

THE ETHICAL CONTEXT IN ORGANIZATIONS: INFLUENCES ON EMPLOYEE ATTITUDES AND BEHAVIORS

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Abstract: This field survey focused on two constructs that have been developed to represent the ethical context in organizations: ethical climate and ethical culture. We first examined issues of convergence and divergence between these constructs through factor analysis and correlational analysis. Results suggested that the two constructs are measuring somewhat different, but strongly related dimensions of the ethical context. We then investigated the relationships between the emergent ethical context factors and an ethics-related attitude (organizational commitment) and behavior (observed unethical conduct) for respondents who work in organizations with and without ethics codes. Regression results indicated that an ethical culture-based dimension was more strongly associated with observed unethical conduct in code organizations while climate-based dimensions were more strongly associated with observed unethical conduct in non-code organizations. Ethical culture and ethical climate-based factors influenced organizational commitment similarly in both types of organizations. Normative implications of the study are discussed, as are implications for future theorizing, research and management practice.

Recent research has focused on understanding the factors that influence ethical conduct in organizations. Most ethical decision making models propose that ethical conduct is influenced by a combination of individual characteristics such as values and cognitive moral development, and contextual factors such as reward systems, rules, and codes (e.g., Ferrell, Gresham, and Fraedrich, 1989; Jones, 1991; Treviño, 1986). Although individual characteristics are clearly important, the role of contextual factors seems important from a practical perspective because managers have more control over the work environment than they do over individuals' values or moral development. Further, given the significant resources being invested in organizational ethics initiatives, research is needed to investigate the relationship between "ethical context" and employee attitudes and behaviors.

In the descriptive business ethics literature, ethical context has been represented primarily by two multidimensional constructs, ethical climate (e.g., Victor and Cullen, 1987, 1988) and ethical culture (Treviño, 1990). These constructs

were developed more or less independently and were based on somewhat different assumptions and literatures. Although both constructs have been theoretically associated with individual ethical conduct, empirical support for these relationships is lacking. A number of other issues concerning ethical climate and culture also remain unresolved: Are measures of ethical climate and ethical culture tapping the same or different aspects of the ethical context? Do ethical culture and ethical climate predict the same or different outcomes (e.g., attitudes, behaviors)?

These questions are related to discussions in the broader organizational studies literature about the relationship between organizational climate and organizational culture, and the relationship between these context variables and attitudes and behavior (Kopelman, Brief, and Guzzo, 1990). Denison (1996) recently proposed a somewhat controversial thesis—that the purported differences between the climate and culture literatures are differences of theoretical roots, perspective and preferred methodology rather than differences of substance. Both literatures concern the organizational context—"the internal social psychological environment of organizations and the relationship of that environment to individual meaning and organizational adaptation" (Denison, 1996: 625). Denison argued that the tendency to focus on the contrasts between these literatures may serve the self-interest of researchers in each camp, but a more integrative approach may be needed if we are to understand the phenomenon that is organizational context. We agree. In this study, we explore the similarities and overlaps, as well as the differences between these constructs. Most of all, we hope to gain a better understanding of the relationship between the ethical organizational context and employee attitudes and behaviors.

Ethical Climate

Ethical climate theory and research can be considered a subset of the organizational climate literature. Schneider (1975) argued that there are many types of work climates, one of which Victor and Cullen (1988) labeled "ethical climate". In his recent review of the culture/climate literature, Denison (1996: 624) defined climate as "rooted in the organization's value system." Climate represents the organization's social environment "in terms of a fixed (and broadly applicable) set of dimensions...that are consciously perceived by organizational members."

Victor and Cullen (1988: 101) defined ethical climate as "the prevailing perceptions of typical organizational practices and procedures that have ethical content" or "those aspects of work climate that determine what constitutes ethical behavior at work." They proposed nine ethical climate types based upon three major classes of philosophy (principle, benevolence, and egoism), and three loci of analysis (individual, local, and cosmopolitan).

Each of their nine ethical climate types is accompanied by a particular normative expectation (Cullen and Victor, 1993). In the egoistic-individual climate,

self-interest is the normative expectation. In the egoistic-local climate, company interest guides ethical decisions. In the egoistic-cosmopolitan climate, efficiency is the normative criterion. In the benevolent-individual, local, and cosmopolitan climates, the welfare of individuals, groups inside the organization, and those external to the organization (respectively) guides decisions. In the principled-individual climate, personal morals guide decisions. In the principled-local climate, organizational rules and regulations are the normative criterion. Finally, in the principled-cosmopolitan climate, external laws and codes guide ethical decisions.

To empirically test for the existence of these nine ethical climate types, Victor and Cullen developed the ethical climate questionnaire (ECQ). Across a series of survey studies, they validated the existence of some, but not all, of the proposed climate types (Cullen and Bronson, 1993; Victor and Cullen, 1987, 1988). In a key test of their typology (Victor and Cullen, 1988), the nine dimensions reduced to five that they labelled caring, law and code, rules, instrumental, and independence. Three of these dimensions were consistent with the proposed typology. Law and code was comprised of items representing the original principle-cosmopolitan dimension. Rules was comprised of items representing the original principle-local dimension. Independence was comprised of items representing the original principle-individual dimension (but it had a relatively low reliability of .60). The instrumental dimension was comprised of egoism items from all three levels. Finally, the caring dimension was comprised of a variety of items from all three levels and the benevolence and egoism categories. Thus, the empirical evidence suggested that a reduced number of ethical climate dimensions could be used to describe some aspects of an organization's ethical context. Further, Victor and Cullen (1987, 1988) found that different ethical climates exist within and between organizations, and that most organizations appear to have a dominant ethical climate type.

In a study of subclimates within an organization, Weber (1995) hypothesized that employees' responses to an adapted ECQ would differ by type of department because of differences in departmental tasks and stakeholder accountability. A study in a financial institution found support for the idea that employees in different departments, from the technical core to boundary spanners, perceived different loci of analysis and different ethical decision making criteria, leading to differences in perceptions of ethical climate by department.

Having determined that the measure of ethical climate captures some aspects of organizations' ethical context and can differentiate between organizations and departments, researchers have also explored the relationship between ethical climate and attitudinal and behavioral outcomes. General work climates have been found to influence a number of organizational outcomes such as performance and satisfaction (e.g., Pritchard and Karasick, 1973). Accordingly, Victor and Cullen (1987, 1988) suggested that ethical climates should influence attitudes and behaviors by providing information about the organization and guidance regarding appropriate conduct.

With regard to organizational commitment, Cullen and Victor (1993) argued that, to the extent that people prefer certain types of normative climates, employees should be more committed to organizations with these climate types. Thus, organizational commitment should be higher in organizations with principle or benevolence-based climates than in organizations with egoism-based climates. Employees may feel more attached to and may identify more with the values of organizations that increase felt responsibility for others and encourage concern for employees and the community (Mowday, Steers, and Porter, 1979; Cullen and Victor, 1993). In an empirical study, Cullen and Victor (1993) found that perceptions of a benevolent climate were positively related to commitment and perceptions of an egoistic climate were negatively related to commitment. These relationships are also investigated in this study.

A somewhat more difficult question concerns the relationship between ethical climate and behavior. Victor and Cullen (1988) suggested that "the most important questions focus on identifying the characteristics of ethical climates that affect future ethical behavior" (Victor and Cullen, 1987: 68). However, they didn't specify those characteristics. Conceptual work by Wimbush and Shepard (1994) suggested that different climate types might be related to different behaviors (e.g., egoism should be associated with unethical behavior, whereas principled climates should be associated with ethical behavior).

Victor and Cullen (1988:101) also stated that ethical climate "encompassed the range of perceptions that answer, for a member of an organization, the Socratic question: 'What should I do?'" (Victor and Cullen, 1988: 101). However, they didn't specify exactly how that question would be answered. An examination of the ethical climate dimensions suggests little behavioral guidance for some climates, broad behavioral guidance for others, and specific behavioral guidance for only a few climate dimensions. For example, the independence climate suggests that people should follow what they think is right as individuals. Therefore, in response to the question, what should I do, the independence climate suggests something like the following—"decide for yourself." Thus, it isn't clear that individual behavior could be predicted in a strong independence climate except to say that people will do as they see fit.

