

Ethical Climate and Organizational Commitment: A Review of Literature

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Abstract

The present study aims at understanding the relationship between ethical climate and organizational commitment. An attempt has been made in determining whether an employee's perception of the organization's ethical climate influences his/her commitment towards the organization. Ethical climate guides members in an organization towards what is right and wrong behaviour at work and therefore it is important to understand the ways ethical climate influences organizational commitment. The present paper aims to explore and establish a relationship between ethical climate and organizational commitment.

Keywords: Ethical climate, Organizational commitment, Perceptions.

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Introduction

This paper will attempt to introduce the concepts of ethical climate and organizational commitment, review previous literature on these concepts and explain how ethical climate influences employees' commitment towards the organization.

Ethical climate

Ethical climate is the “organizational members shared perceptions of norms, values, and practices regarding appropriate behaviours in the organization” (Victor & Cullen, 1987). The ways in which an organizations ethical climate are perceived by the employees play a very important role in shaping the way in which employees behaviour towards his organization occur and how these behaviour affect the organizational outcomes (Elci & Alpkan, 2009).

The two dimensions of ethical climate (Victor & Cullen, 1988, 1987) are: ethical criteria and the locus of analysis. The ethical criteria is used in the process of decision making and further classified into egoism, benevolence and principle.

Benevolent: Benevolent climates are related to concern for other employees and attempt to

maximise the interests of all employees in the organization.

Egoistic: Egoistic climates occur when employees want to maximise their self interests and generally encourage personal gain.

Principled: Principled climates are related to organizational norms. Organizational norms are considered as utilizing codes and guidelines when making a final decision in the organization.

The second dimension of ethical climate is the locus of analysis that refers to employees who are considered while contemplating ethical or moral issues when making moral judgements. The locus of analysis may occur at three different levels which are individual, local (organizational), or cosmopolitan (social). These two dimensions result in nine different ethical climates which are shown in Table 1.1.

Table 1.1 Ethical Climate Typology

Locus of analysis/Ethical criterion	Individual	Local	Cosmopolitan
Egoism	Self- interest	Organizational Interest	Efficiency
Benevolence	Friendship	Team Interest	Stakeholder Orientation
Principle	Personal Morality	Organizational Rules	Laws/ Public interests

(Victor & Cullen, 1988)

The typology explained in table 1 explains the interaction of the two dimensions of ethical climate in organizations. In the egoism criterion, the locus of analysis points at the “self” whose interests are given priority. Egoism at the individual level results in maximization of self-interests. Egoism pursued at the local level may result in an emphasis on maximization of company profits. At the social or the cosmopolitan level, the importance is given to what is considered in the best interest of the economic or the social system.

Benevolence at the individual level focuses on friendship and interpersonal relations. At the local level, benevolence predicts a concern for team interests. Similarly at the cosmopolitan level, benevolence focuses on constituencies outside the organization.

Principled at the individual level emphasise on employees who follow their own ethical and moral principles. Similarly at the local level employees are expected to follow company rules and procedures, and codes of ethics. The source of principles is outside the organization at the cosmopolitan level. For example, legal systems and professional codes of conduct are the main sources of principles.

There are three categories that determine ethical climate of an organization (Victor & Cullen, 1988). The categories are:

1. Social norms- These are based on the idea that in order to gain legitimacy, it is important for organizations to conform to external pressures that force organizations. Therefore, rules of society might determine the structures of the organization.
2. Organizational forms- Organizational forms influence the perceptions of ethical climate. Different organizational forms might be indicated by different administration (Malloy & Agarwal, 2003)
3. Firm-specific factors- Unique characteristics of an organization is another determinant of ethical climate and includes organization's and its members' history in the organization (Victor & Cullen, 1988).

Organizational Commitment

Organizational commitment has been considered as one of the most researched attitudes in organizational settings as it has a great impact on the performance of an organization. Highly committed employees identify with the values and goals of the organization they are associated with. Organizational commitment is an employee's desire to continue working with the organization he/she is employed with. Highly committed employees want to remain with the same

organization and are less likely to leave their jobs.

