

Does it Pay to Be Ethical? Examining the Relationship Between Organisations' Ethical Culture and Innovativeness

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Received: 28 November 2012 / Accepted: 24 July 2013 / Published online: 9 August 2013
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Abstract In this article, we examine the relationship between ethical organisational culture and organisational innovativeness. A quantitative empirical analysis is based on a survey of a total of 719 respondents from all levels of three Finnish organisations, both general staff and managers. The organisations belong to both the private and public sectors. The results of this study show that organisations' ethical culture is associated with their organisational innovativeness, and that different dimensions of ethical culture are associated with different dimensions of organisational innovativeness. The ethical culture of the organisation had a specific role in process and behavioural innovativeness. It was found that congruency of management was the single dimension with the highest effect on organisational innovativeness overall and specifically on process and behavioural innovativeness. These findings suggest that when organisations are aiming for specific outcomes, such as organisational innovativeness, they need to be aware of what dimensions of ethical culture are particularly relevant.

Keywords Ethical culture · Ethics · Innovation · Innovativeness · Organisational culture · Organisational outcomes

Introduction

Recently, researchers in business ethics have been showing increasing interest in the ethical culture of organisations. The concept of the ethical culture of an organisation has been theoretically defined and the validity of the measurement scale has been empirically tested (Kaptein 2008; Huhtala et al. 2011). Previous studies lend support to the argument that the ethical culture of an organisation promotes positive organisational behaviour and the achievement of organisational outcomes (e.g. Treviño 1990; Sinclair 1993; Treviño et al. 1998; Kaptein 2008, 2009, 2010, 2011; Huhtala et al. 2011, 2012). For example, some empirical studies show that an organisation's ethical culture stimulates its managers' occupational well-being (Huhtala et al. 2011) and their commitment to organisational goals (Huhtala et al. 2012), and employees' willingness to report wrongdoing in an organisation (Kaptein 2011). As the ethical culture of organisations has been found to be positively involved with different outcomes, interest in the phenomenon has increased. However, empirical studies of links between ethical culture and organisational outcomes are still in an early phase; much more empirical research is needed on the topic. This article aims to contribute by investigating empirically the relationship between organisations' ethical culture and one specific organisational outcome, namely organisational innovativeness.

While scholars have found the topic of ethics interesting and important in the organisational context, it is also increasingly recognised within organisations themselves that ethics plays a critical role in their sustainable performance (e.g. Carroll 1991; Paine 1997; Solomon 2004; Crane and Matten 2007). In the constantly changing business environment, organisations encounter challenges with

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