks, 2012). Various positive work outcomes such as increased job satisfaction, performance, and organizational commitment, and lower absenteeism and turnover (Ashforth, Harrison, and Corley, 2008; Weiske et al., 2009; Riketta, 2005) occur when employees identify with their organization. Thus, understanding the relationship between ethical work climate and organizational identification is important.

The purpose of this study is to investigate the relationship among of ethical climate and several work outcomes among salespeople. This study makes two important contributions to research investigating ethical climate in a sales force. First, few studies have analyzed the relationship between organizational identification and ethical behavior/ethical climate (Briggs, Jaramillo, and Weeks, 2012; DeConinck, 2011; Umphress, Bingham, and Mitchell, 2010; Walumbwa et al., 2011). This situation is surprising given the number of studies linking organizational identification to various employees' attitudes and behaviors (Riketta, 2005). The second important contribution made is to examine the relationship between ethical climate and turnover. Most prior research has investigated ethical climate and its relationship to turnover intentions, but not actual turnover (Fournier et al., 2010; Jaramillo, Mulki, and Solomon, 2006; Stewart et al., 2011). Turnover among salespeople is especially important given the high number of salespeople who leave either voluntarily or involuntarily (Darmon, 2008). Therefore, additional research into understanding the relationship among ethical work climate and actual turnover, and not turnover intentions is important.

## 1. Conceptual Background and Model Development

### 1.1 Ethical Work Climate

Ethical work climate has been viewed as either a multi-dimensional construct (Babin, Boles, and Robin, 2000; Victor and Cullen, 1988) or a uni-dimensional construct (Schwepker, 2001). While scholars differ on whether ethical climate

is a multi-dimensional or uni-dimensional construct, general agreement exists that ethical climate consists of several subdimensions. For example, Victor and Cullen's (1988) ethical climate typology consists of five constructs while the ethical climate scale developed by Babin, Boles, and Robin (2000), which will be used in this study, consists of four constructs. While the Schwepker (2001) ethical climate scale is uni-dimensional, it measures various employees' perceptions such as management's willingness to punish unethical behavior and the presence of a code of ethics. Ethical climate is important because it influences employees' behavior (Wimbush and Shepard, 1994). Ethical climate has been shown to reduce deviant workplace behavior (Peterson, 2002; Wimbush, Shepard, and Markham, 1997), increased job satisfaction (DeConinck, 2010; Mulki, Jaramillo, and Locander, 2006; Wang and Hsieh, 2012) and organizational commitment (Shapira-Lishchinsky and Even-Zohar, 2011).

### *1.2 Organizational Identification*

The concept of organizational identification has been discussed for many years. Some of the earliest work into organizational identification discussed the idea of the individual's acceptance of the goals and values of the organization (Schneider et al., 1971). The organization's goals and values become the individual's goals and values. The individual becomes emotionally committed to the organization through acceptance of these goals and values (Hall et al., 1970).

The work of Tajfel and Turner (1979) into social identity theory was an important advancement in organizational identification. Tajfel (1978, p. 63) defined social identity 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 value and emotional significance attached to that membership." Social identity theory proposes that individuals need to categorize themselves into groups (e.g., religious or demographic) to simplify their lives (Tajfel, 1978). Categorization allows individuals to define themselves regarding their social order (Ashforth and Mael, 1989) and serves as a guide to their behavior (Turner et al., 1994). These groups have specific characteristics defining their norms and rules. Membership in the group and emotional attachment to the group defines how a person feels, thinks, and behaves (Hogg and Terry, 2001).

The influential paper by Ashforth and Mael (1989) formed the basis of current thinking into organizational identification. They defined organizational identification as "the perception of oneness with or belongingness to some human aggregate" (Ashforth and Mael 1989, p. 21). Dutton et al. (1994) expanded the work of Ashforth and Mael (1989) by incorporating the idea that the organization is an important part of a person's self-concept. These authors state that organizational identity will occur where "a member's self-concept has incorporated a large part of what he or she believes is distinctive, central, and enduring about the organization into what he or she believes is distinctive, central, and enduring about him or herself" (p. 242).

