A R T I C L E S

Ethical Climates and Their Effects on Organizational Outcomes: Implications From the Past and Prophecies for the Future

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Executive Overview

Ethical climate theory was first proposed by Victor and Cullen (1987, 1988). Ever since, it has been useful in increasing our knowledge on a variety of organizational outcomes such as workplace bullying, organizational commitment, ethical behavior, job satisfaction, and turnover intentions. In this paper, we scrutinize the extant research on ethical climates to provide an understanding of what has been observed thus far, and what else ethical climate theory could be harnessed to examine. We also provide a critique of the ethical climate theory literature base and suggest a future research agenda for ethical climate theory.

First proposed by Victor and Cullen (1987, 1988), ethical climate theory (ECT) was initially conceptualized as an analytic tool for understanding organizational normative systems. There was an urgent need at that time to develop such a tool (Victor & Cullen, 1988), stemming from the then-nascent belief that organizations were social actors and consequently responsible for the ethical or unethical behaviors of their employees.

Organizational work climates (Schneider, 1983) comprise the base upon which ECT was established. An organizational work climate is defined as the shared perceptions of procedures, policies, and practices, both formal and informal, of the organization (Reichers & Schneider, 1990; Schneider, 1975, 1983). There are many work climates: innovation climates (e.g., Agrell & Gustafson, 1994; Klein & Sorra, 1996), creativity climates (e.g., Gilson & Shalley, 2004; Mumford, Scott, Gaddis, & Strange, 2002), communication climates (Forward, Czech, & Lee, 2011; Guzley, 1992), warmth and support climates (e.g., Field & Abelson, 1982), diversity climates (e.g., McKay, Avery, & Morris, 2009), justice climates (e.g., Dietz, Robinson, Folger, Baron, & Schultz, 2003; Liao & Rupp, 2005), involvement climates (e.g., Chen, Lam, & Zhong, 2007; Richardson & Vandenberg, 2005), and safety climates (e.g., Hofmann & Mark, 2006; Hofmann & Stetzer, 1998; Zohar, 2010).

All these different work climates are known to influence behaviors of organizational actors to a great degree (Martin & Cullen, 2006; Tsai & Huang, 2008; Wimbush & Shepard, 1994). Ethical climates are a subset of these organizational work climates and also have a strong influence on several organizational outcomes. An ethical climate can be defined as the perception of what constitutes right behavior, and thus becomes a psychological mechanism through which ethical issues are managed (Martin & Cullen, 2006, p. 177). Ethical climates influence both decision

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http://dx.doi.org/10.5465/amp.2011.0156

making and behavioral responses to ethical dilemmas, which then go on to be reflected in various work outcomes.

Ethical transgressions at and involving organizations—such as insider trading, embezzlement, corporate fraud, and workplace bullying—can all be traced back to the influence of ethical work climates (Arnaud, 2010), which were at the center of recent ethical scandals at once-respected organizations such as AIG, Countrywide Financial, Lehman Brothers, and Siemens AG (Arnaud & Schminke, in press). The importance of ECT for both research and practice is underscored when one examines the different and frequent cases of ethical transgressions in organizations, especially in light of the various workplace outcomes influenced by ethical climates (e.g., Bulutlar & Oz, 2009; Fu & Deshpande, 2012; Jaramillo, Mulki, & Boles, in press; Laratta, 2011; Wang & Hsieh, 2012).

We begin with an overview of the theoretical background of ECT and then present a detailed literature review. Next we present our critique of ECT and provide suggestions for future areas of research that could be explored to further contribute to ECT.

Ethical Climate Theory

Victor and Cullen (1987, 1988) developed ECT by combining Kohlberg's (1984) work on moral development and Schneider's (1983) work on sociocultural theories of organization. The original Victor and Cullen (1988) framework consists of a two-dimensional model of ethical climate types, considering ethical philosophy and the sociological theory of reference groups.

The ethical philosophy dimension includes three criteria: *egoism*, *benevolence*, and *principle*. Egoism refers to behavior that is concerned chiefly with self-interest. Benevolence is similar to utilitarianism, in that decisions and actions are taken to produce the greatest good for the greatest number of people. Principle is similar to deontology, in that decisions are made and actions are taken in accordance with laws, rules, codes, and procedures. These three ethical criteria compose the ethical philosophy dimension of the ECT framework.

The sociological theory dimension also includes three loci: *individual*, *local*, and *cosmopolitan*. They refer to individuals making decisions based on their own personal beliefs and values, the organization itself, and the community or society external to the organization.