The instrumental climate combines a focus on personal and company interests. Therefore, it may be unclear to individuals in this type of climate whether they should act in their own self-interest or in the company's interest, particularly if these interests conflict as they frequently do.

The other three dimensions may be more helpful in answering the "what should I do?" question. The rules climate says to follow the rules. Assuming that the organization has clear rules guiding behavior in a particular situation (such as rules about conflicts of interest in an ethics code), the guidance would be to follow those rules. The law and code climate suggests compliance with the law and/or professional standards. This is helpful where the law or professional standards apply. However, in the many situations not governed by law or professional standards, individuals would presumably be left with little guidance.

Finally, the caring climate says that one should look out for other people including customers, and the public.

The above analysis leaves questions about the relationship between ethical climate and ethical conduct. Few of the specified ethical climates provide specific behavioral guidance. It may be that only certain climates (e.g., rules, law and code, caring climates) predict ethical conduct. Further, most organizations have a climate profile that combines a number of climates, and climates may differ across departments, further complicating behavioral prediction.

With regard to empirical support for the ethical climate/conduct relationship, Gaertner (1991) found that although ethical climate did not directly influence behavior, a number of ethical climate dimensions did influence ethical decision making indirectly by affecting the decision-making criteria individuals used. However, empirical support for a direct relationship between ethical climate and behavior is still lacking.

Ethical Culture

The organizational culture literature views the organization as “both the medium and the outcome of social interaction” (Denison, 1996: 635). It also emphasizes broad patterns of underlying values, beliefs, and assumptions, the uniqueness of individual social settings, evolution of patterns over time, and qualitative research methods. Kopelman, Brief, and Guzzo (1990:283) point out that the many approaches to the study of culture can be divided into two categories: the phenomenal, “focusing on observable behaviors and artifacts” and the ideational, focusing on underlying shared meanings, symbols, and values. The ethical culture construct as explicated by Treviño (1986, 1990) emphasizes the phenomenal level of culture—the more conscious, overt, and observable manifestations of culture such as structures, systems, and organizational practices, rather than the deeper structure of values and assumptions.

Treviño (1986) initially conceptualized the organization’s ethical culture as a situational moderator of the relationship between the individual’s cognitive moral development stage and ethical/unethical conduct. In that model, culture was comprised of the organization’s normative structure (norms about what is and is not appropriate behavior), referent others’ behavior, expectations about obedience to legitimate authority, and the extent to which the organization encourages individuals to take responsibility for the consequences of their actions.

In a subsequent conceptualization, Treviño (1990) further developed the ethical culture construct and proposed direct influences of ethical culture on individual conduct. She defined ethical culture as a subset of organizational culture, representing a multidimensional interplay among various “formal” and “informal” systems of behavioral control that are capable of promoting either ethical or unethical behavior. “Formal” cultural systems include such factors as policies (e.g., codes of ethics), leadership, authority structures, reward systems, and training programs. “Informal” systems include such factors as peer

behavior and ethical norms. To the extent that these formal and informal cultural systems support ethical conduct, individual behavior is expected to be more ethical. For example, ethical conduct should be higher in organizations where leaders and norms encourage and support ethical conduct, and where ethical conduct is rewarded and unethical conduct is punished, than in organizations without such characteristics.

Underlying the proposed ethical culture/behavior relationship is the assumption that culture can exert a powerful influence on individual behavior. An important characteristic shared by most conceptualizations of organizational culture is the expected relationship between culture and conduct (for a review, see Jelinek, Smircich, and Hersh, 1983). Culture helps to establish what is considered legitimate or unacceptable in an organization. Whether defined as an informal organizational control system (Martin and Siehl, 1983; Deal and Kennedy, 1982), or an instrument of domination, organizational culture is thought to provide direction for day-to-day behavior.

Cohen (1993) relied upon the sociological concept of anomie (Merton (1938) to explain the relationship between ethical culture (or moral climate, as she labeled it) and behavior in organizations. Anomie is defined as "a condition of normlessness and social disequilibrium where 'the rules once governing conduct have lost their savor and force.'" (Merton, 1964: 226). Anomie results from a social system that focuses on goal attainment without a corresponding focus on the means that are used to achieve those goals. It produces detachment from the social system and loss of motivation for moral behavior. Cohen (1993) analyzed a number of Treviño's (1990) ethical culture dimensions and their potential relationship to the development of anomie and to unethical conduct in organizations. For example, leaders can encourage anomie and unethical conduct by ignoring rules and regulations in order to achieve financial objectives, or senior managers can provide reliable leadership that is consistent with stated organizational values. Cohen argued that "in order to develop and maintain work climates which facilitate ethical conduct, it is necessary to reduce any discord between goals and means expressed in various aspects of the culture (Cohen, 1993: 355)."

To date, little empirical work has been conducted to support the existence of an ethical organizational culture or its proposed relationship with ethical or unethical conduct. For example, research on culture components such as reward systems (Hegarty and Sims, 1978; Treviño and Youngblood, 1990) and codes of ethics (e.g., McCabe and Treviño, 1993), suggests that these aspects of organizational culture can influence ethical conduct in organizations. Additional research is necessary in order to develop a measure of the proposed multidimensional ethical culture construct and to investigate its influence on ethical conduct.

Although Treviño (1990) did not propose a relationship between ethical culture and employee attitudes, we will also explore this relationship. The theoretical relationship between ethical culture and employee attitudes is based upon the notion that most people will feel more attached and committed to an organization if they perceive that the organization supports and encourages ethical conduct

and discourages unethical conduct. Previous research provides some support for such a relationship. For example, Treviño and Ball (1992) found employees' justice evaluations and emotional responses to be most positive when ethical rule violators were punished and punished harshly, suggesting that employees not only approved of ethical rules but wanted them to be enforced. In addition, popular press surveys have suggested that employees prefer working for ethical organizations (Kleiman, 1989; Sandroff, 1990).

Ethical Climate and Ethical Culture: The Same or Different?

Both ethical climate and ethical culture refer to aspects of an organization's context that are thought to influence attitudes and/or ethical behavior. But, the few statements regarding the connection between ethical climate and ethical culture in the literature suggest confusion rather than clarity. For instance, according to Victor and Cullen, "the ethical climate questionnaire, then, is simply an instrument to tap, through the perceptions of organizational participants, the ethical dimensions of organizational culture" (1988: 103).

It may be helpful to consider the metaphors evoked by the notions of "ethical climate" and "ethical culture". The term "climate" suggests meteorological climate and qualities such as temperature, humidity, precipitation, wind, and other atmospheric conditions that can affect individuals (e.g., feelings), although it is unclear exactly what the effects will be. In contrast, the notion of "culture" evokes notions of rules, codes, rewards, leadership, rituals, and stories—sensemaking devices that more explicitly guide and shape behavior (cf. Smircich, 1983). In this metaphorical sense, ethical climate may characterize organizations in terms of broad normative characteristics and qualities that tell people what kind of organization this is—essentially what the organization values. If so, ethical climate is likely to be associated with attitudes, but may influence decision making and behavior only indirectly as Gaertner found. Ethical culture, on the other hand, characterizes the organization in terms of formal and informal control systems (e.g., rules, reward systems, and norms) that are aimed more specifically at influencing behavior. Therefore, we may find a stronger relationship between dimensions of ethical culture and ethical conduct. Ethical climate and ethical culture, although somewhat different, are also likely to be related to each other. For example, a culture that supports ethical conduct through codes of conduct is likely to be related to a climate that values rules and laws. However, in order to answer questions about the relationship between these constructs, and their relationship with attitudes and behaviors, both must be included in the same study as has been done here.

Methods

Sample

The study sample included 1200 male and female alumni of two private colleges (600 from each college) located in the northeastern United States. They had graduated between 5 and 30 years before and they work in a variety of business occupations, industries, and organizational sizes. Their mean age was 39.7 with a mean of 8.4 years in their present organization and 5.3 years in their current position.

Procedure

Of the 1200 alumni, 1,179 were successfully mailed a cover letter and a questionnaire measuring personal and organizational characteristics, ethical climate and ethical culture of their current work organization, attitudes, and behaviors. Completion of the survey was completely voluntary and anonymous. 318 surveys were returned (a 27% response rate). Tests for non-response bias found no significant differences in the response rate based upon the college attended, gender, or age.

