Organizational Ethical Culture: Real or Imagined?

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ABSTRACT. Can companies be identified by how ethical they are? The concept of organizational culture suggests that organizations have identifiable cultures of which ethics are a part. By definition culture is the *shared* beliefs of an organization's members, hence the ethical culture of an organization would be reflected in the beliefs about the ethics of an organization which are shared by its members. Thus, it is logical to conceptualize the ethics of different organizations as existing on a continuum bounded at one end by unethical companies and at the other, highly ethical companies. This research assesses the efficacy of the existing measure of organizational ethical culture for identifying the ethical status of organizations on a this continuum. Results suggest that the Ethical Culture Questionnaire designed by Trevino, Butterfield and McCabe (1995) measures individual perceptions regarding organizational ethics but does not identify shared beliefs about an organization's ethical culture.

Introduction

The concept of organizational culture exploded on the management scene in the early 1980's (Deal and Kennedy, 1982; Kilmann, 1985; Schein, 1984). While thousands of articles and dozens of books have investigated organizational culture in the last decade (Hamada and Sibley, 1994), it has not been subjected to rigorous empirical scrutiny (Alvesson, 1993; Ott, 1989).

Following in the wake of the "identification" of corporate culture, organizations began to be identified as best, and consequently, worst, using measurements that looked far beyond mere financial performance. A spate of books in the popular press added to the belief that organizations could be identified as good or bad, best or worst. Titles such as "The Hundred Best Companies in America," and "The Best Companies for Working Women," filled the shelves and promoted these dichotomous categorizations.

The role of values in defining organizational culture has been consistently emphasized (Alvesson, 1993; Alvesson and Berg, 1991; Ott, 1989). The ethical dimension that reflects organizational ethics has been defined as organizational ethical culture (Trevino, 1990; Trevino, Butterfield and McCabe, 1995). Thus, organizational ethical culture is a specific dimension of organizational culture that describes organizational ethics and predicts organizational ethical behavior. To date, no research has definitively demonstrated that an identifiable ethical culture exists and that it can be measured. This research attempts to fill this gap by assessing the efficacy of the existing ethical culture instrument (Trevino, Butterfield and McCabe, 1995) in identifying an organization's ethical culture and discriminating among the ethical cultures of different organizations.

Literature review

The derivation of culture

The concept of organizational culture has its roots in anthropology. Anthropologists define culture as "patterned ways of thinking, feeling

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and reacting, acquired and transmitted mainly by symbols; . . . the essential core of culture consists of traditional (i.e. historically derived and selected) ideas and especially their attached values" (Kluckhohn, 1951, p. 86). Hofstede (1980) has identified norms and values as the building blocks of culture; specifically he defines culture as societies that are identifiable by a system of shared norms and values.

Culture embodies the norms which provide individuals with behavioral cues (Heckathorn, 1990). The essence of culture is that it is a set of beliefs, norms and practices that is *shared* by the individuals in a group. In the 1980's, organizational culture was identified as a potential element in organizational success (Peters and Waterman, 1982; Schein, 1985). An organization's culture can influence how ethical decisions are made, and the pressure to adapt ones behavior to organizational culture may lead to unethical behavior (Baucus, 1989). Trevino (1986) has found that cultures which are more democratic are associated with an increase in ethical behavior including a greater willingness to take individual responsibility for behavior.

When ethical behaviors are reinforced by the organizational culture, these behaviors increase; conversely, when unethical behaviors are reinforced by the culture, members tend to exhibit more unethical behavior (Trevino, Sutton and Woodman, 1985). Studies of whistle-blowing have reached similar conclusions: In more ethical organizations, wrongdoing is discouraged and whistle-blowing is encouraged (Micelli and Near, 1984, 1985 and 1992; Near, Baucus and Micelli, 1993). Thus, it is argued that the ethical culture of an organization sends messages to employees regarding sanctioned or unsanctioned ways of ethical decision making (Knouse and Giacalone, 1992).

