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# The Oxford Handbook of Organizational Climate and Culture

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## A Review of the Literature on Ethical Climate and Culture

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### Abstract

In the past 25 years, scholars have dedicated considerable attention to the role of the organizational ethical environment; namely, ethical climate and ethical culture. This chapter provides a narrative review of the empirical literature on ethical climate and ethical culture. It describes the conceptualization and operationalization of these constructs as well as reviews research on their antecedents and consequences. The chapter concludes by highlighting some limitations of this area of inquiry and prescribes several steps to help this literature gain legitimacy so that it can be more organizationally relevant and thrive in the future.

**Key Words:** ethical climate, ethical culture, job attitudes, ethical leadership, pro-social behavior, unethical behavior

### Introduction

The wave of corporate scandals and unethical actions on Wall Street has brought renewed interest to the role of ethics in organizations. There is mounting support that wrongdoing in organizations is more than the work of a “few bad apples,” but rather that the organizational environment plays a critical role in encouraging or discouraging unethical acts (Treviño, Weaver, & Reynolds, 2006). Over the past 25 years there has been a considerable amount of research on the role of the organizational environment in ethical behavior in organizations in two main areas: (a) ethical climate and (b) ethical culture.

The primary goal of this chapter is to take stock of what is known by reviewing the literature on both ethical climate and ethical culture—a review of more than 100 articles, most of them published in the past 25 years, as well as to provide a critique and future research agenda for these constructs. This chapter begins with a review of the literature on ethical climate, including its conceptualization and operationalization, antecedents, and consequences.

It then provides a similar review for the literature on ethical culture. The conclusion provides some evaluations of these literatures and recommends suggestions for improving thinking and research in this important area of work. In an effort to be provocative, the author suggests that major changes must occur for scholarship on ethical climate and culture to be viewed as legitimate by the scientific community.

### Ethical Climate

The seminal work on ethical climate was conducted by Victor and Cullen (1987, 1988) approximately 25 years ago. These scholars introduced the concept of *ethical climate* and defined it as “the shared perception of what is correct behavior, and how ethical situations should be handled in an organization” (Victor & Cullen, 1987, p. 51). Although conventional wisdom suggested that characteristics of individuals drive their behaviors, this work provided a unique lens to the business ethics literature by highlighting the role of the organizational environment on employees’ unethical behavior. Victor

and Cullen's (1987, 1988) pioneering work on ethical climate has had a dramatic effect on the field because more than 75 articles on ethical climate have been published in the past 25 years. According to Google Scholar, Victor and Cullen's foundational articles have been cited more than 1,300 times.

In fact, so much work has been conducted on ethical climate that it has been the subject of two meta-analyses (Martin & Cullen, 2006; Kish-Gephart, Harrison, & Treviño, 2010). The Martin and Cullen meta-analysis focused exclusively on the consequences of ethical climate using Victor and Cullen's (1987, 1988) measure. (More information is provided about this measure in the next section.) They used meta-analytic correlations to test a path model linking several variations of the ethical climates construct to job attitudes (i.e., job satisfaction, organizational commitment) and the job attitudes to psychological well-being and dysfunctional behavior. Although the path coefficients reported are modest in size (ranging in magnitude from .03 to .33, some positive and some negative in direction), they found general support for their mediated model such that ethical climates were related to psychological well-being and dysfunctional behavior through the measured job attitudes.

Kish-Gephart and colleagues (2010) conducted a comprehensive meta-analysis of the studied antecedents of unethical intentions and behaviors. Specifically, they examined individual characteristics (e.g., ethical orientations, demographics), moral issue characteristics (e.g., regarding the perceived magnitude of and proximity to consequences), and organizational environment characteristics (e.g., ethical climate, ethical culture) as antecedents of unethical intentions and behavior. Most germane to the present review is the portion of the meta-analysis examining the organizational environment, including ethical climate and ethical culture. Consistent with the Martin and Cullen (2006) meta-analysis, they found relatively modest corrected correlations between ethical climate and ethical culture with unethical intentions and behavior (ranging in magnitude from .14 to .42 and negative in direction).

This chapter builds on these two meta-analyses in several ways. First, it provides a more nuanced narrative review highlighting the strengths and limitations of this research. Second, in addition to only focusing on consequences of ethical climate, it also reviews research on antecedents of it. Third, it describes several articles not included in these quantitative reviews. Thus, whereas the meta-analyses provide useful quantitative reviews that establish the

average effect sizes for several relationships, the aim of this chapter is to dive deeper into these studies with a goal of evaluating the research as opposed to simply summarizing it.

### ***Conceptualization and Operationalization of Ethical Climate***

Victor and Cullen (1987, 1988) are known as the "fathers" of ethical climate. They drew on sociological and philosophical perspectives that served as the theoretical basis for creating a measure of ethical climate. They focused on two dimensions to highlight the different types of ethical climates that can exist in organizations. The first dimension, *ethical criterion*, is in line with the three major schools of ethical theory: egoism (i.e., maximizing self-interest), benevolence (i.e., maximizing joint interests), and deontology or principle (i.e., adhering to a principle) (Fritzsche & Becker, 1984; Williams, 1985). The second dimension, *locus of analysis*, focuses on the referent for one's actions. The three loci of analysis include: self (i.e., oneself), local (i.e., one's organization or subunit), and cosmopolitan (i.e., the environment external to the organization).

The result of this 3 × 3 model is nine different ethical climates called by them: (1) self-interest; (2) company profit; (3) efficiency; (4) friendship; (5) team interest; (6) social responsibility; (7) personal morality; (8) company rules and procedure; and (9) laws and professional codes (see Victor & Cullen, 1987, 1988 for a detailed description of each dimension). Victor and Cullen originally developed four items to tap each of the nine ethical climates for a total of 36 items that make up the Ethical Climate Questionnaire (ECQ). However, factor analysis results provided support for five ethical climates including 26 of the items. The five ethical climates that emerged from this pioneering work include *instrumental* (includes self-interest and company profit; sample item: "In this company, people protect their own interests above all else"), *caring* (includes friendship and team interest; sample item: "What is best for everyone in the company is the major consideration here"), *independence* (includes personal morality; sample item: "In this company, people are expected to follow their own personal and moral beliefs"), *rules* (includes company rules and procedure; sample item: "It is very important to follow the company's rules and procedures here"), and *law and code* (includes law and professional codes; sample item: "People are expected to comply with the law and professional standards over and above other considerations").

Much of the subsequent research using the ECQ has used these five ethical climates (including the Martin and Cullen, 2006 meta-analysis), although many scholars have used a different number of ethical climates, including averaging all items into a single measure (see Arnaud & Schminke, 2007 for a qualitative review).

Although other measures have been used as well, the ECQ has been by far the most commonly used measure of ethical climate (Martin & Cullen, 2006). However, the measure has been heavily critiqued for not displaying a consistent factor structure (Mayer, Kuenzi, & Greenbaum, 2009). What follows summarizes the empirical literature examining antecedents and consequences of ethical climate—most of which draws on Victor and Cullen's (1987, 1988) conceptualization and measure of ethical climate. In an effort to succinctly summarize the results and also highlight several areas for possible improvement for this area of research, Table 22.1 summarizes the following about each article: author(s), journal outlet, measure of ethical climate used, level of analysis, antecedents, and consequences.

### ***Antecedents of Ethical Climate***

Numerous studies have examined proposed antecedents of ethical climate. They are clustered into four major categories of attributes or characteristics with regard to: (1) employees, (2) leaders, (3) organizations, and (4) the larger environment. Nearly all of this research has been conducted at the individual level of analysis. This research is summarized in Table 22.1.

#### **EMPLOYEE ANTECEDENTS**

Several studies have examined characteristics of employees that are related to the development of the different facets or dimensions or types of ethical climates. For example, research has examined demographic characteristics such as age and gender as antecedents of the ethical climates (Dawson, 1992; Luthar, Dibattista, & Gautschi, 1997). In general this kind of research has revealed that women had higher expectations for how ethical a climate should be and older students were more cynical about whether they would work for an organization with an ethical climate. In addition, some research has explored moral-related personal characteristics such as moral values and moral development as antecedents of ethical climates (Herndon, Ferrell, LeClair, & Ferrell, 1999; Weeks, Loe, Chonko, Martinez, & Wakefield, 2006) with the finding that when an

individual was higher in terms of moral values and moral development she or he rated his or her organization's ethical climate more favorably.

#### **LEADER ANTECEDENTS**

There has been much research examining the link between leader demographics, leader personal characteristics, and leadership styles and ethical climates. Some of this work is theoretical (e.g., Dickson, Smith, Grojean, & Ehrhart, 2004; Logsdon & Yuthas, 1997; Sims & Brinkman, 2003; Zhu, Avolio, Riggio, & Sosik, 2011), but the majority is empirical. In terms of leader demographics, research has linked leader age, tenure, gender, and management level to ethical climates (Forte, 2004a). This research has demonstrated that top managers thought their organization had more of a rules climate and younger managers perceived more favorable ethical climates. However, Forte found no differences in terms of gender, education, or tenure. In terms of leader personal characteristics, scholars have examined the relationship among leader moral development, leader integrity, moral development utilization, and locus of control on ethical climates as perceived by followers (Elm & Nichols, 1993; Englebrecht, van Aswegen, & Theron, 2005; Forte, 2004b; Schminke, Ambrose, & Neubaum, 2005). Interestingly, although scholars found a positive relationship between leader moral development and integrity and an ethical climate as rated by followers, they found nonsignificant relationships between leader moral reasoning and locus of control on ethical climate.