Approximately half (154) of the respondents reported that they work in an organization that has an ethics code. Another half (159) reported that their organization does not have a code. Five respondents did not answer the question. The number of respondents from code organizations was somewhat smaller than expected given recent published surveys that have suggested widespread code adoption in business (Berenbeim, 1992). However, these surveys have focused only on the largest American corporations. Because only about half of the respondents completed the portion of the survey (described below) related to ethics code characteristics, we conducted statistical analyses separately for respondents in code and non-code business settings.

Independent Variable Measures

Where possible, existing measures were used or adapted. Unless otherwise noted, all items were measured using a 7-point Likert scale from strongly disagree to strongly agree or from completely false to completely true. Cronbach's alpha reliabilities for all measures are reported in Table 2.

Ethical climate. Respondents' perceptions of the ethical climate in their organization were based upon the Ethical Climate Questionnaire developed by Victor and Cullen (1987, 1988) and further validated by Cullen and Bronson (1993). Four-item subscales were used to measure the following nine theoretical dimensions of ethical climate: self-interest, company profit, efficiency, friendship, team-interest, social responsibility, personal morality, rules and standard operating procedures, and laws and professional codes.

Ethical culture. Items designed to tap ethical culture were developed for this study based upon previous theoretical work (Treviño, 1990). Items were developed to measure peer behavior, the extent to which norms support ethical conduct, the extent to which ethical behavior is rewarded, the extent to which unethical behavior is punished, the extent to which organizational leaders act as models of ethical conduct, the extent to which employees are expected to obey authority figures without question, and the extent to which employees report unethical behavior when it occurs.

In addition, Treviño (1990) suggested that formal organizational policies, rules, and statements and their implementation are important aspects of the organizational culture. These generally appear in the form of an organization's ethics code. Respondents were asked whether their current work organization has a code of ethics. Yes responses were coded as 1 and no responses were coded as 0. Respondents who currently work for an organization with a code of ethics were asked 14 additional questions regarding the code's implementation and integration into the organization. Responses to these code-related questions were treated as missing values for respondents in non-code work organizations.

It is possible that some respondents who answered the code existence question in the negative actually work for an organization that has a code tucked away in a file drawer, or that the code exists but is not distributed to employees. We were interested in these employees' knowledge that a code exists so that subsequent code-related questions could be answered. Therefore, in this study, a negative response to the code existence question represents lack of knowledge that a code exists rather than a definitive, objective answer to the question of code existence.

Dependent Variable Measures

Organizational commitment. The organizational commitment measure was adapted from O'Reilly and Chatman's (1986) measure of organizational commitment. Items were selected from two dimensions of the three-dimensional commitment measure. The first dimension is "identification" which represents the employee's identification with the attitudes or goals of the organization. Item examples include "I talk up the organization to my friends as a great organization to work for" and "I feel a sense of 'ownership' for this organization rather than being just an employee." The second dimension is a values-based type of commitment that O'Reilly and Chatman called internalization. This dimension reflects the extent to which the employee internalizes the organization's perspectives or characteristics. Item examples include "The reason I prefer this organization to others is because of what it stands for, its values" and "I find that my values and the organization's values are very similar."

Observed unethical behavior. A twenty-item scale measuring observed unethical behavior was adapted from Akaah (1992). Subjects were asked to rate the extent to which they observed other members of the organization engaging

in a range of unethical behaviors during the past year. We measured "observed" behavior rather than the respondents' self-reported behavior to reduce problems with social desirability bias. We believe that respondents are more likely to report that they observed others' unethical behavior than that they were unethical during the year (despite the anonymity of responses). Items were selected to cover a variety of activities such as theft (e.g., "taking company materials and supplies") and/or lying ("falsifying time/quality/quantity reports" or "lying to customers").

Control Variable Measures

Job satisfaction. Cullen and Victor (1993) recommended controlling for job satisfaction in their studies of the influence of ethical climate on commitment. In this study, job satisfaction was measured by a single item, "Generally speaking, I am very satisfied with this job." It was used as a control variable in the regression analyses where organizational commitment was the dependent variable.

Impression management. Randall and Fernandes (1991) emphasized the importance of controlling for social desirability bias in survey studies of ethical behavior. Therefore, we controlled for social desirability bias in our regression analyses using a fifteen-item measure of subjects' tendency to engage in impression management, adapted from Paulhus (1989).

Statistical Analyses

Relationship between ethical climate and ethical culture. In order to investigate the convergence and divergence of the ethical climate and culture constructs, a principal components factor analysis was conducted on all items from both the ethical climate and ethical culture measures. Then, correlational analysis was conducted to determine whether correlations of measures within constructs were higher on average than those between constructs. This would suggest divergence of the two constructs.

Influences of ethical climate and culture on commitment and behavior. Because of the existence of multiple dependent variables, omnibus tests (canonical correlation) were conducted for the overall model. These tests were conducted separately for the code sample and for the non-code sample. Given significant omnibus tests, individual regression analyses were then conducted.

The regression analyses were also conducted separately for respondents in code and non-code organizations. For each group (code respondents and non-code respondents) four hierarchical regression analyses were run. Impression management was entered first in all of the regressions to control for the potential influence of social desirability on responses. Satisfaction was entered next in regressions where commitment was the dependent variable. Then, because of multi-collinearity among climate and culture measures, we conducted two hierarchical regressions for each dependent variable (observed ethical behavior and organizational commitment). In the first regression for each dependent variable,

ethical culture dimensions were entered as a block, followed by the ethical climate variables. In the second regression, ethical climate variables were entered as a block, followed by ethical culture. This approach, called "usefulness analysis" (Darlington, 1968), has been used in organizational justice research to address similar problems with multi-collinearity among the independent variables (Folger and Konovsky, 1989). Usefulness analysis uses hierarchical regression to examine an independent variable's contribution to unique variance in the dependent variable beyond the contribution of another independent variable.

Results

Factor Analysis of Ethical Climate and Ethical Culture Items

The combined factor analysis revealed 10 factors with eigenvalues greater than one. Within these factors, individual items were retained using the criterion of .50 (for inclusion in a factor) and items were eliminated if an item's loading was .40 or greater for more than one factor. In two cases, an additional item was removed from a factor because the reliability analysis suggested that reliability would be improved by doing so. Table 1 shows the remaining ten factors including items, factor loadings, and eigenvalues. The ten factors were: a 14-item measure of overall "*ethical environment*," which included the degree to which unethical behavior is punished, the degree to which ethical behavior is rewarded, leaders' role-modeling, the degree to which the ethics code is effective in promoting ethical behavior, and ethical norms (all derived from ethical culture items); a six-item measure of "*employee-focused climate*"; a four-item measure of "*community-focused climate*"; a three-item measure of "*obedience to authority*" (derived from culture items); a four-item measure of "*code implementation*" (derived from culture items); a two-item measure of "*self-interest climate*"; a four-item measure of "*efficiency climate*"; a two-item measure of "*rules and procedures climate*"; a three-item measure of "*personal ethics climate*"; and a two-item measure of "*law and professional codes climate*." Thus, the combined factor analysis resulted in three factors derived from ethical culture items and seven factors derived from ethical climate items, suggesting some differentiation between the ethical climate and culture constructs.

Because the dimensions resulting from this factor analysis differentiated between ethical climate-based variables and ethical culture-based variables, these dimensions were used in subsequent regression analyses with the following exceptions. First, in the regressions of behavior on ethical culture and ethical climate, the item, "ethical behavior is the norm in this organization," was deleted from the ethical environment dimension to remove concerns about tautology (similarities between a perceived norm of ethical conduct as an independent variable and observed unethical behavior as the dependent variable). We retained the item in the factor analysis however because norms are considered to

be an important part of an ethical culture (Treviño, 1990). We believe that the item is important and appropriate to include in the construct unless the dependent variable is ethical or unethical conduct. Second, for respondents who work in non-code organizations, three additional code-related items (that these respondents didn't answer) were removed from the ethical environment (culture) measure. These are noted with a superscript b under Factor 1, Table 1. An example is, "The ethics code serves as 'window dressing' only in this organization." The reliabilities (Cronbach's alphas) for the full and trimmed ethical environment dimension of ethical culture were identical (.94).