While it makes sense that an organization would want to understand the norms that influence the actions of its members, organizational culture has proven to be a difficult concept to quantify and measure. Studies in this area have not used any consistent empirical method to identify organizational culture. Similar difficulties may exist in the measurement of organizational ethical culture. Studies that have linked the ethical behavior or organizational wrongdoing to organizational ethics also have not used a consistent method to assess organizational ethical culture.

If organizational ethical culture indeed influences the actions of organizational members, a uniform understanding of what ethical culture is and how it can be measured is needed. This research assesses the efficacy of the ethical culture measure in discriminating among organizations and identifying an agreed upon "ethical culture" in these organizations.

Climate vs. culture

The first step in studying the ethical aspect of organizational culture was the work done by Victor and Cullen (1987, 1988) on ethical work climates. This research derived primarily from the research on organizational climate and focused on the investigation of shared perceptions within organizations (Glick, 1985). Originally they identified nine dimensions of organizational ethical climate of which five have been demonstrated empirically (Cullen and Bronson, 1993; Lemke, 1994; Victor and Cullen, 1988). Their multi-dimensional approach provides a rich description of organizational ethical systems. However, it does not answer the fundamental question of how ethical an organization's practices are.

The concepts ethical work "climate" and ethical work "culture" have both been used to describe aspects of ethical practices in organizations. At times they have been used interchangeably by scholars. Trevino, Butterfield and McCabe (1995, p. 10) differentiated ethical climate from ethical culture by suggesting that ethical climate is a normative construct which "measures organizational members' perceptions of the extent to which the organization's normative systems are consistent with a number of normative ethical theories." Victor and Cullen (1987) have argued that ethical climate provides individual organizational members with guidance for what to do in ethical situations, and thus the measure of the construct can predict outcomes of ethical dilemmas.

Trevino et al. (1995) suggest that ethical climate construct does not measure what Victor and Cullen (1987) claim that it does. They argue that the ethical culture construct describes how an organization's members are likely to respond to ethical dilemmas. Trevino et al.'s (1995, p. 15) empirical study which "investigates the convergence and divergence of the ethical climate and ethical culture constructs" provides evidence to support this claim. They conclude that "ethical culture is a descriptively-based construct that represents the extent to which an organization actually attempts to influence members' behavior through a variety of cultural systems" and hence, "the ethical culture construct can be more appropriately used to predict individual behavior" (1995, p. 20). If so, an organization's ethical culture can influence individual cognitive processes and provides clues to how people decide to act in ethical situations within organizations. Thus, this concept may provide insight into how ethical an organization is, and provide a means to assess organizational ethical culture dichotomously or on a continuum.

Methodology

Trevino et al.'s (1995) work attempts to assess the ethical aspects of organizational culture in a precise, dichotomous manner. Trevino (1990) defined ethical culture as "a subset of organizational culture, representing a multidimensional interplay among various formal and informal systems of behavior control that are capable of promoting ethical or unethical behavior" (Trevino et al., 1995, p. 12). Thus, ethical culture represents shared norms and beliefs about ethics within an organization. This definition will be relied on in this research.

The Ethical Culture Questionnaire (ECQ) was developed by Trevino et al. (1995) based on earlier theoretical work (Trevino, 1990). It has not been widely used in practice as it is a relatively new instrument but has undergone preliminary empirical testing for construct validity (Trevino et al., 1995). This study used a modified version of the Ethical Culture Questionnaire that incorporated information from the original research. The modification involved rewording or deleting items that referred to an ethics code. In the original research, these were found to be problematic as many organizations do not have a formal ethics code. The modified ECQ (ECQ-M) is presented as an appendix.

In contrast to Victor and Cullen's multidimensional approach (1988), the ECQ is a continuous scale of measurement. Trevino et al.'s research factor analysis of the ethical climate questionnaire demonstrated that it loaded on seven factors while the ECQ loaded primarily on one factor after the problematic code items were removed.