The majority of work examining leadership as an antecedent of ethical climates focuses on leadership styles. For example, research has linked ethical leadership (Mayer, Kuenzi, & Greenbaum, 2010; Neubert, Carlson, Kacmar, Roberts, & Chonko, 2009; Shin, 2012), transformational leadership (Engelbrecht et al., 2005; van Aswegen & Engelbrecht, 2009), paternalistic leadership (Erben & Guneser, 2008), and instrumental and caring leadership (Mulki, Jaramillo, & Locander, 2009) to ethical climates. This research demonstrates a positive relationship among all of these forms of leadership with favorable ethical climates. Given that all of these studies use self-report data and thus are contaminated by self-report bias it is perhaps not surprising that the relationships are similar with measures of different leadership styles. Finally, more recently, some research has examined managerial practices such as communication and empowerment on ethical climates and found a positive relationship

**Table 22.1 Characteristics of Empirical Studies on Ethical Climate**

| Authors                                        | Journal                                            | Measure                                                                                                                                             | Level of Analysis      | Antecedents | Consequences                                                                                |
|------------------------------------------------|----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-------------|---------------------------------------------------------------------------------------------|
| Agarwal & Malloy (1999)                        | <i>Journal of Business Ethics</i>                  | Ethical Climate Questionnaire (ECQ) (Individual caring, machiavellianism, independence, social caring, and law and code)                            | Individual             |             |                                                                                             |
| Ambrose, Arnaud, & Schminke (2008)             | <i>Journal of Business Ethics</i>                  | ECQ (Instrumental, caring, and independence)                                                                                                        | Organizational climate |             | Job satisfaction, organizational commitment, turnover intention                             |
| Andreoli & Lefkowitz (2009)                    | <i>Journal of Business Ethics</i>                  | 10 items from NBES survey                                                                                                                           | Individual             |             | Misconduct, Compliance Practices, Compromising ethical standards                            |
| Aquino (1998)                                  | <i>Journal of Conflict Management</i>              | Vignette                                                                                                                                            | Individual             |             | Deception, ethical behavior, personally favorable outcomes                                  |
| Aquino & Becker (2005)                         | <i>Journal of Organizational Behavior</i>          | Vignette                                                                                                                                            | Individual             |             | Neutralization strategies in negotiation                                                    |
| Arnaud (2010)                                  | <i>Business &amp; Society</i>                      | Own 36-item measure                                                                                                                                 | Individual             |             | Unethical behavior, ethical behavior                                                        |
| Babin, Boles, & Robin (2000)                   | <i>Journal of the Academy of Marketing Science</i> | Own Measure (Responsibility/trust, peer behavior, ethical norms, selling practices)                                                                 | Individual             |             | Job satisfaction, organizational commitment, role conflict, role ambiguity                  |
| Barnett & Schubert (2002)                      | <i>Journal of Business Ethics</i>                  | ECQ (Benevolence 1—social responsibility, benevolence 2—team, principle-laws and code, egoism-self interest)                                        | Individual             |             | Covenantal relationship                                                                     |
| Barnett & Vaicys (2000)                        | <i>Journal of Business Ethics</i>                  | ECQ (Egoistic, utilitarian, deontological)                                                                                                          | Individual             |             | Ethical judgments, ethical intentions                                                       |
| Bartels, Harrick, Martell, & Strickland (1998) | <i>Journal of Business Ethics</i>                  | Own measure                                                                                                                                         | Individual             |             | Seriousness of ethical problem within organizations, success in dealing with ethical issues |
| Bourne & Snead (1999)                          | <i>Journal of Business Ethics</i>                  | Own Measure (Cultural environment, external stakeholder interaction, employee ethics, ethical conflict situations, determinant of ethical behavior) | Psychological          |             |                                                                                             |

(continued)

**Table 22.1 (Continued)**

| Authors                             | Journal                                                               | Measure                                                                                                                                                                                                  | Level of Analysis    | Antecedents                                       | Consequences                                                                                                                   |
|-------------------------------------|-----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| Brower & Shrader(2000)              | <i>Journal of Business Ethics</i>                                     | ECQ (Principle, benevolence, egoism)                                                                                                                                                                     | Individual           | Organization type (for-profit vs. not-for-profit) |                                                                                                                                |
| Buchan (2005)                       | <i>Journal of Business Ethics</i>                                     | ECQ (instrumental climate)                                                                                                                                                                               | Individual           |                                                   | Ethical intentions                                                                                                             |
| Bulutlar & Oz (2009)                | <i>Journal of Business Ethics</i>                                     | ECQ (Rules, caring, instrumental, independent, profit)                                                                                                                                                   | Individual           |                                                   | Bullying, Organizational commitment                                                                                            |
| Caldwell & Moberg (2007)            | <i>Journal of Business Ethics</i>                                     | Vignette                                                                                                                                                                                                 | Individual           |                                                   | Moral imagination                                                                                                              |
| Cullen, Parboteeah, & Victor (2003) | <i>Journal of Business Ethics</i>                                     | ECQ (General egoistic, general benevolent, general principled, self interest, company profit, efficiency, friendship, personal morality, rules, standard operating procedures, laws, professional codes) | Unit/ Organizational |                                                   | Organizational commitment                                                                                                      |
| Cullen, Victor, & Bronson (1993)    | <i>Psychological Reports</i>                                          | ECQ (Self-interest, company profit efficiency, friendship and team interest, social responsibility, rules, standard operating procedures, laws, professional codes)                                      | Unit/ Organizational |                                                   |                                                                                                                                |
| Damirch & Rahimi (2011)             | <i>Interdisciplinary Journal of Contemporary Research in Business</i> | EC (all nine dimensions)                                                                                                                                                                                 | Individual           |                                                   | Organizational health                                                                                                          |
| Dawson (1992)                       | <i>Journal of Personnel Selling &amp; Sales Management</i>            | No Measure                                                                                                                                                                                               | Gender               |                                                   |                                                                                                                                |
| DeConinck (2003)                    | <i>The Marketing Management Journal</i>                               | Ethical Work Climate (Babin, Boles, & Robin, 2000) (Responsibility/ trust, peer behavior, ethical norms)                                                                                                 | Individual           |                                                   | Perceptions of an ethical situation, willingness to engage in ethical behavior, moral intensity towards an unethical situation |
| DeConinck (2010)                    | <i>Journal of Business Research</i>                                   | Ethical Work Climate (Babin, Boles, & Robin, 2000) (Responsibility/ trust, peer behavior, ethical norms)                                                                                                 | Individual           |                                                   | Role stress, pay satisfaction, super satisfaction, Organizational commitment, Performance, Turnover                            |

(continued)

Table 22.1 (Continued)

| Authors                                   | Journal                                             | Measure                                                                                                                 | Level of Analysis | Antecedents                            | Consequences                                                           |
|-------------------------------------------|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|-------------------|----------------------------------------|------------------------------------------------------------------------|
| DeConinck & Lewis (1997)                  | <i>Journal of Business Ethics</i>                   | ECQ (Caring, law and code, rules, instrumental, independence)                                                           | Individual        |                                        | Managers' decisions to reward or punish unethical sales force behavior |
| Deshpande (1996a)                         | <i>Journal of Business Ethics</i>                   | ECQ (Professionalism, caring, rules, instrumental, efficiency, independence)                                            | Individual        |                                        | Job Satisfaction                                                       |
| Deshpande (1996b)                         | <i>Journal of Business Ethics</i>                   | ECQ (Professionalism, caring, rules, instrumental, efficiency, independence)                                            | Individual        |                                        | Perceived ethical practices of successful managers                     |
| Deshpande, George, & Joseph (2000)        | <i>Journal of Business Ethics</i>                   | ECQ (Professionalism, caring, rules, instrumental, efficiency, independence)                                            | Individual        |                                        | Perceived ethical behavior by successful managers                      |
| Deshpande & Joseph (2009)                 | <i>Journal of Business Ethics</i>                   | ECQ (Professionalism, caring, rules, instrumental, efficiency, independence)                                            | Individual        |                                        | Ethical behavior                                                       |
| Deshpande, Joseph, & Shu (2011)           | <i>Journal of Business Ethics</i>                   | ECQ (Professionalism, caring, rules, instrumental, efficiency, independence)                                            | Individual        |                                        | Ethical practices                                                      |
| Duh, Belak, & Milfelner (2010)            | <i>Journal of Business Ethics</i>                   | ECQ (Professionalism, caring, rules, instrumental, efficiency, independence)                                            | Individual        | Family versus non-family business      |                                                                        |
| Elci & Alpkan (2009)                      | <i>Journal of Business Ethics</i>                   | EC (all nine dimensions), also Schwepker's (2001) measure                                                               | Individual        |                                        | Work satisfaction                                                      |
| Elm & Nichols (1993)                      | <i>Journal of Business Ethics</i>                   | ECQ (Egoism, utilitarianism, principled)                                                                                | Individual        | Moral reasoning level                  |                                                                        |
| Engelbrecht, van Aswegen, & Theron (2005) | <i>South African Journal of Business Management</i> | ECQ (Law and code, rules, independence, caring)                                                                         | Individual        | Transformational leadership, integrity |                                                                        |
| Erben & Guneser (2008)                    | <i>Journal of Business Ethics</i>                   | ECQ (Law and code, rules, independence, caring, instrumental)                                                           | Individual        | Paternalistic behavior                 | Organizational commitment                                              |
| Erondu, Sharland, & Okpara (2004)         | <i>Journal of Business Ethics</i>                   | Measure not specified (Self-interest, company profit, friendship, team interest, personal morality, rules & procedures) | Individual        |                                        | Efficiency, social responsibility, law and professional codes          |
| Flannery & May (2000)                     | <i>Academy of Management Journal</i>                | ECQ (dimensions not specified)                                                                                          |                   |                                        | Managers' environmental ethical decision intentions                    |