“Organizational commitment reflects loyalty and willingness to work toward organizational objectives that have been identified by the organization” (Meyer, 1997). Organizational commitment has been a topic of interest for many researchers because of its relationship with organizational citizenship behaviour, turnover intentions, job performance, and employee turnover. There are three components of organizational commitment (Meyer & Allen, 1997).

1. Affective Commitment- it refers to an employee's identification and involvement in the organization. It is related to the emotional attachment that the employee has with his/her organization and is identified by job experiences, individual factors and structural factors.
2. Continuance Commitment- refers to commitment based on the costs that employees associate with leaving the organization. It is related to the investment that an employee makes to the organization.
3. Normative- it refers to the feelings of obligation that an employee shows to remain with the organization. It is related to feelings of responsibility towards the job.

Affective and normative components of commitment have been found to be positively related to performance, tenure and turnover.

Discussion

Perceived ethical climate occurs at three levels: Individual, local and cosmopolitan. These result in nine types of ethical climate namely: Self- interest, friendship, company profit, personal morality, rules and procedures, team interest, laws and codes, efficiency and

social responsibility (Victor & Cullen, 1988). On the other hand, organizational commitment comprises of three dimensions namely: affective, continuance and normative. Organizational ethical climate is a very important factor as it influences employees' relationships and attitudes towards the organization and it is important to understand what outcomes ethical climate can have on the employees and their commitment towards the organization. This relationship affects the organization's success (Elci & Alpkhan, 2009).

Organizational climate perceived as ethical by the employees promoted higher levels of commitment in the employees who worked harder in achieving the organizational goals and by contributing significantly towards the success of the organization (DeConinck, 2011; Simha & Cullen, 2012).

A research done on employees working in the Australian hospitality sector found that a statistically significant relationship exists between perceived ethical climate and organizational commitment. The relationship between the two variables was found to be positive when an increase in ethical climate was linked to an increase in employee commitment towards the organization (Davies, 2015). Normative commitment was found to be positively correlated with Laws and codes, caring climate and rules climate. Affective commitment correlated positively with laws and codes climate and caring climate. Whereas continuance commitment and rules climate were found to be significantly correlated. Employees' perceptions are linked to the type of commitment portrayed by the employees. The more positive employees perceptions of the organization are, the more committed the employees are towards the work and responsibilities. The study provided a useful framework for perceived ethical climate and employee commitment interventions. Negative

perceptions of ethical climate of the organization lead to less favourable egoistic climates. Increased absenteeism and turnover were found to be a result of negative perceived ethical climate and organizational commitment. It is important for organizations to create positive and correct perceptions of the organization in the employees. Organizations should be governed by best practise guidelines and legislation in order to manage and maintain ethical behaviours of the employees. In the study individual differences led to differences in responses. Individual differences are very useful and should not be disregarded in researches.

In another study by Moore (2012) on full time faculty members in institutions of higher education, lower self- reported levels of organizational commitment were found in the employees when they perceived the ethical climate of their organization as being egoistic. These employees work on the assumption that company profit, self-interest and efficiency are one of the most important values in the organization. Higher level of organizational commitment was reported when employees perceived ethical climate of their organization to be benevolent. Benevolent type of ethical climate relates to team interest, social responsibility and friendship. Employees who perceived their organization to have a principled ethical climate reported lower levels of commitment compared to those in the benevolent group. Perception of ethical climate had a significant and strong relationship with organizational commitment and job satisfaction. As the study is specific to regional institutions it may not be generalised to other occupational sectors and populations. As ethical climate presented in this study was based on perceptions of the participants, it may not reflect the correct prevalent ethical climate of the institution.