In order to assess the efficacy of the ECQ it was necessary to sample individuals within several organizations. In this way an aggregate score of the ethical culture of an organization could be determined and then compared to aggregate scores of other organizations. Previous research using this instrument had been done with managers collapsed *across* organizations and thus had not compared aggregate scores between organizations (Trevino, Butterfield and McCabe, 1995). To assess the ethics of an organization it is necessary to ask individual managers within the *same* organization about the ethics of their organization. It is the concurrence of the responses which provides the information necessary to locate different organizations on a continuum of ethical status.

Surveys were mailed to managers in organizations identified in two large U.S. cities, one in the Midwest and one in the Southeast. Surveys were coded to correspond to the organizations of the individual manager but were not identified in any other way. Additional surveys were mailed to managers not identified with any particular organization, constituting an independent comparison group. All participants were assured that their responses would be confidential and would not identify them individually. The managers were asked to complete the ECQ-M and provide some additional demographic information including age, gender, ethnicity, educational level, job tenure, organizational size, and organizational type.

Results

A national sample of 295 managers was obtained to test the ethical culture instrument. Of these managers 201 represented thirteen identified organizations and 94 represented a group of managers not identified with a specific organization. The respondents had to meet the following criteria to qualify for inclusion in the sample: (a) currently employed full time; (b) have administrative or professional work duties; and (c) have been working for their current organization for at least one year. Each participant self-administered the modified Ethical Culture Questionnaire (ECQ-M) and the demographic questions. A total of 514 surveys were distributed, and 295 surveys were returned by predetermined cut-off dates resulting in a response rate of 57%. The breakdown of participants by company is presented in Table I.

The mean age of the managers was 40.5 with a range of ages from 26 to 76 (*S.D.* = 8.26). The sample consisted primarily of educated, white males. Of the respondents, 73% were male, 93% were white, and 93% were college educated with 68% holding masters or doctoral degrees. The majority of subjects had worked for the same company for more than eleven years (mean = 11.6 years, *S.D.* = 4.32). The majority of the respondents (57%) worked for large firms with over 1000 employees. Manufacturing industries employed 129 of the respondents (44%) while service industries employed 166 of the respondents (56%). The demographics of the subjects in the research study are presented in Table II.

The ECQ-M consisted of eighteen items where scores can range from 0 to 108. Higher scores reflect a more ethical organizational culture; lower scores, a less ethical organizational culture. The mean score on the ECQ-M was

TABLE I
Participants by company

Source	Size	Type	Industry	*n*	% of sample
Identified company (total)				201	68
1	Small	Manufacturing	Consumer products	10	4
2	Small	Service	Distribution	10	4
3	Small	Service	Consulting	13	4
4	Small	Service	Technology	11	4
5	Medium	Manufacturing	Consumer products	6	2
6	Medium	Service	Real Estate	10	4
7	Large	Manufacturing	Industrial products	26	9
8	Large	Manufacturing	Industrial products	25	8
9	Large	Manufacturing	Chemicals	19	6
10	Large	Manufacturing	Consumer products	17	6
11	Large	Service	Banking	11	4
12	Large	Service	Healthcare	23	8
13	Large	Service	Education	20	7
Independent (total)				94	32
	Small	Manufacturing	Varied	12	4
	Medium	Manufacturing	Varied	10	4
	Large	Manufacturing	Varied	4	1
	Small	Service	Varied	21	7
	Medium	Service	Varied	25	8
	Large	Service	Varied	22	7

(n = 295).

75.24 (*S.D.* = 15.37). The ECQ-M was analyzed for internal consistency of the items. The 18-item scale had an Alpha coefficient of 0.92 which was similar to the 0.93 reported by Trevino et al. (1995). The Alpha coefficient of both scales was above that of Nunnally's (1978) recommended level of 0.70.