(continued)

**Table 22.1 (Continued)**

| Authors                                     | Journal                                                   | Measure                                                                      | Level of Analysis | Antecedents                                                             | Consequences                                                               |
|---------------------------------------------|-----------------------------------------------------------|------------------------------------------------------------------------------|-------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------------|
| Forte (2004a)                               | <i>Journal of Business Ethics</i>                         | ECQ (Rule, caring, law and code, instrumental, independence)                 | Individual        | Manager's age, management level                                         | Moral reasoning of managers                                                |
| Forte (2004b)                               | <i>Journal of Business Ethics</i>                         | ECQ (Caring, law and code, rules, instrumental, independence)                | Individual        | Locus of control, age, work tenure, gender, management levels, SIC code | Manager moral reasoning                                                    |
| Fournier, Tanner, Chonko, & Manolis (2010)  | <i>Journal of Personnel &amp; Sales Management</i>        | Schwepker et al. (1997) measure                                              | Individual        |                                                                         | Turnover intentions                                                        |
| Fritzche (2000)                             | <i>Journal of Business Ethics</i>                         | ECQ (caring, laws and codes, efficiency, rules, independence, company)       | Individual        |                                                                         | Ethical decision making                                                    |
| Fu & Deshpande (2012)                       | <i>Journal of Business Ethics</i>                         | Six items from Deshpande (1996)                                              | Individual        |                                                                         | Ethical behavior                                                           |
| Gonzalez-Padron & Hult (2008)               | <i>Industrial Marketing Management</i>                    | Ethical dimension of corporate citizenship                                   | Individual        |                                                                         | Learning, entrepreneurial innovation, relationship quality, cycle time     |
| Hart (2005)                                 | <i>Journal of Nursing Scholarship</i>                     | Hospital Ethical Climate Survey (Olson, 1995)                                | Individual        |                                                                         | Positional turnover intentions, professional turnover intentions           |
| Herndon, Ferrell, LeClair, & Ferrell (1999) | <i>Research in Marketing</i>                              | ECQ (1 dimension)                                                            | Individual        | Individual moral values                                                 | Job satisfaction, organizational commitment, turnover intentions           |
| Jaffe & Tsimerman (2005)                    | <i>Journal of Business Ethics</i>                         | ECQ (Law and codes, caring, rules, instrumental, efficiency, independence)   | Individual        |                                                                         |                                                                            |
| Jaramillo, Mulki, & Solomon (2006)          | <i>Journal of Personal Selling &amp; Sales Management</i> | Schwepker's (2001) 7-item ethical climate scale                              | Individual        |                                                                         | Role conflict, role ambiguity, organizational commitment, job satisfaction |
| Joseph & Deshpande (1997)                   | <i>Health Care Management Review</i>                      | ECQ (Professionalism, caring, rules, instrumental, efficiency, independence) | Individual        |                                                                         | Job Satisfaction                                                           |

(continued)

**Table 22.1 (Continued)**

| Authors                               | Journal                                                   | Measure                                                                   | Level of Analysis    | Antecedents                                    | Consequences                                                                                                                           |
|---------------------------------------|-----------------------------------------------------------|---------------------------------------------------------------------------|----------------------|------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| Kelley & Dorsch (1991)                | <i>Journal of Personal Selling &amp; Sales Management</i> | ECQ (Caring, rules, instrumental)                                         | Individual           |                                                | Organizational Commitment, indebtedness (characterized by discomfort and repayment)                                                    |
| Kim & Miller (2008)                   | <i>Journal of Business Ethics</i>                         | ECQ (Caring, Team spirit, Efficiency, Self-interest, Law and code, Rules) | Individual           |                                                | Job satisfaction, Organizational commitment                                                                                            |
| Koh & Boo (2001)                      | <i>Journal of Business Ethics</i>                         | Own measure adapted from ECQ (Egoistic, benevolent, principled)           | Individual           |                                                | Job Satisfaction                                                                                                                       |
| Laratta (2011)                        | <i>Public Management Review</i>                           | ECQ (Self-interest, Caring, Independence, Law and codes)                  | Individual           |                                                | Accountability                                                                                                                         |
| Leung (2008)                          | <i>Journal of Business Ethics</i>                         | ECQ (Instrumental, Independence, Caring, Rule, Law and code)              | Individual           |                                                | Loyalty, OCB                                                                                                                           |
| Lin (2011)                            | <i>Journal of Business Ethics</i>                         | ECQ (Instrumental, Independence, Caring, Rule, Law and code)              | Individual           | National culture                               |                                                                                                                                        |
| Luthar, DiBartista, & Gautschi (1997) | <i>Journal of Business Ethics</i>                         | No Measure                                                                | Individual           | Gender, age, Education Level, Ethics Education |                                                                                                                                        |
| Martin & Cullen (2006)                | <i>Journal of Business Ethics</i>                         | ECQ                                                                       | Meta-analysis        |                                                | Organizational commitment, job satisfaction, psychological well-being, lying, stealing, falsifying reports, accepting gifts and favors |
| Mayer, Kuenzi, & Greenbaum (2010)     | <i>Journal of Business Ethics</i>                         | Developed own 6-item measure                                              | Unit/ Organizational | Ethical leadership                             | Employee misconduct                                                                                                                    |
| McKendall & Wagner (1997)             | <i>Organization Science</i>                               | Bentley College Center for Business Ethics Questionnaire (no dimensions)  | Individual           |                                                | Corporate illegality, industry concentration of illegality                                                                             |
| Mulki, Jaramillo, & Locander (2006)   | <i>Journal of Personal Selling &amp; Sales Management</i> | Schwepker (2001)                                                          | Individual           |                                                | Job satisfaction, organizational commitment, trust                                                                                     |

(continued)

**Table 22.1 (Continued)**

| Authors                                            | Journal                                        | Measure                                                                                                                           | Level of Analysis    | Antecedents                                          | Consequences                                                                    |
|----------------------------------------------------|------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|----------------------|------------------------------------------------------|---------------------------------------------------------------------------------|
| Mulki, Jaramillo, & Locander (2008)                | <i>Journal of Business Ethics</i>              | Schweper (2001)                                                                                                                   | Individual           |                                                      | Role stress, Trust in supervisor                                                |
| Mulki, Jaramillo, & Locander (2009)                | <i>Journal of Business Ethics</i>              | Schweper (2001)                                                                                                                   | Individual           | Instrumental and caring leadership                   | Job satisfaction, Satisfaction with supervisor                                  |
| Neubaum, Mitchell, & Schminke (2004)               | <i>Journal of Business Ethics</i>              | ECQ (instrumental, caring, independence, rules, law & code)                                                                       | Unit/ Organizational | Entrepreneurial orientation, firm newness, firm size |                                                                                 |
| Neubert, Carlson, Kacmar, Roberts, & Chonko (2009) | <i>Journal of Business Ethics</i>              | 10 items from Treviño et al. (1998)                                                                                               | Individual           | Ethical leadership                                   | Job satisfaction, Organizational commitment                                     |
| Ozer & Yilmaz (2011)                               | <i>Business and Economics Research Journal</i> | Five items from Schweper et al. (1997)                                                                                            | Individual           |                                                      | Procedural justice, Propensity to create budgetary slack                        |
| Parboteeah, Chen, Lin, Chen, Lee, & Chung (2010)   | <i>Journal of Business Ethics</i>              | ECQ (egoism, benevolent, principled)                                                                                              | Individual           | Communication, Empowerment                           |                                                                                 |
| Parboteeah, Cullen, Victor, & Sakano (2005)        | <i>Management International Review</i>         | ECQ (egoism-individual climate, benevolent-local climate, benevolent-cosmopolitan climate, principle-cosmopolitan climate)        | Individual           | National culture (US vs. Japanese)                   |                                                                                 |
| Parboteeah & Kapp (2008)                           | <i>Journal of Business Ethics</i>              | ECQ (egoism, benevolent, principled)                                                                                              | Individual           |                                                      | Safety behaviors, Injuries                                                      |
| Peterson (2002a)                                   | <i>Journal of Business Ethics</i>              | ECQ (self-interest, company profit, efficiency, friendship, team interest, social responsibility, personal morality, rules, laws) | Individual           | code of ethics                                       | Unethical behavior                                                              |
| Peterson (2002b)                                   | <i>Journal of Business and Psychology</i>      | ECQ (rules, law, employee focus, community focus, personal ethics, self-interest, efficiency)                                     | Individual           |                                                      | Production deviance, political deviance, property deviance, personal aggression |
| Prachsrithum & Ussahawanit-chakit (2008)           | <i>Review of Business Research</i>             | ECQ (egoism, benevolent, principled)                                                                                              | Individual           |                                                      | Financial reporting quality                                                     |