Correlational Analyses

Correlations, means, standard deviations, and reliabilities for the study variables are displayed separately for the code and non-code samples in Table 2. Reliabilities were above .70 for all variables with the exception of two ethical climate dimensions (personal ethics and rules and procedures).

In the code sample, the ethical environment and code implementation dimensions of ethical culture were each significantly and strongly correlated with all but one of the ethical climate dimensions (personal ethics). The obedience to authority dimension of ethical culture was significantly correlated with the self-interest, efficiency, law and professional codes, employee-focused, and community-focused climates. In the non-code sample, the ethical environment culture dimension was significantly correlated with all ethical climate dimensions. The obedience to authority culture dimension was significantly correlated with all climate dimensions with the exception of the rules and procedures climate. Therefore, although the factors emerging from the factor analysis differentiated between climate and culture-based items, these dimensions of the ethical context are strongly related to each other. Correlations of ethical culture dimensions with ethical climate dimensions were not lower than correlations of culture dimensions and climate dimensions with each other, suggesting that the relationships between climate and culture dimensions are more important than the differences between them.

Omnibus Multivariate Tests

Because the study included multiple dependent variables, the omnibus test, canonical correlation, was run for the overall model. Impression management, satisfaction, ethical climate and ethical culture-based dimensions were the independent variables. Commitment and observed unethical behavior were the dependent variables. This test was run separately for subjects in organizations with and without ethics codes because the regression analyses were conducted separately for these groups. For the code respondents, the multivariate test was statistically significant, Wilk's Lambda = .187, $F = 11.916$, $p < .0001$. For the non-code respondents, the test was also significant, Wilk's Lambda = .136, $F = 15.364$, $p < .001$. With significant omnibus tests, we proceeded to conduct individual regressions.

Table 1*Exploratory Factor Analysis of All Ethical Climate and Ethical Culture Items*

Questionnaire Items	Factor Loadings									
	1	2	3	4	5	6	7	8	9	10
1 Ethical Environment										
- Management in this organization disciplines unethical behavior when it occurs	.80	.17	.01	.02	.14	.08	.04	.21	.07	-.13
- Employees in this organization perceive that people who violate the ethics code still get formal organizational rewards. ^{ab}	.79	.13	-.03	-.05	.10	.09	-.08	.04	-.11	.17
- Penalties for unethical behavior are strictly enforced in this organization	.77	.03	.09	.04	.13	.12	.08	.10	.05	-.04
- Unethical behavior is punished in this organization	.74	.10	.01	-.03	.04	.09	.06	.11	-.00	.13
- The top managers of this organization represent high ethical standards.	.74	.36	.22	-.05	.10	.07	.06	.20	-.10	-.04
- People of integrity are rewarded in this organization.	.65	.25	.25	-.24	.01	.10	.11	-.07	.00	.09
- The ethics code serves as "window dressing" only in this organization. ^{ab}	.64	.17	.21	-.17	.04	-.01	-.06	-.09	-.08	.34
- Top managers of this organization regularly show that they care about ethics.	.63	.37	.30	-.14	.12	.19	.08	.14	-.02	-.00
- Top managers of this organization are models of unethical behavior.	.64	.37	.27	.00	.20	.11	.08	.18	-.14	.08
- Ethical behavior is the norm in this organization ^b	.62	.29	.26	-.02	.08	.20	.12	.11	.07	-.06
- Top managers of this organization guide decision making in an ethical direction.	.59	.27	.33	-.23	.13	.05	.16	.12	-.06	.08
- The ethics code serves only to maintain the organization's public image ^{ab}	.57	.11	.35	-.31	.16	.18	-.12	-.03	.02	.00
- Ethical behavior is rewarded in this organization	.54	.33	.26	-.23	-.04	.09	-.08	-.13	.12	.08
- Ethics code requirements are consistent with informal organizational norms ^b	.52	.17	.18	-.30	.06	.04	-.01	.21	.05	.10
2. Employee-Focused Climate										
- The most important concern is the good of all people in this organization.	.27	.78	.14	-.03	.01	.18	-.01	.06	.10	-.06
- People are very concerned about what is generally best for employees in this organization.	.28	.73	.27	-.21	.00	.09	-.02	-.02	-.04	.03
- Our major consideration is what is best for everyone in this organization	.18	.71	.11	-.07	.11	.03	.10	.09	.05	.03
- What is best for each individual is a primary concern in this organization	.16	.68	.09	-.02	.00	-.05	.11	-.04	.34	.01
- It is expected that each individual is cared for when making decisions here	.38	.63	.24	-.13	.07	.28	.01	-.01	.07	.21
- In this organization, people look out for each others' good	.25	.59	.12	-.13	-.02	.29	-.03	.07	-.00	.34

Table 1 (cont.)

3. Community-Focused Climate

- The effect of decisions on the customer and the public are a primary concern in this organization.	.20	.23	.83	-.04	.12	.01	.04	.10	-.03	.08
- People in this organization are actively concerned about the customer's, and the public's, interest.	.27	.21	.82	-.19	-.03	.14	.05	.06	.05	.05
- It is expected that you will do what is right for the customer and public.	.19	.22	.76	-.08	.13	.04	-.03	.04	.13	.14
- People in this organization have a strong sense of responsibility to the outside community.	.21	.26	.55	-.16	.06	.37	.00	.12	.01	.01

4. Obedience to Authority

- This organization demands obedience to authority figures, without question.	-.01	-.21	.00	.80	.01	-.11	.02	-.03	-.02	-.08
- People in this organization are expected to do as they're told.	-.08	-.05	-.00	.70	.03	-.07	.07	.26	-.05	-.03
- The boss is always right in this organization.	-.20	-.09	-.17	.65	-.12	-.21	.15	.07	.01	-.05

5. Code Implementation

- Employees are required to acknowledge that they have read and understood the ethics code.	.15	.04	-.03	-.04	.80	-.05	.08	.05	-.05	.05
- The organization has established procedures for employees to ask questions about ethics code requirements.	.25	-.01	.10	-.13	.68	.23	.08	.27	-.10	-.03
- The code of conduct is widely distributed throughout the organization.	.13	.17	.14	.01	.65	.15	-.08	-.08	-.02	.24
- Employees are regularly required to assert that their actions are in compliance with the ethics code.	.23	.17	.23	.04	.62	-.14	.08	-.09	.06	.02

6. Self-Interest Climate

- People in this organization are very concerned about what is best for themselves.	-.25	-.25	-.04	.10	-.08	-.69	.01	.05	.01	-.06
- In this organization, people protect their own interests above other considerations.	-.27	-.19	-.27	.25	-.00	-.60	.14	.01	.02	-.18

7. Efficiency Climate

- In this organization, each person is expected above all to work efficiently.	-.11	.12	.02	.12	.11	-.01	.80	.09	.03	.10
- The major responsibility of people in this organization is to consider efficiency first.	-.03	-.08	.02	.13	.00	.00	.79	-.23	.07	-.02
- Efficient solutions to problems are always sought here.	.36	.21	.24	-.11	.08	.01	.61	.27	-.03	-.04
- The most efficient way is always the right way in this organization.	.13	.26	-.07	.32	.02	-.34	.53	-.01	.09	-.10

Table 1 (cont.)