The intersections of these two theoretical dimensions of ethical climate result in nine theoretical climate types (see Figure 1): self-interest, company profit, efficiency, friendship, team interest, social responsibility, personal morality, company rules and procedures, and laws and professional codes.

Five Empirically Occurring Ethical Climate Types

These nine ethical climates, while theoretically possible, are not all equally likely to occur. Empirically, five types of ethical climate occur most often (Bulutlar & Oz, 2009; Martin & Cullen, 2006; Tsai & Huang, 2008): *instrumental*, *caring*, *independence*, *law and code*, and *rules* (see Figure 2). These empirically occurring types of ethical climates originate from the nine theoretical climate types and straddle multiple loci of analysis. For instance, instrumental climates could be concerned with both self-interest and company profit.

Instrumental climates are associated with the egoism construct and the individual and local loci of analysis. As such, employees operating in instrumental climates tend to see their organizational unit as having norms and expectations that encourage ethical decision making from an egoistic perspective. Behavior that promotes self-interest is the norm even to the possible detriment of others.

Caring climates are associated with the benevolence construct and the individual and local loci of analysis; employees operating in caring climates perceive that their decisions are and should be based on an overarching concern for the well-being of others. This climate tends to encourage behaviors that yield a positive outcome for the greatest number of constituents.

Independence climates are associated with the principle construct and the individual locus of analysis; employees believe that they can act on deeply held personal convictions to make ethical decisions. These climates emphasize personal moral beliefs with minimal regard for external influences.

Figure 1
Theoretical Strata of Ethical Climate (Victor & Cullen, 1987, 1988)

		Locus of Analysis		
		Individual	**Local**	**Cosmopolitan**
Ethical Theory	**Egoism**	Self-interest	Company profit	Efficiency
	Benevolence	Friendship	Team interest	Social responsibility
	Principle	Personal morality	Company rules and procedures	Laws and professional codes

Figure 2
Five Common Empirical Derivatives of Ethical Climate (Victor & Cullen, 1987, 1988)

		Locus of Analysis		
		Individual	**Local**	**Cosmopolitan**
Ethical Analysis	**Egoism**	Instrumental	Instrumental	
	Benevolence	Caring	Caring	
	Principle	Independence	Rules	Law and Code

Rules climates are associated with the principle construct and the local locus of analysis. In these climates, organizational decisions are perceived as being guided by a strong and pervasive set of local rules or standards, such as codes of conduct (Appelbaum, Deguire, & Lay, 2005; Aquino & Becker, 2005; Liu, Fellows, & Ng, 2004; Martin & Cullen, 2006).

Law and code climates are associated with the principle construct and the cosmopolitan locus of analysis; principled decision making is based on external codes such as the law, the Bible, or professional codes of conduct.

ECT Literature Review

As mentioned above, ECT has been used in a variety of ways since it was first formulated and proposed by Victor and Cullen (1987, 1988). Some research studies have examined the antecedents of ethical climates, but most of the

literature base on ECT has explored the effects of ethical climates on organizational outcomes.

Antecedents of Ethical Climates

This segment of the literature base on ECT focuses primarily on external organizational context, organizational structure, and strategic or managerial orientations. External organizational context emanates from institutional theory (DiMaggio & Powell, 1983), and essentially deals with organizations trying to legitimize themselves in response to external pressures. Although few studies investigate how external organizational contexts and ethical climates interact, one that does is Bourne and Snead's (1999) exploration of how community norms and values determine employees' ethical perceptions, and hence determine the organizational ethical climates. Another such study by Cullen, Parboteeah, and Hoegl (2004) investigated how external organizational context affected ethical decision making. Similarly, Belak and Mulej (2009) found that ethical climates change over the life cycle stages of an enterprise. Another recent study by Weber and Gerde (2011) found that both organizational role and environmental uncertainty influenced ethical climates in military units.

The original study by Victor and Cullen (1988) found that organizational form was a significant predictor of ethical climate perceptions. They hypothesized that Ouchi's (1980) transaction organizational forms were responsible for encouraging various types of ethical climates. A study by Wimbush, Shepard, and Markham (1997) also found that various organizational forms encouraged several kinds of ethical climates. Similarly, Wyld and Jones (1997) proposed that organizational context factors were very important in establishing ethical climates. Stone and Henry (2003) investigated the development of ethical climates from an information technology (IT) perspective, and found that IT influenced the development of various types of ethical climates. Similarly, Jin, Drozdenko, and Bassett (2007) found that organizational structure in IT organizations affected the development of ethical climates there.