(continued)

**Table 22.1 (Continued)**

| Authors                                          | Journal                                                     | Measure                                                                                                                         | Level of Analysis       | Antecedents                                                                 | Consequences                                                                                     |
|--------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|-------------------------|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| Rosenblatt, Shapira-Lishchinsky, & Shirom (2010) | <i>Human Resource Management Review</i>                     | ECQ (caring)                                                                                                                    | Individual              |                                                                             | Absences                                                                                         |
| Ross & Robertson (2000)                          | <i>Business Ethics Quarterly</i>                            | Own Measure (no dimensions)                                                                                                     | Individual              |                                                                             | Lying, lying to competitors                                                                      |
| Rothwell & Baldwin (2006a)                       | <i>Journal of Business Ethics</i>                           | ECQ (law & rules, friendship or team interest, social responsibility, company profit or efficiency, independence)               | Individual              |                                                                             | Willingness to whistle blow (minor, major, misdemeanors, felonies), frequency of whistle-blowing |
| Rothwell & Baldwin (2006b)                       | <i>Review of Public Personnel Administration</i>            | ECQ (independence, instrumental, caring, rules, law & code)                                                                     | Individual              |                                                                             | Whistle blowing intentions, whistle blowing actions                                              |
| Ruppel & Harrington (2000)                       | <i>Journal of Business Ethics</i>                           | ECQ (individual interests, organizational interests, principled individual, principled organizational, principled cosmopolitan) | Individual              |                                                                             | Employee trust, atmosphere of trust, employee communication                                      |
| Saini & Martin (2009)                            | <i>Journal of Business Ethics</i>                           | ECQ (egoism, benevolent)                                                                                                        | Unit/<br>Organizational |                                                                             | Risk-taking                                                                                      |
| Schminke, Ambrose, & Neubaum (2005)              | <i>Organizational Behavior and Human Decision Processes</i> | ECQ (instrumental, independence, rules, caring, law & code)                                                                     | Unit/<br>Organizational | Leader moral development, moral development utilization, organizational age |                                                                                                  |
| Schwepker (2001)                                 | <i>Journal of Business Research</i>                         | Own Measure (1 dimension)                                                                                                       | Individual              |                                                                             | Job satisfaction, organizational commitment, turnover intention                                  |
| Schwepker & Good (2007)                          | <i>Journal of Personal Selling &amp; Sales Management</i>   | Own Measure (1 dimension)                                                                                                       | Individual              |                                                                             | Unethical sales force, sales manager's ethical attitudes                                         |
| Schwepker, Ferrell, & Ingram (1997)              | <i>Journal of the Academy of Marketing Science</i>          | Own Measure (1 dimension)                                                                                                       | Individual              |                                                                             | Ethical conflict with sales managers, ethical conflict with TM                                   |

(continued)

Table 22.1 (Continued)

| Authors                                 | Journal                                           | Measure                                                                                                                                                                                                                                                    | Level of Analysis       | Antecedents                                                                                                                      | Consequences                                                   |
|-----------------------------------------|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|----------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| Schwepker & Hartline (2005)             | <i>Journal of Service Research</i>                | Qualls & Puto (1989) and Herndon (1991)                                                                                                                                                                                                                    | Individual              | Enforcement of code of ethics, internalization of code of ethics, punishment of ethical violations, discussion of ethical issues | Role conflict, job satisfaction, commitment to service quality |
| Shacklock, Manning, & Hort (2011)       | <i>Journal of New Business Ideas &amp; Trends</i> | ECQ (instrumental, caring, law & code, rules, independence)                                                                                                                                                                                                | Individual              |                                                                                                                                  | Efficacy, Ethical decision making                              |
| Shafer (2008)                           | <i>Accounting, Organizations and Society</i>      | ECQ (egoism, benevolent, individual, cosmopolitan)                                                                                                                                                                                                         | Individual              |                                                                                                                                  | Unethical behavior                                             |
| Shapira-Lishchinsky & Even-Zohar (2011) | <i>Journal of Business Ethics</i>                 | ECQ (caring, formal)                                                                                                                                                                                                                                       | Individual              |                                                                                                                                  | Organizational commitment                                      |
| Shapira-Lishchinsky & Rosenblatt (2009) | <i>Journal of Business Ethics</i>                 | ECQ (caring, formal)                                                                                                                                                                                                                                       | Individual              |                                                                                                                                  | Absences                                                       |
| Shin (2012)                             | <i>Journal of Business Ethics</i>                 | ECQ (five items)                                                                                                                                                                                                                                           | Unit/<br>Organizational | CEO ethical leadership                                                                                                           | Collective OCB                                                 |
| Sims & Keon (1997)                      | <i>Journal of Business Ethics</i>                 | ECQ (instrumental, caring, law & code, rules, independence)                                                                                                                                                                                                | Individual              |                                                                                                                                  |                                                                |
| Sims & Kroeck (1994)                    | <i>Journal of Business Ethics</i>                 | ECQ (instrumental, caring, law & code, rules, independence)                                                                                                                                                                                                | Individual              |                                                                                                                                  |                                                                |
| Smith, Thompson, & Iacovou (2009)       | <i>Journal of Business Ethics</i>                 | ECQ (self-interest, rules and code, team spirit)                                                                                                                                                                                                           | Individual              |                                                                                                                                  | Misreporting                                                   |
| Stewart, Volpone, Avwey, & McKay (2011) | <i>Journal of Business Ethics</i>                 | Two items developed for this study                                                                                                                                                                                                                         | Individual              |                                                                                                                                  | Turnover intentions                                            |
| Stone & Henry (2003)                    | <i>Journal of Business Ethics</i>                 | ECQ plus own items (cosmopolitan egoistic, cosmopolitan principle, organizational egoistic, organizational utilitarian/individual utilitarian, organizational egoistic/workgroup egoistic, workgroup principle, individual egoistic, individual principle) | Individual              |                                                                                                                                  |                                                                |

(continued)

**Table 22.1 (Continued)**

| Authors                                                  | Journal                                                        | Measure                                                                                                                                                  | Level of Analysis | Antecedents                                                                                                                           | Consequences                                |
|----------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|
| Treviño, Butterfield, McCabe (1998)                      | <i>Business Ethics Quarterly</i>                               | ECQ (ethical environment, employee-focused, community-focused, self-interest, efficiency, rules & procedures, personal ethics, law & professional codes) | Individual        |                                                                                                                                       | Organizational commitment                   |
| Tsai & Huang (2008)                                      | <i>Journal of Business Ethics</i>                              | ECQ (14 items to measure caring, independent, law and code, rules, instrumental)                                                                         | Individual        |                                                                                                                                       | Job satisfaction, Organizational commitment |
| Tseng & Fan (2011)                                       | <i>Journal of Business Ethics</i>                              | ECQ (law and professional codes, self-interest, social responsibility)                                                                                   | Individual        |                                                                                                                                       | Engagement                                  |
| Ulrich, O'Donnell, Taylor, Farrar, Danis, & Grady (2007) | <i>Social Science &amp; Medicine</i>                           | Oldham's Hospital ethical climate scale                                                                                                                  | Individual        |                                                                                                                                       | Job satisfaction, intentions to leave       |
| Upchurch & Ruhland (1996)                                | <i>Journal of Business Ethics</i>                              | ECQ (egoism, benevolence, principle)                                                                                                                     | Individual        | Gender, years of management experience, educational level, property classification, individual level, local level, cosmopolitan level |                                             |
| Vaicys, Barnett, & Brown (1996)                          | <i>Psychological Reports</i>                                   | ECQ (team spirit, rules & codes, social responsibility, self interest, efficiency, personal morality)                                                    | Individual        |                                                                                                                                       |                                             |
| Van Aswegen & Engelbrecht (2009)                         | <i>Journal of Human Resource Management</i>                    | ECQ (law and code, rules, independence, caring)                                                                                                          | Individual        | Transformational leadership                                                                                                           |                                             |
| Van Sandt, Shepard, & Zappe (2006)                       | <i>Journal of Business Ethics</i>                              | ECQ (self-interest, company interest, efficiency, friendship, team play, social responsibility, personal morality, rules & procedures, law & code)       | Individual        |                                                                                                                                       | Moral awareness                             |
| Vardi (2001)                                             | <i>Journal of Business Ethics</i>                              | ECQ (caring, law & code, rules, instrumental, interdependence)                                                                                           | Individual        |                                                                                                                                       | Organizational Misbehavior                  |
| Venezia, Venezia, & Hung (2010)                          | <i>International Business &amp; Economics Research Journal</i> | ECQ (rules and code, caring, self-interest, social responsibility, efficiency, instrumental, personal morality)                                          | Individual        | Public versus private                                                                                                                 |                                             |

(continued)