8. Rules and Procedures Climate										
- It is important to follow strictly the organization's rules and procedures.	.24	.02	.05	.19	.09	.04	-.01	.75	08	.05
- Everyone is expected to stick by company rules and procedures	.30	.13	.21	-.07	.08	-.09	.03	.61	-.22	09
9. Personal Ethics Climate										
- In this organization, people are guided by their own personal ethics.	-.02	.02	10	-.20	-.00	-.10	.08	.13	.73	.00
- Each person in this organization decides for themselves what is right and wrong.	-.34	.10	03	-.07	-.16	-.09	-.01	-.01	.68	-.02
- The most important concern in this organization is each person's own sense of right and wrong.	09	.27	-.00	.09	-.01	.22	.03	-.25	.61	-.01
10. Law and Professional Codes Climate										
- In this organization, people are expected to comply with the law and professional standards over and above other considerations.	.31	-.03	24	-.21	14	00	-.05	08	16	.69
- In this organization, people are expected to strictly follow legal or professional standards.	37	27	18	-.27	.20	-.12	02	21	02	52
Eigenvalues	20.22	4.59	3.51	2.45	2.41	2.06	1.77	1.58	1.57	1.48

* item was reversed

° item was removed for statistical analyses in non-code sample

Table 2
Summary Statistics

(1) Code Sample ^a		1	2	3	4	5	6	7	8	9	10	11	12	13
Variables	Mean S.D. Alpha													
1. Impression Management	3.27 0.84 .70													
2. Job Satisfaction	4.14 1.73 ^b	.06												
3. Ethical Environment	4.13 1.16 .94	.15	.51											
4. Employee-focused Climate	3.23 1.17 .87	-.08	.42	.63										
5. Community-focused Climate	4.46 1.10 .84	.06	.48	.58	.52									
6. Obedience to Authority	3.07 1.38 .76	-.01	.33	-.31	-.28	.28								
7. Code Implementation	4.12 1.47 .75	.18	.10	.44	-.26	.31	-.08							
8. Self-interest	3.54 1.34 .72	-.16	-.36	-.52	-.49	-.44	.38	-.18						
9. Efficiency	3.22 1.17 .76	-.03	.02	.18	.24	.15	.21	.21	.10					
10. Rules and Procedures	4.36 1.11 .67	.13	.13	.45	.23	.28	.10	.33	-.15	.18				
11. Personal Ethics	3.28 1.06 .59	-.02	.08	-.03	-.28	.11	-.10	-.09	-.06	.06	-.15			
12. Law & Professional Codes	4.95 1.10 .78	.10	.37	.61	.35	.41	-.32	.40	-.27	.15	.47	.06		
13. Unethical Behavior	2.11 1.17 .92	-.33	-.36	-.53	-.24	-.36	-.31	-.31	.38	-.05	-.26	.03	-.32	
14. Organizational Commitment	4.07 1.50 .90	.05	.66	.69	.63	.68	.45	.26	-.52	.11	.28	.12	.51	-.46

(2) Non-Code Sample ^c		1	2	3	4	5	6	7	8	9	10	11	12
Variables	Mean S.D. Alpha												
1. Impression Management	3.19 0.85 .70												
2. Job Satisfaction	4.06 1.92 ^d	.14											
3. Ethical Environment	3.62 1.36 .94	.27	.59										
4. Employee-focused Climate	3.31 1.20 .86	.26	.61	.72									
5. Community-focused Climate	4.42 1.09 .81	.24	.41	.59	.45								
6. Obedience to Authority	3.08 1.44 .75	-.09	-.31	-.44	-.31	-.42							
7. Self-interest	3.56 1.37 .74	-.19	-.28	-.53	-.41	-.47	.50						
8. Efficiency	3.18 1.20 .77	.05	.17	.22	.24	.04	.19	-.03					
9. Rules and Procedures	4.10 1.19 .66	.15	.32	.29	.09	.19	.15	-.01	.29				
10. Personal Ethics	3.35 1.04 .60	-.09	.37	.32	.46	.28	-.24	-.07	-.03	-.20			
11. Law & Professional Codes	4.70 1.10 .75	.17	.33	.53	.39	.47	-.27	-.33	.12	.29	.13		
12. Unethical Behavior	2.21 1.31 .84	-.37	-.40	-.58	-.51	-.49	.41	.49	-.03	-.13	-.29	-.45	
13. Organizational Commitment	3.96 1.57 .89	.18	.71	.81	.74	.61	-.44	-.51	.19	.16	.38	.47	-.50

^a N = 154; correlations with values of .16 and higher are significant at $P < .05$.

^b One-item measure, Cronbach's alpha could not be calculated.

(2) Non-Code Sample^c

Variables

Variables	Mean S.D. Alpha
1. Impression Management	3.19 0.85 .70
2. Job Satisfaction	4.06 1.92 ^d
3. Ethical Environment	3.62 1.36 .94
4. Employee-focused Climate	3.31 1.20 .86
5. Community-focused Climate	4.42 1.09 .81
6. Obedience to Authority	3.08 1.44 .75
7. Self-interest	3.56 1.37 .74
8. Efficiency	3.18 1.20 .77
9. Rules and Procedures	4.10 1.19 .66
10. Personal Ethics	3.35 1.04 .60
11. Law & Professional Codes	4.70 1.10 .75
12. Unethical Behavior	2.21 1.31 .84
13. Organizational Commitment	3.96 1.57 .89

^c N = 159; correlations with values of .16 and higher are significant at $P < .05$.

^d One-item measure, Cronbach's alpha could not be calculated.

Note. N, n-code results do not include code implementation variable.

Usefulness Analyses—Code Sample—Unethical Conduct

Regression analyses are reported in Table 3. All regression analyses controlled for impression management by entering it first in the regression equations. We begin by reporting the findings for unethical conduct in the code sample, with culture dimensions entered first in the hierarchical analysis. With culture entered first, two culture dimensions (ethical environment and obedience to authority) significantly influenced observed unethical behavior (explaining 29 percent of the variance beyond impression management). Ethical climate dimensions were nonsignificant. The stronger the general ethical environment, the less unethical behavior was observed. The higher a focus on strict obedience to authority, the more unethical behavior was observed. Code implementation was not significant.

When ethical climate dimensions were entered first, a single ethical climate dimension (self-interest) was significant (explaining 19 percent of the variance beyond impression management). The more the ethical climate was perceived to focus on self-interest, the more respondents reported that they observed unethical behavior. When entered in the second step, culture was also significant (explaining another 13 percent of the variance). Overall ethical environment and obedience to authority were again the significant culture dimensions.

Usefulness Analyses—Code Sample—Organizational Commitment

For organizational commitment, when culture variables were entered first, culture made a significant contribution to the regression model (explaining 23 percent of the variance beyond impression management and satisfaction) (see Table 3, part 2). Significant culture variables were once again overall ethical environment and obedience to authority. Climate was also significant (explaining another eight percent of the variance). The climate variables that significantly influenced organizational commitment were employee focus and community focus. Respondents were more highly committed to organizations that were concerned about the welfare of employees and the community. When climate was entered first, the climate step was significant (explaining 28 percent of the variance beyond impression management and satisfaction). Significant variables included employee and community focus (as above) plus law and professional code climates. Culture was also significant (explaining another three percent of the variance). The employee and community focus climate dimensions and the obedience to authority culture dimension remained significant in the final equation.

Usefulness Analyses—Non-Code Sample—Unethical Conduct

As explained above, the same analyses were run for the sub-sample of respondents who reported that they worked in non-code organizations. Because these respondents did not answer code-related questions, the code implementation variable was excluded from these analyses and the ethical environment

measure was trimmed of code-related items (it nevertheless remained highly reliable, Cronbach's alpha for ethical environment = .94). We begin by reporting findings for observed unethical conduct. With culture entered first in the hierarchical regression, culture dimensions (ethical environment and obedience to authority) significantly influenced observed unethical behavior (explaining 29 percent of the variance beyond impression management). This finding is identical to the finding for code organizations. However, for non-code respondents, ethical climate dimensions were also significant, explaining an additional eight percent of the variance. In the final regression equation, only the law and professional code and self-interest climate dimensions remained. The higher the focus on self-interest, the more respondents reported observing unethical behavior. The higher the focus on law and professional codes, the less respondents reported observing unethical behavior.

When ethical climate dimensions were entered first, the same climate dimensions (self-interest and law and professional code) were significant (explaining 36 percent of the variance beyond impression management). The culture step was nonsignificant.

Usefulness Analyses—Non-Code Sample—Organizational Commitment

For organizational commitment, when culture variables were entered first, culture was significant (explaining 27 percent of the variance beyond impression management and satisfaction). The significant culture variable was overall ethical environment. The climate step was also significant (explaining another four percent of the variance). The climate variables that significantly influenced organizational commitment were community focus and employee focus.

When climate was entered first, the climate step was significant (explaining 26 percent of the variance beyond impression management and satisfaction). Significant variables included community and employee focus (as above) plus self-interest. Culture was also significant (explaining another five percent of the variance). The employee and community focus climate dimensions and the over-all ethical environment culture dimension remained significant in the final equation.