Several studies have investigated ethical climates in a nonprofit versus profit context (Agarwal & Malloy, 1999; Agarwal, Malloy, & Rasmussen, 2010; Brower & Shrader, 2000). This realm of research has found that nonprofit organizations tend to encourage different types of ethical climates than do for-profit or government organizations (e.g., Agarwal et al., 2010). A recent study (Duh, Belak, & Milfelner, 2010) investigated differences between family and nonfamily enterprises in terms of ethical climates. Kidwell, Kellermanns, and Eddleston (2012) also studied family firms and investigated the role of conflict and justice perceptions in the development of ethical climates.

Another realm of research exploring the antecedents of ethical climates has focused on strategic and managerial orientations. One study examined the relationship between strategic and managerial orientations and ethical work climates (VanSandt, Shepard, & Zappe, 2006). Another study by Parboteeah, Chen, Lin, Chen, Lee, and Chung (2010) examined the role of managerial practices in establishing ethical climates, and found that practices such as communication and empowerment influence ethical climates from a functional perspective. Several studies have investigated the role of leaders in establishing ethical climates (Dickson, Smith, Grojean, & Ehrhart, 2001; Grojean, Resick, Dickson, & Smith, 2004; Upchurch & Ruhland; Wimbush & Shepard, 1994). Leadership orientations have also been considered as an explanatory variable for the establishment of ethical climates (Schminke, Ambrose, & Neubaum, 2005), as have entrepreneurial orientations (Neubaum, Mitchell, & Schminke, 2004). Managerial orientations have also been found to influence organizational actors' perceptions of ethical climates (Martin & Cullen, 2006; Schwepker & Hartline, 2005).

Effects of Ethical Climates

Most of the literature base on ethical climates has concentrated on exploring and investigating the effects of ethical climates on various organizational outcomes. The key premise behind this productive realm of research seems to be the realization that perceptions of ethical climates tap fundamentally important issues that affect people's reactions to work and their organizations (Martin & Cullen, 2006). However, most of this

literature has been published in business ethics journals, especially the *Journal of Business Ethics*, even though the outcome variables being investigated are traditional management and organizational behavior variables such as job satisfaction, organizational commitment, turnover intentions, ethical behavior, and dysfunctional behaviors.

Job satisfaction is a popular outcome variable studied by numerous scholars and studies in the context of ethical climates (e.g., Deshpande, 1996b; Elci & Alpkan, 2009; Goldman & Tabak, 2010; Joseph & Deshpande, 1997; Koh & Boo, 2001; Martin & Cullen, 2006; Tsai & Huang, 2008; Wang & Hsieh, 2012; Woodbine, 2006). This construct has been studied in a variety of contexts, including differing countries, employees, and industries. An early study by Deshpande (1996b) investigated the impact of ethical climate types on facets of job satisfaction, such as pay satisfaction, promotion satisfaction, coworker satisfaction, supervisor satisfaction, work satisfaction, and overall job satisfaction. He found that with the exception of pay satisfaction, ethical climates were associated with all other measures of satisfaction.

Another study by Joseph and Deshpande (1997) found that egoistic climates negatively influenced nurses' satisfaction with their supervisors. A more recent study by Elci and Alpkan (2009) also found that egoistic climates were negatively associated with job satisfaction, whereas benevolent and principled climates were positively associated with job satisfaction. Similarly, Tsai and Huang (2008) asserted that organizational administrators and managers try to foster benevolent and principled climates within organizations and prevent egoistic climates from developing. Essentially, what all this research suggests is that egoistic climates (i.e., instrumental, self-interest, company profit, and efficiency) have a negative association with work and job satisfaction, whereas benevolent climates and principled climates have a positive association with work and job satisfaction. A recent study by Wang and Hsieh (2012) also found positive associations between caring and rules climates and job satisfaction, and negative associations between instrumental climates and job satisfaction. Table 1 provides a brief summary of some of these studies on ethical climates effects on job satisfaction.

Organizational commitment is another outcome variable considered by numerous scholars (e.g., Ambrose, Arnaud, & Schminke, 2008; Cullen, Parboteeah, & Victor, 2003; DeConinck, 2010; Jaramillo, Mulki, & Boles, in press; Martin & Cullen, 2006; Ruppel & Harrington, 2000; Schwepker, 2001; Sims & Keon, 1997; Tsai & Huang, 2008; Valentine, Godkin, & Lucero, 2002; Wingreen, 2003). This construct has also been studied in a variety of contexts. Sims and Keon (1997) investigated the effects of ethical climates on the person–organization fit, and concluded that persons whose ideal preferences of ethical climate matched with the actual ethical climate in their organizations were more likely to be committed to their organizations. This particular finding in terms of person–organization fit and ethical climate was verified by later studies (Ambrose et al., 2008; Valentine et al., 2002). Cullen and colleagues (2003) directly investigated the effects of ethical climate types on organizational commitment and found positive associations between benevolent and principled climates and organizational commitment, and negative associations between egoistic climates and organizational commitment. They did, however, find that principled climates were positively related to commitment only for professional workers, not for nonprofessional workers. As with job satisfaction, all the existing research suggests that benevolent and principled climates have positive associations with organizational commitment, whereas egoistic climates have negative associations with organizational commitment. Table 2 provides a brief summary of some of these studies on ethical climate effects on organizational commitment.