Table 22.1 (Continued)

| Authors                                          | Journal                                                   | Measure                                                                                                         | Level of Analysis       | Antecedents                                                 | Consequences                                                             |
|--------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------------------------------------------|--------------------------------------------------------------------------|
| Verbeke, Ouwerkerk, & Peelen (1996)              | <i>Journal of Business Ethics</i>                         | Ruch & Newstrom (1975)                                                                                          | Individual              | Control system, career orientation, communication           | Ethical decision-making, attraction of lower Machiavellists              |
| Victor & Cullen (1988)                           | <i>Administrative Science Quarterly</i>                   | ECQ (instrumental, caring, independence, rules, law & code)                                                     | Individual              | Type of company                                             | Satisfaction                                                             |
| Wang & Hsieh (2012)                              | <i>Journal of Business Ethics</i>                         | ECQ (instrumental, caring, independence, rules, law & code)                                                     | Unit/<br>Organizational |                                                             | Job satisfaction                                                         |
| Weber & Gerde (2011)                             | <i>Journal of Business Ethics</i>                         | ECQ (instrumental, caring, independence, rules, law & code)                                                     | Individual              | Military unit types                                         |                                                                          |
| Webber (2007)                                    | <i>The Journal of Academic Librarianship</i>              | RECQ (reflexive, peer directed, self-directed, rule-directed, patriotic, self-preserving, socially responsible) | Individual              |                                                             |                                                                          |
| Weber (1995)                                     | <i>Organizational Science</i>                             | ECQ (instrumental, caring, independence, rules, law & code)                                                     | Individual              | Department Type (technical core, buffer, boundary spanning) |                                                                          |
| Weber, Kurke, & Pentico (2003)                   | <i>Business &amp; Society</i>                             | ECQ (instrumental, caring, independence, rules & procedures, law & code)                                        | Individual              | Theft vs. no theft groups                                   | Morally preferred EWC                                                    |
| Weber & Seger (2002)                             | <i>Journal of Business Ethics</i>                         | ECQ (instrumental, caring, independence, rules, law & code)                                                     | Individual              | Department Type                                             |                                                                          |
| Weeks, Loe, Chonko, & Wakefield (2004)           | <i>Journal of Personal Selling &amp; Sales Management</i> | Schwepker et al. (1997)                                                                                         | Individual              |                                                             | Commitment to quality, organizational commitment, individual performance |
| Weeks, Loe, Chonko, Martinez, & Wakefield (2006) | <i>Journal of Personal Selling &amp; Sales Management</i> |                                                                                                                 | Individual              | Moral ethical development                                   | Commitment to quality, organizational commitment, sales performance      |
| Wimbush, Shepard, & Markham (1997a)              | <i>Journal of Business Ethics</i>                         | ECQ (caring, law & rules, service, independence, instrumental)                                                  | Individual              | Operating units                                             |                                                                          |
| Wimbush, Shepard, & Markham (1997b)              | <i>Journal of Business Ethics</i>                         | ECQ (independence, caring, instrumental, law & rules, service)                                                  | Unit/<br>Organizational |                                                             | Stealing, lying, disobeying company rules, being an accomplice           |

(continued)

**Table 22.1 (Continued)**

| Authors                       | Journal                                                       | Measure                 | Level of Analysis | Antecedents                  | Consequences                 |
|-------------------------------|---------------------------------------------------------------|-------------------------|-------------------|------------------------------|------------------------------|
| Wittmer & Coursey (1996)      | <i>Journal of Public Administration Research &amp; Theory</i> | ECQ and Menzel (1991)   | Individual        | Public vs. private companies |                              |
| Wotruba, Chonko, & Loe (2001) | <i>Journal of Business Ethics</i>                             | Schwepker et al. (1997) | Individual        |                              | Usefulness of code of ethics |

between these two managerial practices and positive ethical climates (Parboteeah, Chen, Lin, Chen, Lee, & Chung, 2010).

#### ORGANIZATIONAL ANTECEDENTS

Much of the research examining antecedents of ethical climate has focused on organizational characteristics. This work includes type of unit, type of company, characteristics of the organization, and structure. In terms of the type of unit, there is mixed support for the role of different units, with some demonstrating different ethical climates (Upchurch & Ruhland, 1996; Wimbush, Shepard, & Markham, 1997a) and others not (Weber, 1995; Weber & Seger, 2002). Specifically, Wimbush and colleagues found that there were different ethical climates within different types of units of a sales organization such that the law and rules and caring climates were higher in the store and credit units than in the central unit. Weber and Gerde similarly found differences in the ethical climates of different units in the military. For example, National Guard and reserve units were more likely to have a caring ethical climate than active duty military groups. However, Weber and Weber and Seger did not find that different types of units were associated with different ethical climates. Thus, it is difficult to draw definitive conclusions about this area of work.

In terms of the types of organizations, differences in ethical climates emerge from for-profit versus not-for-profit firms (Brower & Shrader, 2000; Venezia, Venezia, & Hung, 2010; Wittmer & Coursey, 1996). The results on for-profit and non-profit are mixed. Brower and Shrader found that for-profit companies had climates higher in egoism and lower in benevolence than did not-for-profit companies. Venezia and colleagues found that non-profits showed a higher perception in rules/codes, caring, self-interest, social responsibility, and instrumentalism, whereas efficiency and personal morality were perceived higher in

the for-profit firms. Wittmer and Coursey found that for-profit firms were more likely to view their ethical climate favorably than non-profit firms. In addition, differences emerged in family owned versus non-family owned enterprises such that family owned business had more favorable perceptions of ethical climate (Duh, Belak, & Milfelner, 2010).

In terms of specific characteristics of organizations, those that tend to enforce and internalize ethical codes are more likely to have positive ethical climates, such as a caring ethical climate (Schwepker & Hartline, 2005; Weber, Kurke, & Pentico, 2003; interested readers are directed to chapter 33 in this volume for a case study on the Tata Group, whose Code of Conduct is a key component of its ethical climate). Consistent with Flamholtz and Randle's viewpoint that culture and climate vary with the life cycle of a firm (see chapter 13), newer organizations also had different ethical climates than more established firms such that newer firms tended to be more independent and less instrumental (Neubaum, Mitchell, & Schminke, 2004). This research suggests that ethical climates can perhaps change over the course of a firm's life. Finally, in terms of structure, when there was more behavioral control the ethical climates were viewed more favorably (Verbeke, Ouwerkerk, & Peelen, 1996). In addition, the size of the organization mattered with smaller firms having more favorable ethical climates (Neubaum et al., 2005).

#### ENVIRONMENTAL ANTECEDENTS

As seen in Table 22.1, many of the antecedents that have been examined focus on the environment outside of the organization such as type of industry and societal/national culture. In terms of type of industry, research is limited to a single study, which found no differences (Forte, 2004b). In terms of national culture, differences in ethical climates have been found across different regions of the world and several nations (Bourne & Snead, 1999; Deshpande,

George, & Joseph, 2000; Lin, 2011; Parboteeah, Cullen, Victor, & Sakano, 2005). This research generally demonstrates that Russia is more likely to have an ethical climate focused more on following rules and less on people being autonomous and independent. Findings also suggest that the United States is more likely to have independent and benevolent ethical climates than Japan. However, given the small number of cross-cultural comparative studies, it is difficult to draw strong conclusions about this research on cultural differences in ethical climates. (See chapter 15 by Dickson and colleagues for more on the impact of national culture on organizational climate and cultures.)

### ***Consequences of Ethical Climate***

Although a considerable amount of research has explored antecedents of ethical climate, a larger number of studies have examined the consequences of ethical climate. To date, research has primarily examined four major outcomes of ethical climate: (1) job attitudes, (2) withdrawal intentions/behavior, (3) (un)ethical behavior, and (4) miscellaneous outcomes. As was the case for the antecedents, almost all of this research was conducted at the individual level of analysis. These findings are summarized in Table 22.1.

#### **JOB ATTITUDES**

By far the largest number of studies has examined job attitudes as the dependent variable of interest. For example, ethical climate has been positively linked to job satisfaction in many studies (Ambrose, Arnaud, & Schminke, 2008; Babin, Boles, & Robin, 2000; Deshpande, 1996a; Elci & Alpan, 2009; Herndon et al., 1999; Jaramillo, Mulki, & Solomon, 2006; Joseph & Deshpande, 1997; Koh & Boo, 2001; Martin & Cullen, 2006; Mulki, Jaramillo, & Locander, 2006, 2009; Neubert et al., 2009; Schwepker, 2001; Schwepker & Hartline, 2005; Sims & Keon, 1997; Tsai & Huang, 2008; Ulrich, O'Donnell, Taylor, Farrar, Danis, & Grady, 2007; Wang & Hsieh, 2012). In general, the instrumental ethical climate is negatively correlated with job satisfaction, but the other ethical climates are positively associated with job satisfaction.

In addition to job satisfaction, organizational commitment is another outcome variable that has been studied in relation to ethical climate with similar positive findings (Ambrose et al., 2008; Babin et al., 2000; Bulutlar & Oz, 2009; Cullen, Parboteeah, Victor, 2003; Erben & Gunser, 2008; Herndon et al., 1999; Kelly & Dorsch, 1991;

Martin & Cullen, 2006; Mulki et al., 2006; Neubert et al., 2009; Schwepker, 2001; Shapira-Lishchinsky & Even-Zohar, 2011; Treviño, Butterfield, & McCabe, 1998; Tsai & Huang, 2008; Weeks, Loe, Chonko, & Wakefield, 2004; Weeks, Loe, Chonko, Martinez, & Wakefield, 2006). As was the case for job satisfaction, in general, the instrumental ethical climate is negatively correlated with organizational commitment, but the other ethical climates are positively associated with organizational commitment. It is important to note that nearly all of this research is subject to response contamination as individuals rate the ethical climate and also rate their own job attitude.