The ECQ-M was evaluated as to whether it identified companies according to how ethical they were. To assess the statistical differences between the aggregate scores of the different organizations, a one-way analysis of variance was calculated to compare the mean scores of the different companies and the independent group of managers. The results shown in Table III indicate that the mean scores on ECQ-M were not statistically different across the fourteen groups (F = 1.37, d.f. = 281, ns).

TABLE II
Demographics of the managers

	n	% of sample
Age		
20–29	15	5
30–39	136	46
40–49	103	35
50–59	35	12
≥ 60	6	2
Gender		
Male	215	73
Female	80	27
Ethnicity		
Black	12	4
White	274	93
Asian	6	2
Hispanic	3	1
Education		
High school	21	7
Bachelors	74	25
Masters	177	60
Doctorate	23	8
Job tenure		
0–9 years	142	48
10–19 years	100	34
20–29 years	47	16
30–38 years	6	2
Company size		
Small	77	26
Medium	51	17
Large	167	57
Industry type		
Manufacturing	129	44
Service	166	56

(n = 295).

Discussion

Culture, by definition, represents agreement by the members of a group. If ethical culture was the concept being measured by the ECQ-M, significant differences between organizations and agreement within organization should have been found. These results do not reveal agreement among group members; rather they evidence similar ranges from unethical to very ethical within each organization. This result suggests that the ECQ-M may not measure the ethical culture of an organization as suggested by Trevino et al. (1995) but may measure individual perception about the ethical aspects of an organization.

The concept of ethical culture is a highly perceptual one in that its measurement ultimately relies on self-report. This is suggested by the results shown in Table III which indicate that intracompany subjects do not have uniform agreement regarding the ethical culture of that organization. Every company as an ethical entity received scores that ranged from very low to very high. This range of intraorganizational ethical culture scores suggests that the chosen variable may be influenced by numerous perceptual factors that relate to culture. The findings, then, raise some concerns about the power of the ECQ or ECQ-M to measure organizational ethical culture as defined. If it does measure what it purports to then it would appear that in the present study the ethical cultures of our sample of organizations are rather homogeneous. However, the wide range of scores within organizations discounts this conclusion.

The results of this study raise questions about the construct of ethical culture. The findings here suggest that organizations cannot be easily categorized into simplistic categories such as "ethical" or "unethical" despite popular beliefs

TABLE III
Ethical culture scores by company

Company	Type	*n*	M	*S.D.*	Range
1	Small/Mfg.	10	71.90	12.74	42-88
2	Small/Serv.	10	84.10	17.03	54-108
3	Small/Serv.	13	76.69	10.03	62-98
4	Small/Serv.	11	81.18	13.22	44-98
5	Med./Mfg.	6	67.00	13.67	48-90
6	Med./Serv.	10	68.20	14.16	39-88
7	Large/Mfg.	26	72.39	15.38	8-104
8	Large/Mfg.	25	74.64	13.19	48-96
9	Large/Mfg.	19	76.53	11.01	59-100
10	Large/Mfg.	17	71.12	17.89	44-107
11	Large/Serv.	11	75.18	10.50	47-99
12	Large/Serv.	23	80.65	13.96	46-101
13	Large/Serv.	20	71.10	12.33	45-93
Independent	All types	94	74.23	17.03	22-101

(n = 295).

or academic attempts to create dichotomous categories. These findings support empirical research on culture that discounts the "uniqueness" of organizational culture and finds that organizational beliefs about cultural uniqueness are not supported (Martin, Feldman, Hatch and Sitkin, 1983). Their study found that organizational beliefs or myths that were believed to make an organization "unique", and thus identify its culture, were in fact present in many different organizations.