The research linking ethical climates and turnover intentions has a very similar conclusion to the commitment findings, chiefly that egoistic climates tend to encourage turnover intentions (e.g., Ambrose et al., 2008; DeConinck, 2011; Lopez, Babin, & Chung, 2009; Mulki, Jaramillo, & Locander, 2008; Sims & Keon, 1997; Stewart et al., 2011), and principled and benevolent climates tend to reduce employee turnover intentions. Table 3 provides a brief summary of some of these

Table 1
Job Satisfaction

Authors	Climate measure	Sample	Key results
Ambrose et al. (2008)	A 16-item scale adapted from Schminke et al. (2005) and Victor & Cullen (1988)	304 full-time employees	A fit between employee moral development and ethical climate is linked with higher levels of job satisfaction.
Deshpande (1996a)	A 6-item scale adapted from Victor & Cullen (1988)	206 middle-level managers	Professional and caring climates were positively associated with job satisfaction; instrumental climates were negatively associated with job satisfaction.
Elci & Alpkan (2006)	A 38-item scale adapted from Schwepker (2001) and Victor & Cullen (1988)	1,174 telecom employees	Self-interest climates were negatively associated with job satisfaction; team interest, social responsibility, and law and code climates were positively associated with job satisfaction.
Goldman & Tabak (2010)	A 22-item scale adapted from Victor & Cullen (1988) and Acharya (2005)	95 nurses	Caring and law and code climates were positively associated with all facets of job satisfaction; instrumental climates were negatively associated with satisfaction with the team.
Joseph & Deshpande (1997)	A 6-item scale measuring EC adapted from Victor & Cullen (1988)	114 nurses	Caring climates were positively related with both pay and supervisor satisfaction; efficiency climates were negatively related with supervisor satisfaction.
Koh & Boo (2001)	A 26-item scale from Cullen et al. (1993)	237 managers	Principled ethical climates were positively associated with job satisfaction.
Schwepker (2001)	A 7-item scale based on Qualls & Puto (1989)	152 salespersons	Positive ethical climates were positively associated with job satisfaction and organizational commitment.
Tsai & Huang (2008)	A 14-item scale adapted from Victor & Cullen (1988)	352 nurses	Caring climates were positively associated with all facets of job satisfaction; independence and rules climates were positively associated with overall job satisfaction. Instrumental climates were negatively associated with overall job satisfaction.
Wang & Hsieh (2012)	A 26-item scale from Cullen et al. (1993)	472 full-time employees	Instrumental climates were negatively related to job satisfaction; caring and rules climates were positively related to job satisfaction.

studies on ethical climate's effects on turnover intentions.

An additional popular and important stream of research has focused on the effects of ethical climates on the ethical behavior of organizational actors (e.g., Deshpande, 1996b; Deshpande & Joseph, 2009; Fu & Deshpande, 2012; Fritzsche, 2000; Leung, 2008; Rothwell & Baldwin, 2007; Saini & Martin, 2009; Shacklock, Manning, & Hort, 2011; Smith, Thompson, & Iacovou, 2009; Wimbush & Shepard, 1994).

Wimbush and Shepard (1994) were among the first scholars to propose a model linking ethical climates with ethical behavior. In a subsequent study, Wimbush and colleagues (1997) corroborated the earlier model and found that ethical climate dimensions were related to ethical behavior. Deshpande (1996b) also found a link between ethical climate and ethical behavior of successful managers. This particular finding has been replicated in Polish, Russian, and Chinese contexts (Deshpande, George, & Joseph, 2000; Deshpande, Joseph, & Shu, 2011; Simha & Stachowicz-Stanusch, in press). Rothwell and Baldwin (2007) suggested that benevolent climates have a positive association with employee willingness to engage in whistle-blowing. Parboteeah and Kapp (2008) also found a positive association with principled