#### **WITHDRAWAL**

Related research has found negative associations between ethical climate and withdrawal behaviors such as turnover intentions (Ambrose et al., 2008; Fournier, Tanner, Chonko, & Manolis, 2010; Hart, 2005; Schwepker, 2001; Stewart, Volpone, Avery, & McKay, 2011; Ulrich et al., 2007), absences (Rosenblatt, Shapira-Lishchinsky, & Shirom, 2010; Shapira-Lishchinsky & Rosenblatt, 2009), loyalty (Leung, 2008), and attitudinal engagement (Tseng & Fan, 2011).

#### **(UN)ETHICAL BEHAVIOR**

Given that ethical climate focuses on ethical behaviors at work, it is not surprising that many scholars have examined the relationship between ethical climates and various forms of (un)ethical behavior. Extant research has found negative relationships between ethical climates and a number of unethical behaviors, including antisocial behavior (Mayer et al., 2010), bullying (Bulutlar & Oz, 2009), corporate illegality (McKendall & Wagner, 1997), deception (Aquino, 1998; Ozer & Yilmaz, 2011), disobeying company rules (Wimbush et al., 1997b), falsifying reports (Martin & Cullen, 2006), lying (Martin & Cullen, 2006; Ross & Robertson, 2000; Shafer, 2008; Wimbush, Shepard, & Markham, 1997b), organizational misbehavior/misconduct (Andreoli & Lefkowitz, 2009; Vardi, 2001), political and production deviance (Peterson, 2002b), project sales and financial misreporting (Prachsrithum & Ussahawanitchakit, 2008; Smith, Thompson, & Iacovou, 2009), stealing (Martin & Cullen, 2006; Wimbush et al., 1997b), unethical sales (Schwepker & Good, 2007), and general unethical behaviors (Peterson, 2002a). Interested readers may wish to consult chapter 9 by Ehrhart and Raver for more on the antecedents of

counterproductive work behaviors, including the impact of leadership and an ethical climate.

Relationships have also been found between ethical climates and ethical or prosocial behaviors. Statistically significant positive relationships exist between ethical climates and accountability (Laratta, 2011), ethical behavior (Aquino, 1998; Deshpande & Joseph, 2009; Fu & Deshpande, 2012; Shacklock, Manning, & Hort, 2011), ethical decision making (Fritzche, 2000; Verbeke, Ouwerkerk, & Peelen, 1996), ethical intentions (Buchan, 2005; Flannery & May, 2000), ethical judgments (Barnett & Vaicys, 2000; Bartels et al., 1998; DeConinck, 2003), moral imagination (Caldwell & Moberg, 2007), moral intensity (DeConinck, 2003), organizational citizenship behavior (Shin, 2012), perceptions of ethical management (Deshpande, 1996b; Deshpande, George, & Joseph, 2000), success in handling ethical issues (Bartels, Harrick, Martell, & Strickland, 1998), and whistle-blowing (Rothwell & Baldwin, 2007; Rothwell & Baldwin, 2006). As is the case for the research on other dependent variables, the vast majority of research on (un)ethical behavior has been at the individual level and used self-report measures.

#### MISCELLANEOUS OUTCOMES

In addition to job attitudes, withdrawal, and (un)ethical outcomes, a variety of other presumed consequences have been examined including commitment to product quality and performance (Weeks et al., 2004, 2006), efficacy (Shacklock et al., 2011), efficiency (Erondur, Sharland, & Okpara, 2004), effort (Mulki et al., 2009), health (Damirch & Rahimi, 2011), learning (Gonzalez-Padron, Hult, & Calantone, 2008), levels of communication (Ruppel & Harrington, 2000), managerial success (Deshpande, Joseph, & Shu, 2011), psychological well-being (Martin & Cullen, 2006), risk-taking (Saini & Martin, 2009), role ambiguity (Babin et al., 2000; Jaramillo et al., 2006), role conflict (Schwepker & Hartline, 2005), role stress (DeConinck, 2010; Mulki et al., 2008), safety-related behavior (Parboteeah & Kapp, 2008), and trust (Mulki et al., 2006; Ruppel & Harrington, 2000). In general, scholars have found a positive and significant correlation between favorable types of ethical climates and the positive outcomes (e.g., learning, success), and a negative relationship with the negative outcomes (e.g., role conflict, role stress).

#### *Summary*

In summary, the bulk of empirical research on ethical climate has focused on consequences. The

research that has focused on antecedents has examined the role of employees, leaders, organizations, and the larger environment. The most consistent finding is the role of leadership in promoting positive ethical climates. The research on consequences of ethical climate has linked it to several outcomes such as job attitudes, withdrawal intentions/behavior, (un)ethical behavior, and a variety of other outcomes. In general, instrumental ethical climates are more strongly positively related to negative outcomes and the other ethical climates such as caring ethical climates tend to have more favorable correlates.

#### **Ethical Culture**

As the literature on ethical climate has emerged, a parallel stream of research on ethical culture has also developed over the past quarter century. Interestingly, for the most part the literatures on ethical climate and culture have been studied in isolation (see Treviño, Butterfield, & McCabe, 1998 for an exception). In addition, whereas much of the ethical climate research draws on work by Victor and Cullen (1987, 1988), the ethical culture literature is smaller and more fragmented. What follows highlights the primary conceptualizations and operationalizations of ethical culture and then discuss the findings of the empirical studies. See Table 22.2 for a summary of these studies.

#### *Conceptualization and Operationalization of Ethical Culture*

There are three primary conceptualizations and operationalizations of ethical culture: (1) Hunt, Wood, and Chonko's (1989) Corporate Ethics Values (CEV), (2) Treviño and colleagues' (1998) Ethical Culture Index (ECI), and (3) Kaptein's (2008) Corporate Ethics Virtues Model (CEV). These three approaches are reviewed in the following in chronological order.

First, Hunt and colleagues (1989) draw on classic work on organizational culture to highlight that an important aspect of a company's ethical culture is their ethical values. Hunt and colleagues define corporate ethical values as, "values that help establish and maintain the standards that delineate the 'right' things to do and 'worth doing'" (p. 90). They developed a five-item measure of ethical culture that focuses on managers' ethical behavior (sample item: "Managers in my company often engage in behaviors that I consider to be unethical"), the extent to which employees have to compromise their own ethics (sample item: "In order to succeed in my

**Table 22.2 Characteristics of Empirical Studies on Ethical Culture**

| Authors                                                            | Journal                                  | Measure                                                              | Level of Analysis | Antecedents                               | Consequences                                                         |
|--------------------------------------------------------------------|------------------------------------------|----------------------------------------------------------------------|-------------------|-------------------------------------------|----------------------------------------------------------------------|
| Ardichvili, Jondle, Kowske, Cornachione, Li, & Thakadipuram (2012) | <i>Journal of Business Ethics</i>        | Used a proprietary 28-item measure                                   | Individual        | Country (BRIC, United States)             |                                                                      |
| Burnaz, Ataken, Topcu, & Singhakakdi (2009)                        | <i>Journal of Business Ethics</i>        | Hunt et al.'s five-item measure                                      | Individual        | Country (United States, Turkey, Thailand) |                                                                      |
| Caldwell & Moberg (2007)                                           | <i>Journal of Business Ethics</i>        | Manipulate in lab with vignette                                      | Individual        | Moral identity                            | Moral imagination                                                    |
| Desplaces, Melchar, Beauvais, & Bosco (2007)                       | <i>Journal of Business Ethics</i>        | Single-item measure                                                  | Individual        | Ethics codes                              |                                                                      |
| Douglas, Davidson, & Schwartz (2001)                               | <i>Journal of Business Ethics</i>        | Hunt et al.'s five-item measure                                      | Individual        |                                           | Idealism, Relativism                                                 |
| Huhtala, Feldt, Lamsa, Mauno, & Kinnunen (2011)                    | <i>Journal of Business Ethics</i>        | Kaptein's 58-item measure                                            | Individual        |                                           | Ethical strain, Emotional exhaustion, Work engagement                |
| Hunt, Wood, & Chonko (1989)                                        | <i>Journal of Marketing</i>              | Hunt et al.'s five-item measure                                      | Individual        |                                           | Organizational commitment                                            |
| Kaptein (2009)                                                     | <i>Journal of Business Ethics</i>        | Kaptein's 58-item measure                                            | Individual        | Ethics programs                           |                                                                      |
| Kaptein (2010)                                                     | <i>Journal of Business Ethics</i>        | Kaptein's 58-item measure                                            | Individual        | Year                                      |                                                                      |
| Kaptein (2011a)                                                    | <i>Human Relations</i>                   | Kaptein's 58-item measure                                            | Individual        |                                           | Unethical behavior                                                   |
| Kaptein (2011b)                                                    | <i>Journal of Business Ethics</i>        | Kaptein's 58-item measure                                            | Individual        |                                           | Whistle-blowing intentions                                           |
| Keith, Pettijohn, & Burnett (2003)                                 | <i>Journal of Business Ethics</i>        | Manipulate in lab with vignette                                      | Individual        |                                           | Comfort level with unethical behavior                                |
| Koh & Boo (2004)                                                   | <i>Management Decision</i>               | Mix of Victor and Cullen, Treviño et al., and Hunt et al.'s measures | Individual        |                                           | Job satisfaction, Organizational commitment                          |
| Pierce & Sweeney (2010)                                            | <i>International Journal of Auditing</i> | Mix of Treviño et al. and Hunt et al.'s measures                     | Individual        | Gender, Education, Tenure                 |                                                                      |
| Singhapakdi (1993)                                                 | <i>Journal of Business Ethics</i>        | Manipulate in lab with vignette                                      | Individual        |                                           | Perceptions of ethical problem, Perceptions of remedial alternatives |