While organizational identification has been defined in various ways (e.g., Ashforth and Mael, 1989, Pratt, 1998; Rousseau, 1998), research has shown that organizational identification is related to a various positive work attitudes and outcomes such as increased organizational trust (Roeck and Delobbe, 2012), sales performance (Wieseke et al., 2012), procedural justice (Epitropaki, 2013), perceived organizational support (Cheung and Law, 2008) and intentions to leave (Ngo et al., 2013; Smith et al., 2012).

### *1.3 Relationship among Ethical Work Climate and Organizational Identification*

Research has found various antecedents to organizational identification (e.g., trust – Edwards and Cable, 2009, psychological contract breach - Epitropaki, 2013, leadership style – Carmeli et al., 2011, and ethical leadership – Walumbwa et al., 2011). However, only two studies have analyzed the relationship between organizational identification and ethical work climate (Briggs, Jaramillo, and Weeks, 2012; DeConinck, 2011). Briggs, Jaramillo and Weeks, using a sample of salespeople in the television broadcasting industry, reported that ethical climate was related positively to employees' identification with the organization. They concluded that salespeople will have a more positive attitude toward the company when they perceive the firm emphasizes high ethical values. DeConinck (2011), in a study that also used a sample of salespeople, found that ethical climate was related positively to organizational identification. Theoretically, a link should exist between these two constructs. According to social identity theory people form perceptions of their organization. They see the organization in a positive manner when they identify with it. Conceptualizations of organizational identification stress the relationship between the group's goals and values and a member's identification with the group (Edwards and Cable, 2009). Employees will want to work for an organization whose values are congruent to their own values and will have a desire to remain part of that organization. Thus, salespeople who possess high ethical values will work for an organization that has an ethical work climate and should identify more strongly with their organization. Given this situation an ethical work climate should be related positively to organizational identification.

*Hypothesis 1: Ethical work climate is related positively to organizational identification.*

#### *1.4 Antecedents to Turnover*

Research has shown that employees who identify strongly with their organization will display more loyalty and have a lower intention to leave (Cole and Bruch, 2006; Olkkonen and Lipponen, 2006; Riketta, 2005). Thus, organizational identification is hypothesized to be related negatively to turnover intentions.

*Hypothesis 2: Organizational identification is related negatively to turnover intentions.*

Research has found a significant negative correlation between ethical work climate and either turnover intentions (Jaramillo, Mulki, and Solomon, 2006; Mulki, Jaramillo, and Locander, 2008; Schwepker, 2001; Stewart et al., 2011) or turnover (DeConinck, 2011) with various groups of employees. Therefore, in this study ethical work climate is hypothesized to have both a direct relationship with turnover intentions and an indirect relationship to turnover intentions through organizational identification.

*Hypothesis 3: Ethical climate is related negatively to turnover intentions.*

The relationship between ethical work climate and actual turnover is unclear. Most studies have either included only turnover intentions (Fournier et al., 2010; Stewart et al. 2011) or reported that the relationship between ethical work climate and turnover is mediated by other variables (DeConinck, 2010). Thus, in this study ethical work climate is proposed to be related indirectly to turnover through organizational identification and turnover intentions. However, since most prior research has investigated only turnover intentions and not turnover, one of the purposes of this study is to investigate if ethical work climate is related directly to turnover.

## **2. Method**

### *2.1 Sample*

This study is part of a larger study investigating salespersons' attitudes and job outcomes. A list of sales managers (1,000) was purchased by a company specializing in direct mailing lists. The sales managers were asked to participate in the study and, if they agreed to participate, to distribute the questionnaire to each of their salespeople. The salespeople were asked to return the questionnaire directly to the researchers in order to ensure confidentiality. The sales managers were provided only a summary of the results so as to ensure confidentiality. A total of 182 sales managers agreed to participate in the study (18.2 percent) with a total of 426 surveys returned from the salespeople.