Table 2
Commitment

Authors	Climate measure	Sample	Key results
Ambrose et al. (2008)	A 16-item scale adapted from Schminke et al. (2005) and Victor & Cullen (1988)	304 full-time employees	A fit between employee moral development and ethical climate was linked with higher levels of organizational commitment.
Cullen et al. (2003)	Both the 26-item and 36-item scales from Cullen et al. (1993) and Victor & Cullen (1988)	Study 1: 411 employees; Study 2: 139 accountants	Egoistic climates were negatively related to commitment; benevolent climates were positively related to commitment. A positive relationship between principled climates and commitment was found only for professional workers.
Ruppel & Harrington (2000)	A selection of a part of the 26-item Victor & Cullen (1988) scale	111 IT managers	Benevolent and principled climates were positively associated with organizational commitment.
Schwepker (2001)	A 7-item scale based on Qualls & Puto (1989)	152 salespersons	Positive ethical climates were positively associated with job satisfaction and organizational commitment.
Sims & Keon (1997)	A 15-item scale adapted from Cullen et al. (1993)	86 working students	A fit between ethical preferences and ethical climate values was hypothesized as increasing commitment, but was not supported.
Tsai & Huang (2008)	A 14-item scale adapted from Victor & Cullen (1988)	352 nurses	Instrumental climates were positively associated with continuance commitment and negatively associated with affective commitment and overall commitment. Caring and rules climates positively affected normative commitment.

Table 3
Turnover

Authors	Climate measure	Sample	Key results
Ambrose et al. (2008)	A 16-item scale adapted from Schminke et al. (2005) and Victor & Cullen (1988)	304 full-time employees	A fit between employee moral development and ethical climate was linked with lower levels of turnover.
Mulki et al. (2008)	A 7-item scale adapted from Schwepker (2001)	212 healthcare employees	Strong and positive ethical climates reduced role stress and increased trust in supervisors.
Schwepker (2001)	A 7-item scale based on Qualls & Puto (1989)	152 salespersons	Positive ethical climates were positively associated with job satisfaction and organizational commitment.
Sims & Keon (1997)	A 15-item scale adapted from Cullen et al. (1993)	86 working students	A fit between ethical preferences and ethical climate values reduced turnover intentions.
Stewart et al. (2011)	A 2-item scale adapted from Koh & Boo (2001)	348 warehouse employees	Ethical climates moderated the diversity climate and turnover intentions link such that turnover intentions were lowest for workers perceiving both a pro-diversity and high ethical climate.

climates and workplace safety behaviors. Smith and colleagues (2009) found that egoistic climates were associated with project status misreporting whereas principled climates were associated with less misreporting. However, Smith and colleagues (2009) did not find any association between benevolent climates and misreporting. Bulutlar and Oz (2009) found a positive association between egoistic climates and workplace bullying behaviors and a negative association between principled climates and workplace bullying behaviors. Table 4 provides a brief summary of some of these

Table 4
Ethical Behavior

Authors	Climate measure	Sample	Key results
Arnaud & Schminke (in press)	A 16-item scale adapted from Schminke et al. (2005) and Victor & Cullen (1988)	648 employees	Ethical climate, collective moral emotion, and collective ethical efficacy interact to influence ethical behavior.
Deshpande (1996b)	A 6-item scale adapted from Victor & Cullen (1988)	206 managers	People operating under caring climates perceived a positive association between success and ethical behavior; the opposite was true for people under instrumental climates.
Deshpande & Joseph (2009)	A 6-item scale adapted from Victor & Cullen (1988)	103 nurses	Independence climates had a significant positive association with ethical behavior.
Fritzsche (2000)	The 26-item scale from Victor & Cullen (1988)	241 employees	Law and code and independence climates were associated with ethical behavior. There was an equal likelihood of people in instrumental climates either paying or not paying a bribe.
Leung (2008)	The 26-item scale from Victor & Cullen (1988)	109 employees	Instrumental and independence climates were associated with negative extra-role behaviors; caring and law and code climates were associated with positive extra-role behaviors.
Parboteeah & Kapp (2008)	The 26-item scale from Victor & Cullen (1988)	237 manufacturing employees	Principled climates and benevolent climates were negatively associated with injuries, and principled climates were positively associated with safety-enhancing behaviors.
Rothwell & Baldwin (2007)	The 36-item scale from Cullen et al. (1993)	198 police officers and 184 civilians	Friendship or team ethical climates had positive associations with willingness to engage in whistle-blowing.
Saini & Martin (2009)	The 26-item scale from Victor & Cullen (1988)	174 marketing executives	Egoistic climates were associated with lower risk-taking propensity; benevolent climates were associated with higher risk-taking propensity.
Smith et al. (2009)	The 36-item scale from Victor & Cullen (1993)	264 state government project team members	Rules climates were associated with less frequent misreporting; instrumental climates were associated with more frequent misreporting.
Wimbush et al. (1997)	The 36-item scale from Victor & Cullen (1993)	525 retail store employees	Instrumental climates were positively associated with unethical behaviors; independence, caring, law and code, and rules climates were negatively associated with unethical behaviors.

studies on ethical climate's effects on ethical behavior.