(continued)

Table 22.2 (Continued)

| Authors                                                                         | Journal                                                | Measure                                | Level of Analysis | Antecedents        | Consequences                                                 |
|---------------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------|-------------------|--------------------|--------------------------------------------------------------|
| Treviño, Butterfield, & McCabe (1998)                                           | <i>Business Ethics Quarterly</i>                       | Treviño et al.'s measure               | Individual        |                    | Unethical behavior, Organizational commitment                |
| Schaubroeck, Hannah, Avolio, Kozlowski, Lord, Treviño, Dimotakis, & Peng (2012) | <i>Academy of Management Journal</i>                   | 10 items from Treviño et al.'s measure | Multilevel        | Ethical leadership |                                                              |
| Shih & Chen (2006)                                                              | <i>The Journal of American Academy of Business</i>     | 18 items from Treviño et al.'s measure | Individual        |                    | Role conflict, Role ambiguity, Ethical behavioral intentions |
| Sweeney, Arnold, & Pierce (2010)                                                | <i>Journal of Business Ethics</i>                      | Hunt et al.'s five-item measure        | Individual        |                    | Unethical behavior intentions                                |
| Tsai & Shih (2005)                                                              | <i>International Journal of Management</i>             | Treviño et al.'s measure               | Individual        |                    | Role conflict                                                |
| Webb (2012)                                                                     | <i>Public Administration and Development</i>           | Kaptein's 58-item measure              | Individual        |                    | Corruption                                                   |
| Wittayapoom & Limsuwan (2012)                                                   | <i>Journal of International Business and Economics</i> | Use five items but do not report       | Individual        |                    | Internal control effectiveness                               |
| Zhang, Chiu, & Wei (2009a)                                                      | <i>Journal of Business Ethics</i>                      | Treviño et al.'s measure               | Individual        |                    | Whistle-blowing intentions                                   |
| Zhang, Chiu, & Wei (2009b)                                                      | <i>Journal of Managerial Psychology</i>                | Treviño et al.'s measure               | Individual        |                    | Whistle-blowing intentions                                   |

company, it is often necessary to compromise one's own ethics"), and the use of appropriate punishment for wrongdoing in the organization (sample item: "If a manager in my company is discovered to have engaged in unethical behavior that results primarily in personal gain (rather than corporate gain), he or she will be promptly reprimanded"). This five-item measure has been used in several articles to assess ethical culture (Burnaz, Atakan, Topcu, & Singhapakdi, 2010; Douglas, Davidson, & Schwartz, 2001; Rubin, Dierdorff, & Brown, 2010; Sweeney, Arnold, & Pierce, 2010). Although there is overlap between these items and items used to measure ethical climate (and other forms of ethical culture), scholars who use this measure refer to it as ethical culture.

Second, Treviño and colleagues (1998) sought to integrate the literatures on ethical climate and culture. They drew on the organizational culture literature to develop the following definition: "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" (p. 451). The formal parts of the system include policies, leadership, authority structures, reward systems, and training programs. The informal part focuses on the behavior of peers vis-à-vis ethical norms. Based on this definition and prior theoretical work by Treviño (1990), they developed 21 items to measure ethical culture. The 21 items

used to assess ethical environment, obedience to authority, and code implementation were labeled as the three dimensions of ethical culture. This 21-item measure, or a slightly revised measure, has been used in several articles on ethical culture (Key, 1999; Schaubroeck et al., 2012; Shi & Chen, 2006; Tsai & Shih, 2005; Zhang, Chiu, & Wei, 2009a, Zhang, Chiu, & Wei, 2009b).

They then mixed the 26 ethical climate questionnaire items developed by Victor and Cullen (1987, 1988) with the newly written 21 ethical culture items. The result was a new hypothesized 10-dimension measure that includes the following dimensions: ethical environment, employee-focused climate, community-focused climate, obedience to authority, code implementation, self-interest climate, efficiency climate, rules and procedures climate, personal ethics climate, and law and professional codes climate. They found that after controlling for the seven ethical climates, ethical culture was negatively related to self-report unethical behavior and positively related to organizational commitment. Thus, although ethical culture was significantly related to several ethical climates, ethical culture explained unique variance in these two outcomes.

Third, Kaptein (2008) drew on Solomon's (1992, 1999, 2000, 2004) virtue-based theory of business ethics to develop the Corporate Ethics Virtues Model. Solomon's theory suggests that individuals in organizations and organizations themselves possess virtues that help them to behave in a morally exemplary manner. Kaptein (1998) posits that virtuous companies are able to develop a culture that stimulates ethical behavior and prevents unethical behavior. Kaptein (2008) defines corporate ethical virtues as, "the organizational conditions for ethical conduct; they reflect the capacity of an organization to stimulate ethical conduct of employees" (p. 924). Using an interview methodology, Kaptein (1998) deduced that there are seven key organizational virtues that make up an organization's ethical culture: clarity, congruency, feasibility, supportability, transparency, discussability, and sanctionability. Kaptein (2008) developed items to reflect these seven organizational virtues. The result of a scale development procedure including item development and validation through factor analysis was a 58-item measure of ethical culture. Kaptein has followed up the scale development article with several additional articles using this measure (Kaptein, 2009, 2010, 2011a,b) and two other recently published articles have also used this measure (Huhtala, Feldt, Lamsa, Mauno, & Kinnunen, 2011; Webb, 2012). Although this research has not

demonstrated convergent/divergent validity from other related constructs, this measure of ethical culture has been found to significantly positively relate to job attitudes and whistle-blowing intentions, and to be negatively related to self-report unethical behavior. Only two studies have included the seven ethical culture dimensions in a regression at the same time to examine which dimensions demonstrate the strongest relationships with outcomes (Kaptein 2011a,b). Results demonstrate that transparency was most strongly related to external whistleblowing (Kaptein 2011a) and congruency from local and senior management was most strongly negatively related to observed unethical behavior (Kaptein, 2011b).

In addition to these three primary approaches to conceptualizing and operationalizing ethical culture, scholars have utilized a multitude of other approaches to assess ethical culture. Several articles include measures of ethical culture that combine these different measures (see Table 22.2 for a summary). For example, Pierce and Sweeney (2010) used the five-item Hunt and colleagues (1989) measure and six items from Treviño and colleagues (1998). Koh and Boo (2004) use a combination of items from Hunt and colleagues, Treviño and colleagues, and Victor and Cullen (1987, 1988). Other scholars used a single item to measure ethical culture (Desplaces, Meclchar, Beauvais, & Bosco, 2007). Some researchers developed their own items but did not provide them in the article (Wittayapoom & Limsuwan, 2012) or used a proprietary measure and did not include the items in the article (Ardichvili, Jondle, Kowske, Cornachione, Li, & Thakadipuram, 2012). Finally, a number of scholars manipulated ethical culture in a vignette by talking about the values of the leader and organization (Caldwell & Moberg, 2006), manipulating the ethical behavior of peers and leaders (Keith, Pettijohn, & Burnett, 2003), or varying the code of ethics and what behavior is condoned (Singhapakdi, 1993). The results from all of these studies are reported in the following sections.

This succinct review clarifies that there is little consistency in the use of measures or manipulations of ethical culture in the literature. Although more than 30 articles have examined ethical culture, the most any one measure or manipulation of ethical culture has been used is six times. Thus, given the wide variety of operationalizations of ethical culture, it is difficult to know whether the different measures and manipulations are assessing the same construct of ethical culture. Indeed, scholars have not examined multiple ethical culture measures within the

same study to examine relative validity. Despite this inconsistency and construct validity problem, the empirical work on antecedents and consequences of ethical culture are reviewed in the following.

### ***Antecedents of Ethical Culture***

There is a dearth of research exploring antecedents of ethical culture. Kaptein (2010) explored whether there have been changes over the past two decades in the ethical culture in several organizations but found no differences. Two studies found country differences on the level of ethical culture in the United States, Turkey, Thailand, Brazil, Russia, India, and China (Ardichvili et al., 2012; Burnaz et al., 2009) revealing that the ethical culture in the United States, India, Brazil, and Turkey tended to be more favorable than in Russia, China, and Thailand. In addition, Kaptein (2009) found that formal ethics programs (e.g., training) in organizations were positively related to the emergence of ethical cultures. Finally, Schaubroeck and colleagues (2012) found a positive relationship between ethical leadership and ethical culture at several levels of analysis. These few findings represent the totality of investigations of antecedents of ethical culture.