Discussion

In this study, Victor and Cullen's (1987, 1988) and Treviño's (1990) conceptualizations of ethical climate and ethical culture were used to characterize the ethical context of organizations and both were discussed in terms of potential influences on employees' attitudes and behaviors. This study is the first investigation to include measures of both constructs in a single study, to factor analyze them together, to investigate the relationships between them and to examine their relative influences on unethical conduct and organizational commitment.

Table 3

Results of Hierarchical Regression (Usefulness) Analyses

(1) The Influence of Ethical Culture and Ethical Climate on Unethical Conduct

Culture Entered First

Step	Variables	Code Subjects			Non-code Subjects		
		R ²	Beta	F	R ²	Beta	F
1	Control Variables	.11 (.10)		14.30**	.13 (.12)		16.46**
	Impression Management		-0.33	14.30**		-0.36	16.46**
2	Ethical Culture	.29 (.28)		19.12**	.29 (.28)		27.01**
	Impression Management		-0.25	11.77**		-0.23	9.09**
	Ethical Environment		-0.39	21.01**		-0.43	27.75**
	Code Implementation		-0.07	0.78		a	a
	Obedience to Authority		0.23	9.08**		0.21	7.18**
3	Ethical Climate	.02 (.00)		0.60	.00 (.05)		2.30*
	Impression Management		-0.21	7.36**		-0.23	9.86**
	Ethical Environment		-0.44	11.88**		-0.12	0.88
	Code Implementation		-0.08	0.88		a	a
	Obedience to Authority		0.26	8.15**		0.10	1.14
	Employee-focused Climate		0.16	1.78		-0.11	1.03
	Community-focused Climate		-0.03	0.11		-0.07	0.62
	Self-Interest		0.08	0.62		0.21	5.28*
	Efficiency		-0.01	0.01		-0.03	0.08
	Rules and Procedures		-0.10	1.37		0.03	0.13
	Personal Ethics		-0.03	0.18		-0.07	0.63
	Law and Professional Codes		0.12	1.38		-0.20	5.47*

Climate Entered First

1	Control Variables	.11 (.10)		14.30**	.13 (.12)		16.46**
	Impression Management		-0.33	14.30**		-0.36	16.46**
2	Ethical Climate	.19 (.15)		4.37**	.36 (.33)		10.29**
	Impression Management		-0.25	9.23**		-0.24	10.44**
	Employee-focused Climate		-0.04	0.15		-0.18	3.35
	Community-focused Climate		-0.12	1.31		-0.11	1.38
	Self-Interest		0.23	5.11*		0.27	10.30**
	Efficiency		0.01	0.01		-0.02	0.04
	Rules and Procedures		-0.08	0.75		0.03	0.18
	Personal Ethics		0.05	0.40		-0.09	1.01
	Law and Professional Codes		-0.04	0.15		-0.23	7.71**
3	Ethical Culture	.13 (.11)		8.00**	.01 (.00)		1.19
	Impression Management		-0.21	7.36**		-0.23	9.86**
	Employee-focused Climate		0.15	1.78		-0.11	1.03
	Community-focused Climate		-0.03	0.11		-0.07	0.62
	Self-Interest		0.08	0.68		0.21	5.29*
	Efficiency		-0.01	0.01		-0.03	0.08
	Rules and Procedures		-0.10	1.37		0.03	0.13
	Personal Ethics		-0.03	0.18		-0.07	0.62
	Law and Professional Codes		0.12	1.38		-0.20	5.47*
	Ethical Environment		-0.44	11.87**		-0.12	0.88
	Code Implementation		-0.08	0.88		a	a
	Obedience to Authority		0.26	8.15**		0.10	1.14

* Code Implementation not entered for Non-code subjects.

. = p < .05. ** = p < .01.

Values in parentheses are adjusted R²'s.

Table 3 (cont.)

(2) The Influence of Ethical Culture and Ethical Climate on Organizational Commitment
Culture Entered First

Step	Variables	Code Subjects			Non-code Subjects		
		R ²	Beta	F	R ²	Beta	F
1	Control Variables	.43 (.42)		48.90**	.52 (.51)		62.93**
	Impression Management		0.02	0.10		0.05	0.68
	Satisfaction		0.66	97.39**		0.71	117.82**
2	Ethical Culture	.23 (.23)		28.09**	.24 (.23)		55.37**
	Impression Management		-0.04	0.68		-0.05	1.13
	Satisfaction		0.36	32.33**		0.37	42.46**
	Ethical Environment		0.43	38.40**		0.56	87.09**
	Code Implementation		0.04	0.54		a	a
	Obedience to Authority		-0.23	15.71**		-0.11	4.48*
3	Ethical Climate	.08 (.07)		5.51**	.04 (.03)		2.71**
	Impression Management		-0.01	0.01		-0.07	1.98
	Satisfaction		0.25	17.94**		0.30	26.27**
	Ethical Environment		0.14	2.61		0.36	18.54**
	Code Implementation		0.00	0.00		a	a
	Obedience to Authority		-0.18	9.31**		-0.04	0.62
	Employee-focused Climate		0.20	7.56**		0.21	8.43**
	Community-focused Climate		0.25	14.87**		0.11	3.82*
	Self-Interest		-0.05	0.71		-0.07	1.32
	Efficiency		-0.01	0.01		-0.01	0.08
	Rules and Procedures		0.03	0.19		-0.02	0.18
	Personal Ethics		-0.02	0.16		0.02	0.15
	Law and Professional Codes		0.10	2.12		0.03	0.33
<u>Climate Entered First</u>							
1	Control Variables	.43 (.42)		48.90**	.52 (.51)		62.93**
	Impression Management		0.02	0.10		0.05	0.68
	Satisfaction		0.66	97.39**		0.71	117.82**
2	Ethical Climate	.28 (.27)		17.41**	.23 (.22)		14.75**
	Impression Management		-0.00	0.00		-0.04	0.77
	Satisfaction		0.29	23.24**		0.34	30.34**
	Employee-focused Climate		0.26	13.51**		0.36	25.30**
	Community-focused Climate		0.27	17.33**		0.18	8.14**
	Self-Interest		-0.12	3.76*		-0.15	7.16**
	Efficiency		-0.03	0.31		0.00	0.00
	Rules and Procedures		-0.00	0.02		0.01	0.07
	Personal Ethics		-0.04	0.59		0.05	0.77
	Law and Professional Codes		0.20	11.22**		0.09	2.42
3	Ethical Culture	.03 (.03)		4.18**	.04 (.04)		10.32**
	Impression Management		-0.00	0.01		-0.07	1.98
	Satisfaction		0.25	17.99**		0.30	26.28**
	Employee-focused Climate		0.20	7.56**		0.21	8.43**
	Community-focused Climate		0.25	14.87**		0.11	3.82*
	Self-Interest		-0.05	0.71		-0.07	1.32
	Efficiency		-0.01	0.01		-0.01	0.08
	Rules and Procedures		0.03	0.71		-0.02	0.18
	Personal Ethics		-0.02	0.16		0.02	0.15
	Law and Professional Codes		0.10	2.17		0.03	0.33
	Ethical Environment		0.14	2.61		0.36	18.54**
	Code Implementation		0.00	0.00		a	a
	Obedience to Authority		-0.18	9.31**		-0.04	0.62

* Code Implementation not entered for Non-code subjects.

. = p < .05. ** = p < .01.

Values in parentheses are adjusted R's

Ethical Context—The Relationship Between Ethical Climate and Culture

The initial principal components factor analysis (all of the ethical climate and ethical culture items) revealed ten ethical context factors. Each of these ten factors consisted of items that were derived from either the ethical climate or the ethical culture measures. None of the resulting factors combined items from both the climate and culture measures. Thus, this factor analysis provided some empirical evidence of differentiation between the ethical climate and ethical culture constructs.

This study also provided further support for the existence of a number of ethical climate dimensions. The factor analysis results were generally consistent with previous research findings suggesting that future research can continue to use these measures. However, two of the climate dimensions do not meet conventional reliability standards (.70) and should be improved.