Dysfunctional behavior is another organizational outcome variable investigated by several ECT studies (Bulutlar & Oz, 2009; Martin & Cullen, 2006). Carr and colleagues (2004) stressed in their article that dysfunctional behavior needed to be studied more often by organizational climate researchers. Various studies linking ethical climates with dysfunctional behavior have found that benevolent and principled climates are the best climates in terms of reducing employee deviance and employee dysfunctional behaviors (Barnett & Vaicys, 2000; Bulutlar & Oz, 2009; Elm & Nichols, 1993; Martin & Cullen, 2006; Ozer & Yilmaz, 2011; Peterson, 2002; Vardi, 2001; Watley, 2002; Wimbush et al., 1997). In a similar vein, research has concluded that egoistic climates are the worst ones in terms of encouraging employee dysfunctional behaviors (Martin & Cullen, 2006). Table 5 provides a brief summary of some of these studies on ethical climate's effects on dysfunctional behavior.

The essential theme emerging from this stream of research is that benevolent and principled climates (i.e., caring, independence, rules, and law and code) are the climates associated with positive outcomes, and egoistic climates (i.e., instrumental) are associated with a whole host of negative outcomes. Research (Cullen et al., 2003; Martin & Cullen, 2006) has noted that particular types of organizations tend to have particular ethical climate types. For instance, organizations needing to adhere to a visible code of conduct and rules (such as engineering, accounting, and law firms) are more likely to have principled climates (either

Table 5
Dysfunctional Behavior

Authors	Climate measure	Sample	Key results
Barnett & Vaicys (2000)	The 26-item scale from Victor & Cullen (1988)	207 marketing professionals	Individuals operating under rules climates were less likely to engage in questionable selling practices even when they themselves did not feel that the practices were unethical. Individuals operating under friendship climates were more likely to engage in questionable selling practices when they felt that the practices were unethical.
Bulutlar & Oz (2009)	The 26-item scale from Victor & Cullen (1988)	201 full-time employees	Instrumental climates were positively associated with bullying behaviors; rules, caring, and law and code climates were negatively associated with bullying behaviors.
Elm & Nichols (1993)	A 23-item scale adapted from Victor & Cullen (1988)	243 managers	Managers differ in terms of their moral reasoning in principled climates as compared to managers in benevolent climates.
Peterson (2002)	The 36-item scale from Cullen et al. (1993)	202 alumni	A higher frequency of unethical behavior was found in egoistic climates as compared to benevolent and principled climates. A higher frequency of unethical behavior was found in companies without a code of conduct.
Vardi (2001)	The 26-item scale from Victor & Cullen (1988)	97 full-time employees	A significant negative relationship was found between benevolent climates and organizational misconduct. Frequency of misbehavior reported by managers was negatively related to rules, instrumental, and caring climates.

rules or law and code). Firms that operate in conditions of high volatility and competitiveness are more likely to harbor egoistic climates. This suggests that organizations operating in the financial trading sector are likely to have egoistic climates in them. Similarly, organizations with a somewhat humanistic mission will be likely to harbor benevolent climates. For instance, organizations dealing with environmental motives—"green" organizations—may harbor benevolent climates. However, this may vary from case to case. For instance, one may encounter an accounting organization that has a predominantly egoistic climate (the case of Arthur Andersen seems one possible example) rather than a principled climate. In a similar vein, Venezia, Venezia, and Hung (2010) found differences in the ethical climates of public accounting firms as opposed to private-sector accounting firms in Asia. They found that public accounting firms were more likely to harbor principled climates than the private accounting firms.

However, judging from the evidence evinced by current research findings, it appears that organizational leaders should strive to encourage and establish benevolent and principled climates in their organizations, while striving to prevent egoistic climates from setting in.

A Critique of the Literature Base on ECT

One of the key themes emerging from the distillation of the literature is that egoistic climates are the least preferred type of climate, as they have been linked with a variety of negative and undesirable organizational outcomes. Conversely, it appears that benevolent and principled climates are much to be desired, as they have been linked with so many different positive and desirable organizational outcomes. However, there are a few inconsistencies in this otherwise robust lit-

erature base. We offer a critique of these inconsistencies and suggest that some reframing could change some emergent themes.