Further, the results here suggest that the ECQ or ECQ-M may not measure the construct of ethical culture as defined by Trevino et al. (1995). They appear to be measuring individual perceptions of organizational ethical culture that may not, in and of themselves, identify an organization's ethical culture *or* predict individual behavior. Additional anecdotal information from the present research suggested that ethical culture scores were correlated with employee dissatisfaction and disenfranchisement. Specifically, a number of individuals with lower ethical culture scores were known to be unhappy with their current jobs and were seeking other employment. While this relationship was not explored scientifically, it has implications regarding what the ECQ may be measuring.

Conclusion

These results suggest two avenues of future research. The first is to assess what the ethical culture metrics *are* measuring, as the findings suggest that they measure individual perception about something. Perhaps the ECQ does predict individual ethical behavior even if it does not identify the ethics of an organization. The second more important avenue of research is to develop a metric that *does* assess the construct of ethical culture as it has been defined in the literature (Trevino et al., 1995). It has long been suggested that individual self-report of ethical behavior is not very accurate. For this reason, vignettes that present ethical dilemmas have been used increasingly to measure individual ethics. This study suggests that individual self-reports of organizational ethics may not be accurate either. Thus, instruments that directly ask individuals about the ethical culture of their organization may not be a very good way to measure this construct.

A natural extension of the findings here coupled with the knowledge of recent developments in metrics for individual ethics would be the development of an instrument that uses ethical vignettes to identify the shared beliefs that underpin the ethical culture of organizations.

Perhaps the use of this type of measure would result in the within-group agreement that is necessary to identify different levels of ethics in organizational cultures. An instrument that accurately identifies organizational ethical culture, which may in turn predict individual and corporate ethical behavior, would be a valuable tool for both academics and practitioners.

This research does not support a finding that there is an ethical culture as defined by Trevino et al. (1995), and raises question about dichotomous labels for corporations, such as ethical or unethical, or more simply good and bad. It does suggest that individual perception is likely to color an employee's views about how ethical an organization. This may in turn influence their behavior. Thus, how you treat employees may be critical in their estimation of the ethics of an organization, and this perception may guide their behavior. Further, these findings suggest that a more complex variable such as ethical climate may provide clearer insight into the ethical dimensions of an organization than the current conceptualization of ethical culture does.

Appendix

Ethical Culture Questionnaire (modified from Trevino et al., 1995).

We would like to ask you some questions about the general culture in your company. Please answer the following in terms of how it really is in your company, not how you would prefer it to be. Please be as candid as possible; remember, all your responses will remain strictly anonymous. Please indicate whether you agree or disagree with each of the following statements about your company. Please use the scale and write the number which best represents your answer in the space next to each item.

Completely false	Mostly false	Somewhat false	Not sure	Somewhat true	Mostly true	Completely true
0	1	2	3	4	5	6

___ 1. In this organization, people are encouraged to take full responsibility for their actions.
___ 2. The top managers of this organization represent high ethical standards.
___ 3. My coworkers commonly engage in unethical behavior.
___ 4. The average employee in this organization reports unethical behavior he or she observes.
___ 5. Ethical behavior is the norm in this organization.
___ 6. Penalties for unethical behavior are strictly enforced in this organization.
___ 7. Top managers of this organization regularly show that they really care about ethics.
___ 8. In this organization, unethical behavior is commonplace.
___ 9. Unethical behavior is punished in this organization.
___ 10. People of integrity are rewarded in this organization.
___ 11. Top managers of this organization guide decision making in an ethical direction.
___ 12. My coworkers in this organization are highly ethical.
___ 13. Management in this organization disciplines unethical behavior when it occurs.
___ 14. Ethical behavior is rewarded in this organization.
___ 15. Top managers of this organization are models of ethical behavior.
___ 16. The average employee in this organization accepts organizational rules and procedures regarding ethical behavior.
___ 17. Organizational rules and procedures regarding ethical behavior serve only to maintain the organization's public image.
___ 18. Employees perceive that people who violate organizational rules and procedures regarding ethical behavior still get formal organizational rewards.

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