Shafer (2009) studied ethical climate and organizational commitment on Chinese

auditors. It was reported that certain dimensions of perceived ethical climate were significantly related to affective commitment. The benevolent and principled ethical climate had a highly significant and positive effect on organizational commitment. Employees who perceived the ethical climate of their organization to be benevolent or principled reported higher levels of commitment towards the organization. The egoistic ethical climate had a marginally significant and negative effect on organizational commitment. The results indicated the highly significant and direct effect ethical climate had on organizational commitment. The focus of the study was on the affective type of organizational commitment as researchers in the business ethics literature argue that ethical climate affects emotional attachment of the employees to the organization.

Putranta (2008) in his research on facilitating staff in the Indonesian Catholic higher education institutions used a cross sectional survey as the primary method to collect data. The purpose of this research was to test the influences various types of ethical climates have on the three types of organizational commitment amongst the staff members. Staff who perceived the ethical climate of the organization to fit their personal values experienced positive feelings for the organization that led to stronger desires to remain with the organization (Affective commitment). The perceptions of egoistic climates of self interest and efficiency were negatively related with affective commitment. These types of climates promote selfish decisions. The desires of the staff to remain with the organization were higher when they perceived their organizations were encouraging them to put well being of other employees above other considerations. Benevolent type of climate encourages employees to care for others and assist each other. Benevolent climate was found to be positively related with normative

commitment. This suggests that the more the employees perceive their organization's climate to be benevolent the greater will be their sense of obligation to remain with the organization. The positive relationship between benevolent climate and normative commitment was found to be mediated by affective commitment. A sense of obligation to stay with the organization is created from the desire to remain in the organization (Meyer & Smith, 2000). The positive relationship between continuance commitment and benevolent climate was partially supported. The relationship between principled climate (Rules and procedures, personal morality and professional codes) and affective commitment was fully mediated by the ideological orientation of the employees. It was found that institutions when encouraged staff members to follow the ethical principles in decision making process; it would not have a direct impact on the staffs' affective commitment.

Conclusion

Commitment reported by employees towards their organization may change with a change in their perceptions. The relationship between employees and their organizations is dynamic (White, 2008). Unethical behaviour and the employee commitment that result from such behaviour may hamper an organizations success (Martin & Cullen, 2006; Meyer & Allen, 2004). Lower levels of commitment are reported by employees who perceive their organizational ethical climate as unethical. The greater the perception of ethical climate in the organization the more committed the employees are towards the organization. Organizations are advised to encourage a culture and environment that creates and nurtures employee judgements of the ethical climate of the organization (Kang *et al.*, 2011). Benevolent and principled ethical climate types are positively related to

organizational commitment in the employees and egoistic climates are reported to be negatively related to organizational commitment. Principled ethical climate is positively related to affective commitment whereas egoistic climate is negatively correlated with affective commitment. From the researches and literature available on ethical climate and organizational commitment, it is evident that a significant relationship does exist between perceived ethical climate and organizational commitment which is very essential for an organization to work successfully.

Suggestions for future research:

Similar studies should be conducted in other countries and regions as most of the studies available were conducted in countries like Australia, Turkey, China and Indonesia. Indian studies on the relationship between ethical climate and organizational commitment were very few. As ethical climate is a relatively new topic in the field of psychology it is important to discover all aspects of this term. The studies reviewed were conducted on sample population from academics, hospitality sector and auditors. It is important to cover other sectors like corporate organizations. The effects of low levels of commitment have been reported to have a direct influence on turnover and absenteeism. These behaviours can prove to be costly for any organization and thus requires additional research.

It is advised that future researches should be conducted on large sample of employees from different organizational fields across cultures in order to achieve a better understanding of these terms. This would allow results to be generalised and these findings may help in determining the impact globalisation has on employees and organizations. Additional research could include an in depth analysis of the three types of commitment (Affective, continuance and normative) and their individual

relationship with different types of ethical climates. Research on moderating and mediating variables like age, position, tenure that may influence the relationship between perceived ethical climate and organizational commitment is recommended for future studies.

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