Ethical Climate Questionnaire (ECQ)

One of the inconsistencies in ethical climate research is that authors have used very different measures of ethical climate. The most popular instrument is the ECQ formulated by Victor and Cullen (1987, 1988). Respondents taking the ECQ were asked to act as observers reporting on organizational expectations, not their own personal beliefs or their affective evaluations of the climates. The original format contained 26 items and used a forced-choice six-point Likert scale measure. Cullen, Victor, and Bronson (1993) later developed a lengthier 36-item questionnaire to measure ethical climate. Both the 26-item and 36-item questionnaires were demonstrated to be valid and reliable by Cullen and colleagues (1993) and have been used by other scholars in their research.

However, some studies have used a very short six-item scale to measure ethical climate types (Deshpande, 1996a, 1996b; Deshpande et al., 2000, 2011; Joseph & Deshpande, 1997). A few others have used various shortened versions of the ECQ. Some studies have not used Victor and Cullen's (1987, 1988) ECQ at all; their versions of ethical climate are often measured by very short scales. For instance, Stewart and colleagues (2011) measured ethical climate using a two-item scale. Schwepker (2001) dichotomized his measure of ethical climate by classifying ethical climates as good ethical climates and bad ethical climates. A measure pertinent to marketing research has been employed by several researchers (DeConinck, 2010, 2011; Jaramillo et al., in press; Lopez et al., 2009; Schwepker & Hartline, 2005; Valentine, Greller, & Richtermeyer, 2006). That particular measure uses four scales measuring responsibility/trust, peer behavior, ethical norms, and selling practices. However, in comparison to the original Victor and Cullen scale, it lacks completeness, and is much too specific to marketing and sales organizational contexts.

Similarly, there are a lot of differences in studies in terms of Likert scale choices used (some used four-point scales; some used five- or seven-point scales). Another issue with some of these studies is that several of them obtained different results in their factor analyses, wherein the ECQ items do not always load consistently (Smith et al., 2009). This results in different scales being used to measure the same construct (i.e., in some cases, only two items were used to create a scale for instrumental climates, and in some cases, six items were used).

These inconsistencies in measuring ethical climates suggest that in a few cases, perhaps what was studied were not the ethical climates proposed by Victor and Cullen (1987, 1988). This led to some difficulty in comparing results across studies. In our assessment, the Victor and Cullen framework seems to be superior to dichotomous measures (i.e., good versus bad ethical climates) because of the lack of explanatory power in dichotomous measures. First, classifying an ethical climate as good or bad does not provide any understanding of unique effects of different climates, and second, the Victor and Cullen framework and measure allow one to study climates without assigning positive or negative valuations. All ethical climate types can have positive or negative outcomes, so assigning good and bad labels to ethical climates is not helpful in advancing our knowledge. Dichotomous or short measures of ethical climates also do not consider the various ethical criteria that are used to establish ethical climates in the first place.

Traditional Organizational Outcome Variables

As noted earlier, most of the literature on ECT has found negative consequences of egoistic climates and positive consequences of benevolent and principled climates. One possible reason may be that most studies have examined traditional organizational outcomes and have not ventured into nontraditional outcomes.

For instance, it is possible that egoistic climates would be positively associated with measures of personal success. Most traditional outcome variables examined by researchers focus on outcomes beneficial to organizations (such as commitment and turnover intentions). However, if one were to focus on a different variable—say, personal re-

cords—one could hope to find a positive association between instrumental climates and an outcome variable that yields a net positive for an individual. Similarly, if one considers the reverse of organizational commitment, one could claim that instrumental climates encourage employees to seek out better prospects for themselves (an employee could seek out a more lucrative or beneficial job offer with another organization or intraorganizational unit or group if the employee is motivated by self-interest–seeking behavior).

In a similar vein, changing the outcome variable to a more nontraditional organizational behavior outcome could yield different results for benevolent and principled climates. For instance, it is possible that a pervasive benevolent climate might prevent organizational leaders from making difficult decisions even when such decisions are necessary. Similarly, a restrictive reliance on a rules climate could result in an organization stifling its employees' urge to speak out on a moral issue or perhaps inhibit creativity or innovation.

Future Areas of Exploration

One future area of exploration to enhance ECT is the determination of contextual determinants of ethical behavior (Arnaud & Schminke, in press; Martin & Cullen, 2006; O'Fallon & Butterfield, 2005). Arnaud (2010) and Arnaud and Schminke (in press) have introduced a newer measure of ethical climate, the Ethical Climate Index (ECI), which is a measure used to determine contextual determinants of ethical behavior. The ECI measures the dimensions of collective moral sensitivity, collective moral judgment, collective moral motivation, and collective moral character. More research on the ECI would be a welcome next step. Similarly, more research spanning multiple levels of analysis needs to be conducted to better understand contextual determinants of ethical behavior. An interesting area in that regard stems from the informal economy (Godfrey, 2011); perhaps ethical climates could be studied in the context of informal-economy enterprises. This would be particularly interesting because informal economies are prevalent in developing and undeveloped nations, and studying ethical climates in the context of informal economies is bound to be important and useful.