### ***Consequences of Ethical Culture***

There is more research on the consequences of ethical culture than the antecedents. Many of the outcomes that have been examined are ethics related. For example, research has linked ethical culture to corruption (Webb, 2012), unethical behavior (Kaptein, 2011b), ethical judgments (Sweeney et al., 2010), whistle-blowing judgment and intentions (Kaptein, 2011a; Zhang et al., 2008, 2009), ethical strain (Huhtala et al., 2011), idealism (Douglas et al., 2001; Tsai & Shih, 2005), moral imagination (Caldwell & Moberg, 2007), and moral reasoning (Desplaces et al., 2007). The magnitude of these relationships is fairly consistent across these different outcomes and using different measures of ethical culture.

In addition to these ethics-related consequences, scholars have found significant links of ethical culture to aspects of employee experiences of their job such as role conflict and role ambiguity (negative relationship; Shih & Chen, 2006), comfort with the firm (Keith et al., 2003), and job attitudes such as job satisfaction (Koh & Boo, 2004) and organizational commitment (Hunt et al., 1989; Koh & Boo, 2004; Treviño et al., 1998). Thus, many of the same consequences explored for ethical climate have been examined with regard to ethical culture.

Ethical culture is generally positively related to job attitudes and ethical behavior and negatively related to unethical conduct and experienced ambiguity. However, nearly all of this research is at the individual level and involves self-report measures of ethical culture and the outcomes.

### ***Summary***

In summary, as was the case for ethical climate, there is more research on outcomes of ethical culture than on antecedents. The research that has examined antecedents of ethical culture has tended to focus on country differences. In addition, aspects of the work environment such as formal ethics programs as well as ethical leadership are positively associated with ethical culture. In terms of consequences of ethical culture, there is a consistent positive relationship between ethical culture and ethical intentions and behavior of employees. Employees also report more favorable job attitudes when they perceive an ethical culture. Thus, although there is less consistency in the measures used, the results for ethical culture show many similarities to the results of ethical climate research.

### **Evaluation and Suggestions for the Literatures on Ethical Climate and Culture**

The prior sections of this chapter reviewed the sizeable literature on ethical climate and culture paying particular attention to the operationalization and conceptualization of these constructs, as well as the antecedents and consequences that have been empirically examined. Although the past 25 years has witnessed great interest in studying the ethical organizational environment in the forms of ethical climate and culture, the author believes we are at a critical juncture if this area of work is going to gain legitimacy. Although great strides have been made, it is feared that if substantial changes are not made that this area of inquiry will not play the important part it might in mainstream organizational and management research. The following highlights some of these concerns and provides suggestions for how the literature on ethical climate and culture can blossom over the next 25 years.

### ***Operationalization***

The measurement of ethical climate and culture is perhaps the biggest problem of this area of research. Although measurement difficulties are not unique to ethical climate and culture within the domain of ethics research (see Babin et al., 2000),

it is nonetheless problematic. In terms of ethical climate, by far the most popular measure is the ECQ developed by Victor and Cullen (1987, 1988). Scholars have used the measure in many different ways such as using the 36-item ECQ measure, a 26-item version of the ECQ, a 16-item version of the ECQ, or choosing specific items from the ECQ. In addition to the problem of which items are chosen, the ECQ has demonstrated an inconsistent factor structure. Although most ethical climate researchers agree that there are several ethical climates, there is little consensus of the key dimensions. Indeed, scholars have found a range from three (Wimbush, Shepard, & Markham, 1997a) to nine (Peterson, 2002a) different types of ethical climate and more than 20 different ethical climate types have been discussed. Without a psychometrically sound measure, it is difficult to imagine the ethical climate field progressing.

There are also some limitations of how ethical culture has been measured. Unlike ethical climate, which has generally used variations of the same measure, there is a range of different measures used for ethical culture. In addition, the items used in the measures (or the content of the vignettes used to manipulate ethical culture) are quite different, so it is unclear that they are all tapping the same ethical culture construct.

It is critical for scholars to develop psychometrically sound measures of ethical climate and culture if this area of inquiry is to continue to flourish. In addition, for conceptual and pragmatic reasons, more parsimonious measures are needed. It is difficult to make sense of measures that have eight or nine dimensions. In addition, although some scholars have used short measures ranging from one to five items, the most commonly used measures range from 36 to 58 items, making it prohibitive for most scholars with precious little space on their surveys. Indeed, research on other forms of climate such as service (Schneider, White, & Paul, 1988) and safety (Zohar, 1980, 2000) climate have developed unidimensional measures that are easy to include on surveys.

### ***Methodologies***

Nearly all research on ethical climate and culture involves the same research design. Employees fill out a survey and respond to items about ethical climate or culture and then fill out items about their job attitudes or behavioral intentions. Thus, most research on ethical climate and culture does not allow for making causal conclusions and the

majority of the work suffers from same-source bias. The author strongly recommends that scholars use longitudinal designs in future survey work in this area. Also, it would be useful for future work to include independent and dependent variables rated by different sources. For example, supervisors or coworkers could rate the behaviors of the employee. Alternatively, objective outcomes such as theft or sales could be utilized.

Another approach to enrich the methodologies is the use of experiments. To date there are no field experiments examining the effects of ethical climate or culture. In addition, the few lab experiments that do exist tend to use fictional vignettes and perceptions or intentions as dependent variables. It is recommended that scholars use more involved experimental designs in which participants operate under a certain ethical climate or culture and then researchers assess behavioral measures of (un)ethical behavior.

### ***Organizational versus Psychological Climate***

Although ethical climate and culture are supposed to be about shared perceptions, almost all research in this area measures individual-level perceptions of ethical climate and culture. Although several recent studies have aggregated unit- or organization-level ethical climate to a higher level and assessed agreement within the units or organizations (Cullen et al., 2003; Mayer et al., 2010; Neubaum et al., 2004; Schminke et al., 2005; Shin, 2012; Wang & Hsieh, 2012), this is still relatively uncommon. Although the variables studied and the findings from studies at the individual and aggregate levels do not find strong differences (except for slightly weaker effects when scholars use cross-level or multi-source data because of a reduction in same-source bias), it is important to make sure there is alignment between the level of theorizing and the level the data are measured and analyzed. In an effort to be consistent with the definition of climate and culture and to align with how scholars study other climates such as service and justice, it is important for scholars who study ethical climate and culture to study this at the unit or organizational level.

One particularly interesting approach might be to study ethical climate and culture at the organizational level. Although these data can be difficult to collect, the few studies that have examined ethical climate and culture at the aggregate level have focused on teams or units. For example, Mayer and colleagues (2010) found that unit-level ethical

climate mediated the relationship between ethical leadership of the unit and unit-level unethical behavior. It would be fascinating to better understand how ethical climate and culture play out at the organizational level and how it could be similar or different than the team or unit level. Similarly, it would be interesting to explore how aspects of a store or organization impact lower-level relationships at the team or unit level. Thus, scholars could examine the direct effect of ethical climate on organizational-level outcomes as well as how the organizational ethical climate could be related to team-level ethical climate and other team-level outcomes. Conceptualizations of these multilevel designs could help bring novel questions to this area of inquiry.

### ***Theoretical Mechanisms Linking Ethical Climate/Culture to Outcomes***

In addition to the conceptualization of ethical climate, there is little theory provided for why ethical climate should be associated with various outcomes. Is the mechanism for the relationship between ethical climate/culture and job attitudes the same as the mechanism for the link between ethical climate/culture and (un)ethical behavior? The answer is likely no. Some theories that may be particularly useful to draw on include theories of social influence, such as social learning theory (Bandura, 1977, 1986), social exchange theory (Blau, 1964), and social information processing theory (Salancik & Pfeffer, 1978). All of these theories highlight how individuals look to their social environment for cues about the appropriate way to behave. It would help this area of research to improve theorizing and directly measure mediating mechanisms that explain the relationships between ethical climate/culture and a variety of outcomes such as job attitudes and (un)ethical behavior.

### ***Journal Outlets***

Whereas some forms of organizational climate such as service climate, safety climate, and justice climate have “grown up” in top management journals, this is not the case for ethical climate and culture. Of the more than 100 articles published on ethical climate and culture, approximately 5% have been published in top-tier journals and more than 50% of the articles have been published in the *Journal of Business Ethics* (the author’s own work included). Although this approach has led to a large number of studies with constructive replications, the author believes it has hurt the legitimacy of this area of work and strongly recommends scholars attempt to

improve the theoretical and empirical contribution and methodological rigor of their work and then aim for top management journals, even if that means less publications overall. One approach is to consider utilizing multiple studies in a paper to improve the contribution of the work given that most articles on ethical climate and culture contain single studies.

### **Conclusion**

The media attention given to corporate scandals is at a high point and business and society at large are looking to scholars to help understand what went wrong and how to right the ship. Clearly, the development of an ethical climate and culture is critical to reduce the likelihood of corporate wrongdoing. Although the author is encouraged by the sizeable literature on ethical climate and culture that had emerged in the past 25 years, we are at a critical juncture. A number of issues in terms of the conceptualization, operationalization, theory, and data must be addressed for this area of inquiry to continue to make progress and to gain legitimacy within the broader field of management. The author is optimistic that by implementing some of these suggestions scholarly work on ethical climate and culture will have a bright future.

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