The study also provided the first reliable scales for the measurement of ethical culture that can be used in future research. A number of the proposed dimensions became part of a single factor we labeled overall ethical environment. This factor encompasses ethical leadership, norms and reward systems that support ethical conduct, and (in code organizations) a code of conduct that is consistent with organizational norms. These aspects of ethical culture varied together in the responses and did not turn out to be “separate” culture dimensions as originally proposed. Future investigations that include both culture and climate (as this one did), should use the scales derived from the combined factor analysis (reported in Table 1) because the combined analysis removed items that did not discriminate between the two constructs.

The correlational analysis suggested that the factors derived from the ethical climate and ethical culture constructs, although somewhat different, are strongly related. Correlations were particularly high between ethical environment (the main culture-based factor) and employee-focused climate, community-focused climate, law and professional code climate, and self-interest climate (negative correlation).

These results suggest that dimensions of ethical climate and ethical culture are tapping somewhat different aspects of the ethical context of the business organizations represented in this study. Clearly, the ethical culture-derived dimensions are capturing an aspect of the organization’s ethical context excluded from the ethical climate construct (e.g., leadership and reward systems). And, as we will see below, this aspect of ethical culture seems important for ethical conduct, especially in code organizations. But, the strong relationships between ethical climate and ethical culture-based factors suggest a large degree of overlap and important relationships between these constructs as well. We shouldn’t be surprised at a finding suggesting that an organization whose leaders represent high ethical standards and who reward ethical conduct is also an organization that focuses on its employees and community and on obeying the law. The finding that ethical climate and ethical culture are strongly related is

aligned with recent work in the broader organizational climate/culture literature suggesting the close relationship between them (Denison, 1996; Pettigrew, 1990). A number of researchers are currently using the terms together when talking about creating a particular type of organizational context—for example, one that supports change or success (e.g., Schneider, Brief, and Guzzo, 1996; Schneider, Gunnarson, and Niles-Jolly, 1990).

Relationship Between Ethical Context and Attitudes/Behaviors

Ethical context and ethical conduct. We proposed that ethical culture would be more strongly associated with ethical conduct than would ethical climate. The empirical results were mixed. Code organizations, where ethical culture-based factors were most strongly associated with observed unethical behavior, provided support for this proposition. However, in non-code organizations, ethical climate factors emerged as better predictors.

In code organizations, when culture dimensions were entered first, climate dimensions did not add significantly to the variance explained by overall ethical environment and obedience to authority. When climate dimensions were entered first, a single climate dimension (self-interest) was significant and positively associated with unethical conduct. However, when culture was added, the same two ethical culture dimensions as before (overall ethical environment and obedience to authority) added significantly to the variance explained.

In non-code organizations, the results were quite different. When the culture dimensions were entered in the regression equation first, they explained the same amount of variance (29 percent) as they did in the code sample, suggesting that ethical culture influences ethical conduct similarly in the two types of organizations. However, two climate dimensions (law and professional code and self-interest) explained an additional eight percent of the variance. When ethical climate dimensions were entered first, a full 36 percent of the variance was explained, with only self-interest being significant. Culture was nonsignificant. Therefore, in non-code organizations, the key variable was self-interest. To the extent that respondents perceived a focus on self-interested behavior in the organization, they also reported observing more unethical conduct. This finding for self-interest is consistent with Wimbush and Shepard's (1994) prediction that egoistic climates would be associated with unethical conduct. However, a note of caution in interpreting this finding is in order because it may represent a tautology. To the extent that unethical conduct (e.g., lying, cheating, stealing) is defined, to a large degree, as self-interested, it is not surprising to find that respondents who perceive self-interest in their organization will also say that they observe more unethical conduct. With that caution in mind, we believe that organizations might find it useful to know that they can survey their employees about self-interest climate and simultaneously learn quite a bit about unethical conduct.

The finding for law and professional codes suggests that a company's more general emphasis on obeying the law and adhering to professional conduct standards is

associated with less observed unethical behavior. As suggested earlier, this climate dimension is one of the most behavior-focused in that laws and professional standards are quite specific about behaviors that are acceptable and unacceptable. Future research may want to consider whether an emphasis on laws and professional codes can substitute for a company code, particularly in certain types of organizations such as professional organizations (e.g., accounting, law) or organizations in highly legalized or regulated industries (e.g., banking).

It is also important to consider the climate and culture dimensions that did not enter significantly into the regression equations. Four of the seven ethical climate dimensions (employee focus, community focus, personal ethics, efficiency) had no significant association with observed unethical conduct. One of the three ethical culture dimensions (code implementation) did not contribute significantly. This may suggest that a number of aspects of the ethical context are unrelated to conduct, although they may be related to attitudes.

In sum, we found that two ethical culture-based (overall ethical environment and obedience to authority) dimensions were the best overall predictors of unethical conduct, and they operated similarly in code and non-code organizations. A climate focused on self-interest was also associated with unethical conduct in both code and non-code settings, but was the most important contextual variable in non-code settings. In non-code settings, a focus on adhering to laws and professional standards was also associated with unethical conduct.

These analyses suggested that the context influenced behavior somewhat differently in code and non-code settings. In code settings, unethical conduct was primarily a function of a behavior-based cultural dimension (overall ethical environment). Observed unethical conduct was lower in a context that encouraged ethical conduct and discouraged unethical conduct through leadership, reward systems, and a meaningful code of conduct. In non-code settings, unethical conduct was primarily a function of an ethical climate dimension (self-interested climate) that was associated with observed unethical behavior. Support for ethical conduct came from a focus on law and professional codes. These findings suggest that researchers and managers may need to think somewhat differently about contextual influences on ethical conduct in code and non-code organizations.

When considering ethical conduct in organizations in general (without the code/non-code distinction), selected dimensions from both the ethical climate and culture constructs are clearly relevant. Therefore, future studies of the relationship between ethical context and unethical conduct should, at a minimum, incorporate the select combination of variables from the original ethical climate and ethical culture constructs that were found to be predictive in this research—overall ethical environment, obedience to authority, self-interest, and law and professional code.

Ethical context and organizational commitment. In this study, we found that measures of ethical climate and ethical culture were almost interchangeable in their ability to predict employee attitudes in both code and non-code organizations, providing organizations with multiple options for influencing organizational

commitment. Interestingly, the ethical culture dimensions (overall ethical environment and obedience to authority) associated with ethical conduct were also associated with commitment, making them the most consistently influential study variables. Overall ethical environment was the most consistent culture dimension to be associated with organizational commitment. However, two new climate dimensions emerged as significant in relation to organizational commitment. Employee-focused and community-focused climates were the most consistent climate dimensions to be associated with commitment. These employees were more likely to identify and feel a sense of shared values with organizations that supported and rewarded ethical conduct, and that emphasized the good of employees, customers, and the public. The finding for employee and community-focused climate was also similar to Victor and Cullen's finding that benevolence-based climates were positively related to commitment. In non-code organizations, self-interest also had a significant (negative) effect on commitment, again similar to Victor and Cullen's (1993) finding regarding egoistic climates. Therefore, a climate focused on self-interest not only appears to promote unethical conduct, it also has a negative influence on organizational commitment.

Implications for Theory

The findings support the general theory driving this research—that the ethical context of the organization is associated with employee attitudes and behaviors. However, questions remain about how best to conceptualize the ethical context of organizations and its relationship with attitudes and behaviors. Since this study was designed, Cohen (in press) proposed another way of conceptualizing the ethical context of firms. She defined “moral climate” as “prevailing employee perceptions of organizational signals regarding norms for making decisions with a moral component” (Cohen, in press: 7). Climate provides a psychological environment of shared perceptions in which certain expected behaviors are more likely to occur. In Cohen's model, cultural processes (e.g., political and technical processes) serve as stimuli that signal managerial expectations for certain types of behavior. Shared interpretations of these cues create a climate that makes certain behaviors more likely. Thus, in the model, cultural processes influence climate which influences ethical behavior. Ethical behaviors are also influenced by other mediating variables such as individual differences and conditions outside the firm. Cohen's model provides a way of integrating culture and climate into a single model that offers a broader framework for thinking about ethical context and how climate and culture components may be related. Additional research will be needed to explore the relationships among contextual dimensions, attitudes, and behaviors. We believe that theory in this area may also be advanced by conducting inductive qualitative research. Employees could be asked to discuss what drives their ethics-related attitudes and behaviors, and specifically to focus on the firm's context. These findings could then be combined with previous theorizing and empirical findings to develop a more complete understanding of ethical context.