Another area of research that would perhaps benefit practitioners and managers would be to establish a clear and unambiguous schema for the establishment and management of different ethical climates. It is not enough to just tell practitioners that they need to encourage benevolent and principled climates and discourage egoistic climates; it is imperative that they be given clear instructions on how they can foster and encourage some climates while discouraging others. A how-to guide would be invaluable for practitioners; currently, the research on ethical climates does not seem to have such a guide available.

A third area of exploration would be, as we alluded to in our critique, to research some additional organizational outcomes. Perhaps doing so would allow one to see the possible merits of egoistic climates and possible demerits of benevolent and principled climates. Playing devil's advocate may allow us to investigate other interesting relationships and discover potentially interesting findings that previous ECT studies have ignored. For instance, an independence climate where employees are encouraged to act on their own deeply held moral convictions could result in potentially litigious scenarios. Consider, for example, a manager who is a deeply devout and religious person. That manager may discriminate against a gay subordinate due to his or her sexual orientation, which would then result in an expensive lawsuit against the organization. Similarly, some ongoing preliminary work has found that benevolent climates tend to be associated with increased rates of organizational corruption (Stachowicz-Stanusch & Simha, in press). Perhaps other studies could examine the association of benevolent climates with other variables such as bribery or whistle-blowing.

A fourth area of exploration would be to expand international research in ECT, especially cross-national and cross-cultural comparisons. Many of the ECT studies have been conducted in a variety of national contexts (e.g., the United States, China, Russia, and India), but very few studies (Kuntz, Kuntz, Elenkov, & Nabirukhina,

in press; Laratta, 2011; Weeks et al., 2006) have conducted comparative cross-national or cross-cultural research in an ECT context. An expansion of such cross-cultural or cross-national work on ECT would have the additional benefit of also expanding the international business literature base. This would also increase our knowledge base on phenomena in countries that are rarely studied by organizational researchers.

A final area of further exploration deals with dysfunctional behaviors and unethical behaviors that are largely uninvestigated (Martin & Cullen, 2006). Litzky, Eddleston, and Kidder (2006) suggested that ethical climates could be used by managers to reduce workplace deviance. However, few studies have investigated dysfunctional behaviors and ethical climates. One such study by Bulutlar and Oz (2009) investigated the effects of ethical climates on workplace bullying, and a few other studies have investigated other dysfunctional and deviant behaviors (e.g., Peterson, 2002; Vardi, 2001). A recent study by Arnaud and Schminke (in press) found that ethical climates, collective moral emotion, and collective ethical efficacy interact and influence ethical behavior. In particular, they found that ethical climates promote ethical behavior when collective empathy and collective ethical efficacy levels are high. But on the whole, this is an area that is relatively unexplored, and there is need for more longitudinal exploration (Smith et al., 2009) in this area. For instance, some lines of inquiry could study the effects of ethical climates on sexual harassment and corporate fraud, among other variables.

Conclusions

This article has reviewed the existent literature on ECT and offered a thorough literature review on both the antecedents and the effects of ethical climates. Ethical climates have been demonstrated to have a variety of effects, some positive and some negative, on organizational outcomes. This fact, when coupled with frequently occurring organizational ethical transgressions, emphasizes the importance of studying ethical climates.

However, there remain several areas in ECT research in need of improvement and others that offer opportunities for future study. One issue in the research base on ethical climate is the use of different measures. This situation makes it more difficult to compare results across the breadth of studies. Another issue is that most studies have relied on traditional organizational outcomes, which perhaps has contributed toward marking egoistic climates as negative. Most of the existent research base suggests that benevolent and principled climates are preferred over egoistic climates in an organizational context. However, there may be cases where instrumental climates are preferable to benevolent or principled climates. We urge future research to take a fresh approach to this issue and investigate positive effects of instrumental climates as well as negative effects of benevolent or principled climates.

Finally, we have listed a few areas for further exploration that we believe will enhance the knowledge base on ECT. We especially advocate that managers and practitioners be provided with a detailed and unambiguous schema to be able to establish and manage ethical climates. The more robust the base of ECT can be made, the better it is for organizational research—and therefore, for organizations and practicing managers. If more research is conducted, we can hope to be better able to control and curtail deviant and dysfunctional behavior.

Acknowledgments

We wish to thank Timothy Devinney and two anonymous referees for their helpful suggestions.

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