The demographic profile for the sample of 426 salespeople is as follows: the average age of the salespeople was 38.4; they had an average of 9.8 years of sales experience and had worked for their present company an average of 6.2 years; about 66 percent were male (281); 298 (70.0%) worked for companies with more than 25 employees. Most of the salespeople (303) worked in a variety of manufacturing and services industries.

### *2.2 Measures*

A copy of the questionnaire appears in the appendix. Ethical climate, organizational identification, and turnover intentions were measured on a scale ranging from (1) strongly disagree to (5) strongly agree. *Organizational Identification* was measured using the six-item scale developed by Mael and Ashforth (1992) ( $\alpha = 0.86$ ). *Ethical Work Climate* was measured using two scales developed by Babin, Boles, and Robin (2000). The first scale measured responsibility/trust ( $\alpha = .87$ ) while the second scale measured peer behavior ( $\alpha = .86$ ). *Turnover Intentions* was measured using three items developed by Konovsky and Cropanzano (1991). The scale ranged from (1) very unlikely to (5) very likely ( $\alpha = 0.92$ ). *Turnover* was measured by determining which salespeople had left the company within the last 12 months.

## **3. Results**

### *3.1 Common Method Variance*

Podsakoff et al. (2003) have discussed the problem with common method variance when using cross-sectional data (Podsakoff et al., 2003). Following the steps recommended by Podsakoff et al. (2003), the salespeople were assured confidentiality of their responses and told that there were no correct or incorrect answers. Second, items were randomly dispersed for each respondent. Third, in order to test statistically for common method variance Harmon's one-factor test was used. In this test, an exploratory factor analysis was used where the constructs were loaded onto one factor with no rotation. The one factor accounted for 28 percent of the variance, which is below the recommended 50 percent level. Next, the one-factor model was compared to the measurement model. The results indicated that the  $\chi^2$  for the one-factor model was significantly greater than for the measurement model ( $\Delta\chi^2 = 2,487.12$ ). These results indicate that common method variance is probably not a problem.

### 3.2 Statistical Analysis

The data were analyzed using LISREL 8 (Jöreskog and Sörbom, 2007). The correlation among the variables, means, and standard deviations appear in Table 1.

Table 1. Correlations matrix, means, and standard deviations

Responsibility/Trust					
Peer Behavior	.66				
Organ. Identification	.37	.33			
Turnover Intentions	-.33	-.24	-.44		
Turnover	-.14	-.10	-.19	.43	
Means	14.9	24.2	21.6	6.2	1.4
Standard Deviations	3.2	3.7	5.1	2.9	.3

A confirmatory factor analysis (CFA) of the variables was first conducted before testing the hypothesized relationships. The results indicated a good fit by most indices ( $\chi^2 = 342.60$ ,  $df = 161$ ,  $p = .00$ , GFI = .92, AGFI = .90, NFI = .97, RMSEA = .053).

### 3.3 Hypothesis Testing

Since the CFA indicated a good model fit, the next step in analyzing the data was to test the hypothesized model. Overall, the results indicated a good model fit ( $\chi^2 = 354.39$ ,  $df = 164$ ,  $p = .00$ , GFI = .92, AGFI = .90, NFI = .97, RMSEA = .052).

Support was found for Hypotheses one and two. Both measures of ethical work climate was related positively to organizational identification: responsibility/trust ( $\beta = .15$ ,  $t = 2.08$ ,  $p < .01$ ) and peer behavior ( $\beta = .27$ ,  $t = 3.88$ ,  $p < .01$ ). Partial support was found for hypothesis three. One measure of ethical work climate, responsibility/trust, was related negatively to turnover intentions ( $\beta = -.24$ ,  $t = 3.56$ ). However, peer behavior was not related significantly to salespersons' intention to leave their job ( $\beta = -.06$ , *NS*). Thus, the behavior of this group of salespersons' peers did not influence turnover intentions. But, management's responses to unethical behavior did impact their willingness to leave their job.