Implications for Management

The study findings certainly suggest implications for management. In order to decrease unethical conduct, an organization should have leaders who encourage and model ethical behavior, reward systems that reward ethical conduct and discipline unethical conduct, an ethics code that is consistent with norms, a focus away from strict obedience to authority and away from self-interest at the expense of other considerations, and a focus on adherence to the law and professional standards when they apply. Some of the management prescriptions are quite clear (e.g., discipline unethical conduct) while others raise concerns about common management practices. For example, many organizations base their reward systems almost exclusively on self-interest (e.g., commission-only systems). Does this type of reward system produce an ethical climate high on self-interest and a corresponding high level of unethical conduct? Recent theorizing (Kurland, 1996) and media reports about the unethical practices of financial advisers and others suggest that such a relationship can develop. If so, can these reward system pressures be countered by a culture characterized by a strong ethical environment (leadership, codes, norms, etc.)? Or, must the reward system be fundamentally changed? Additional research will be needed to answer these questions.

These findings also suggest a number of routes managers can take to obtain the commitment of employees through the ethical context. They can focus on developing a culture that supports ethical conduct and discourages unethical conduct through leadership, reward systems, codes, and norms. They can focus on developing climates that emphasize the good of employees, customers, and the public rather than self-interest. Or, even better, they can do all of these things. As with prescriptions for decreasing unethical conduct, many questions remain about the best ways to develop these ethical contexts. Hopefully, future research can answer these questions.

Limitations of the Study

A limitation of the present research is the use of perceptual measures for study variables. However, this is unavoidable in studies that focus on individual perceptions of organizational phenomena. In fact, we were very much interested in perceptions. For example, predicting organizational commitment from perceptions of the organization's ethical context requires that both be measured through questions based upon individual perceptions.

A second limitation involves the potential for social desirability to bias the survey results. Social desirability is particularly problematic when researching sensitive topics such as business ethics (Randall and Fernandes, 1991). We addressed this limitation in several ways. First, for unethical behavior, respondents reported on the extent to which they observed others' unethical behavior rather than their own. Social desirability bias would be more likely to influence self-reports of unethical conduct than reports of others' behavior. Second, respondents

remained completely anonymous. Randall and Fernandes (1991) suggested that anonymity is an important way to reduce social desirability bias in ethics-related surveys. Third, and perhaps most important, we measured and controlled for social desirability bias in the regression equations, using Paulhus' impression management measure (Paulhus, 1989) as Randall and Fernandes recommended. Inspection of the regressions suggests that impression management explained a significant proportion of the variance in the regressions where observed behavior was the dependent variable (11 percent in code organizations and 13 percent in non-code organizations), but not in the commitment regressions.

Third, because this study relied upon cross-sectional survey data, the observed linkages between the independent and dependent variables should be interpreted as correlational and not necessarily causal.

Fourth, the culture measure designed for this study was developed with a code-organization bias. This resulted in missing data and the need to conduct separate analyses within the code and non-code subsamples. Despite the interesting results and insights these analyses produced, future research should refine the ethical culture measure to make it more applicable to both code and non-code organizations. Our findings regarding the number of respondents in code and non-code organizations suggest that previous surveys (that focused almost exclusively on the largest corporations) overestimated the extent to which all business organizations have implemented codes of conduct.

Fifth, this study focused on unethical conduct. Future research may wish to consider the influence of ethical climate and culture on other ethics-related behaviors such as prosocial behaviors and ethical conduct.

Finally, questions about generalizability remain. The sample for this study included alumni from two colleges who are generally in managerial positions in their organizations. Although we don't expect the relationships between ethical context and attitudes/behaviors to be different for lower-level employees, we cannot be sure that the results are generalizable to all organization members.

Normative Implications of the Study

This study was driven by an empirical approach to the study of business ethics—questions about the association between contextual factors and employee attitudes and behaviors. However, the normative and empirical are certainly intertwined in this work in ways that suggest a symbiotic relationship between the normative and the empirical. Normative ethical theories can provide relevant and useful input into the theorizing that guides descriptive empirical work. Further, empirical findings can provide input that normative theorists can use (Weaver and Treviño, 1994).

This study relied on several normative inputs. First, we began with the assumption that it would be normatively better to have an organization in which commitment is high and unethical conduct is low. Second, the ethical climate typology proposed by Victor and Cullen (1988) was based, in part, on normative ethical theory. In

this empirical study, several of the ethical climate dimensions (self-interest, employee-focused climate, community-focused climate, and law and professional code climate) were associated with attitudes and behaviors. From a normative perspective, these findings focus our attention on the importance of benevolence and egoism-based normative theories. Egoism (operationalized as self-interest in this study) was negatively associated with organizational commitment and positively associated with unethical conduct, while benevolence (to employees and the community) was positively associated with commitment. Given our assumption that ethical conduct and organizational commitment are normatively good organizational outcomes, the empirical findings have clear implications for how organizations can achieve such preferred outcomes. The findings suggest that organizations should find ways to demonstrate to employees that they care about them and the larger community. Further, organizations should not support an exclusive focus on individual self-interest or strict obedience to authority in the firm. If they do, they are indirectly supporting and encouraging unethical conduct and individuals' commitment only to themselves, not their coworkers or the organization. These findings are consistent with recent prescriptions about the need for trust, cooperation, and teamwork in business.

When the culture-based findings are considered from a normative perspective, additional issues emerge. As stated earlier, our notion of ethical culture assumes that organizations can influence individual ethical behavior—a deterministic perspective that may be distasteful to philosophers who believe that “ethically significant action is autonomous” (Treviño and Weaver, 1994: 118). Yet, the empirical results support the claim that cultural factors influence conduct. Therefore, the important normative question may be whether organizations *should* be managing the ethics of their members, or should employees be left to follow their own principles.

We believe that organizations should be proactively managing the organization's ethical context. If contextual factors do influence conduct, management's lack of attention to these factors can be characterized as benign neglect. In such instances, cultural factors from the broader business environment are likely to take over in the absence of firm-level influences (Treviño, 1990). Self-interest is central to the highly competitive global business environment and individual business persons work within and are influenced by that environment. As we discussed above, an exclusive focus on self-interest is associated with more unethical conduct and lower organizational commitment. In order to balance the influences of this broad self-interested business environment, individual firms must create a sub-context in which moral values other than egoism are encouraged and rewarded. The culture findings from this study provide managers with guidance about the management tools they can use to achieve more ethical conduct in the firm as well as more commitment to the organization. Reward systems that support ethical conduct and discipline unethical conduct, and top management role modeling appear to be the most important aspects of an overall ethical environment. This suggests that reward

systems should be scrutinized carefully to be sure that "good guys (gals) are rewarded" and "bad guys (gals) are punished." It also suggests that top managers need to become aware of the important role they play as moral leaders in their organizations.

Conclusion

Our analysis suggests that the ethical climate and ethical culture constructs are tapping somewhat different, but strongly related aspects of the ethical context. Several climate and culture-based dimensions were strongly associated with observed unethical conduct and organizational commitment. Employees observed less unethical behavior and were clearly more committed to organizations that supported ethical conduct and that emphasized the good of employees, customers, and the public. The findings suggest that ethical climate and ethical culture are not alternative ways of conceptualizing the ethical context. Rather, both are important because some dimensions are more strongly associated with behavior and others are more strongly associated with commitment. Further, a number of interesting differences were found across code and non-code organizations. Based upon the findings presented here, researchers should think carefully about their research questions and the organizations studied in determining which dimensions of the ethical context to include in future investigations. Future research in this area should also ask whether the combination of dimensions emerging from this study captures all relevant dimensions of ethical context, or whether there are others (Cohen, in press).

The normative implications of the study suggest that normative theories and normative assumptions can provide useful inputs to the design of empirical work. Further, the results of this empirical study suggest that organizations should take responsibility for creating a context in which ethical conduct is supported and encouraged and unethical conduct is discouraged. Employees will not only be more ethical, but they will be more committed to the organization.

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