Last, a second model was tested where ethical work climate was hypothesized to be related directly to turnover. This model did not fit the data significantly better than did the hypothesized model ( $\Delta \chi^2 = 11.61$ ).

## 4. Discussion

The major purposes of this study was to investigate how ethical work climate influences salespersons' level to which they identify with their company and their turnover intentions. Many companies have developed a code of ethics as a way to discourage unethical behavior. However, unethical behavior may still occur even if a company has a code of ethics. If a company wants employees to behave ethically, then management needs to create a climate where the code of ethics is enforced (Trevino, 1992). While establishing an ethical work climate is important to all organizations, it especially important regarding the sales force. Salespeople encounter ethical situations that are not encountered by other employees. In addition, since salespeople are front-line representatives for the company, their willingness to behave ethically is especially important for building a long-term relationship with customers.

The results reported here have important implications to understanding the degree to which employees' identify with their organization. When employees identify with their organization, they feel proud to be part of it and will follow its goals and values. These results indicate that when management establishes an ethical climate salespeople will identify more highly with the organization, which leads to lower turnover intentions.

The second theoretical implication is that one aspect of ethical work climate, responsibility/trust) is related directly to turnover intentions. Thus, when employees are treated fairly and held accountable for their actions (responsibility/trust) they report a lower desire to leave. However, salespeople who witness other salespeople behaving unethically and are interested in protecting themselves (peer behavior) did not report a higher intention to leave. In addition, neither measure of ethical work climate was related directly to turnover intentions. Thus, ethical work climate is an important variable in the turnover process among salespeople. However, its relationship to turnover is indirect through either organizational identification or turnover intentions.

The results in this study have both theoretical and practical significance. Negative publicity about business scandals has created a need to develop an ethical work climate. Beyond the obvious negative repercussions of salespeople behaving unethically, the presence of an ethical work climate is related to salespersons' identity with their company and lower turnover intentions. Salespeople identify with a company that emphasizes high ethical values and does not tolerate unethical sales force behavior. In addition, when management holds salespeople accountable for their actions and treats them fairly while upholding high moral standards, this will decrease the sales force's likelihood of searching for another job.

### 5. Limitations and Future Research

This study has several limitations. First, this study was cross-sectional. Testing the model within a single organization may produce different results. Second, this study was limited to examining the relationship among ethical work climate, organizational identification, turnover intentions, and turnover. Future research may consider analyzing the role that leaderships plays in developing an ethical work climate.

In conclusion, this study has expanded current research by examining how ethical work climate influences salespersons' organizational identification and their turnover intentions. Hopefully, these results can provide organizations with a better understanding of the outcomes of having an ethical work environment.

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## Appendix

### **EWC – Trust/Responsibility**

1. All employees here are held accountable for their actions.
2. Employees here act to further their customers' interests.
3. People always get treated justly here.
4. Employees here are truly committed to high moral standards in their treatment of others.

### **EWC – Peer Behavior**

1. Employees here have performed unethical acts. (R)
2. I've seen other employees do things that bother me from a moral viewpoint. (R)
3. Some of the people I work with do things that I feel are unethical. (R)
4. Generally, employees here simply act to protect their own self-interest. (R)
5. Employees here do things based on the "CYA" (protect yourself) principle. (R)
6. Employees here sometimes take revenge out on customers. (R)

### **Organizational Identification (items measured on a scale ranging from 1 "strongly disagree" to 5 "strongly agree")**

1. When somebody criticizes your company, it feels like a personal insult.
2. I am very interested in what others think about my company.
3. When I talk about this company, I usually say "we" rather than "they."
4. This company's successes are my successes.
5. When someone praises this company, it feels like a personal compliment.
6. If a story in the media criticized this company, I would feel embarrassed.

### **Turnover Intentions (items measured on a scale ranging from 1 "very unlikely" to 5 "very likely")**

1. How likely is it that you will look for a job outside of this organization during the next year?
2. How often do you think about quitting your job at this organization?
3. If it were possible, how much would you like to get a new job?