

Globethics Repository

The logo for Globethics, featuring the word "Globethics" in white, sans-serif font centered within a solid blue rectangular background.

The influence of organizational climate on the ethical decision-making of individuals in an organization

This page was generated automatically upon download from the Globethics Repository. More information on Globethics see <https://www.globethics.net>. Data and content policy of Globethics Repository see <https://repository.globethics.net/pages/policy>.

Item Type	Preprint
Authors	Yamada, Toshiyuki;Fukunaga, Akihiko;Nakano, Chiaki
Rights	With permission of the license/copyright holder
Download date	2026-06-28 23:57:39
Link to Item	http://hdl.handle.net/20.500.12424/174029

The Influence of Organizational Climate on the Ethical Decision-Making of Individuals in an Organization

Toshiyuki Yamada

Japan Society for the Promotion of Machine Industry, Economic Research Institute

Akihiko Fukunaga

Tohkai-Gakuen University, Japan

Chiaki Nakano

Reitaku University, Japan

1. Introduction

When unethical behavior in a business organization is made public, two popular explanations are often put forward to account for such misbehavior. One attributes the misconduct to the ethical incompetence of the individuals involved. The other explains it as a ‘symptom of the organization’. This dichotomy is also seen in empirical research on ethical decision-making. Most of the research on ethical decision-making in organizations considers the influence either of individual factors, or of organizational factors, on ethical decision-making. But both factors can be assumed to affect the process of ethical decision-making and there is growing academic interest in analyzing the relationship between these two factors. The aim of this study is to find out how individual and organizational factors affect the ethical judgment and ethical actions of employees. A survey was conducted in a Japanese machine sales firm for this purpose.¹

2. Research on Ethical Decision-Making

Most of the empirical research on ethical decision-making considers either the linkages between individual factors and ethical decision-making, or the organizational factors affecting ethical decision-making in organizations (Loe, Ferrell and Mansfield 2000).

Individual factors that have been studied include the relationships between gender, age, educational experience, the locus of control (based mainly on Rotter’s internal/external scale measures) and cognitive moral development (based on Kohlberg’s model). Some of the studies that consider individual factors reveal significant relationships, but others do not. Likewise, in studies that consider

educational and employment factors, the results are also contradictory (Ford and Richardson 1994). Cognitive tests of moral judgment do not make clear the relationship between moral judgment and moral action (Trevino 1986).

Studies of organizational factors include those that consider the relationships between codes of ethics, rewards and sanctions, culture and climate, and the influence of significant others (Loe, Ferrell and Mansfield 2000). For example, many studies suggest that significant others influence ethical decision-making (e.g. Zey-Ferrell, Weaver and Ferrell 1979). Codes of ethics, such as the Federal Sentencing Guidelines for Organizations in the U.S.A., and organizational culture and climate are also pointed to as influences on ethical decision-making (Trevino 1990, Loe, Ferrell and Mansfield 2000). Using the results of an empirical study of Japanese managers, Nakano (1995, 2001) points out that organizational factors such as company policies and organizational culture are crucial in their effects on the ethical decision-making of Japanese managers.

There are also studies based on the 'interactionist model' which combines individual variables with situational variables (including organizational factors) (Trevino 1986, 1990, Trevino and Youngblood 1990, Trevino and Weaver 2003). Trevino (1986) suggests, for example, that the cognitive moral development stage determines an individual's ethical decisions, but that the behavior of an individual responding to an ethical dilemma is affected by individual variables (ego strength, field dependence and the locus of control) and situational moderators (the immediate job context, the organizational culture and the characteristics of the work).

3. Method

3.1. Sample and Setting

This research is based on a joint project between academics and Corporation A, a sales subsidiary firm (nearly 2000 personnel) of a machine production firm. This project is action-focused research, aimed at improving both the competitiveness and moral awareness of Corporation A (see Yamada et al. 2002 for detailed information about the project). The project has three stages. In the first, several corporate personnel were interviewed by the academics involved. Some of the results of the interviews were reflected in the questionnaire that was designed for the project. In the second stage, the questionnaire was given to 200 personnel as a trial, while in the third stage, the questionnaire will be answered by all the personnel of Corporation A.

The results reported here are those of the second stage trial research, for which 200 personnel were selected, with appropriate consideration given to sex, age, position and type of jobs. 168 (84.0%) of the 200 responded. Table 1 provides a summary of the demographics of the respondents.

Table 1 Summary of the Demographics of the Respondents

3-2 Variables

(1) Independent Variables: Ethical Judgment, Ethical Action, and the Discrepancy between Ethical Judgment and Ethical Action

An individual's ethical decision-making process comprises ethical judgment and ethical action. In organizational ethical decision-making, individual ethical judgment does not always link to ethical action (Trevino, 1986, Nakano, 2001). In this study, we tried to measure quantitatively the ethical judgement and ethical action of the employees of Corporation A by using eight vignettes.² The titles of these vignettes were 'Evaluating Subordinates', 'Sexual Harassment', 'False Report', 'Illegal Directions from One's Superior', 'Illegal Requests from Customers', 'Observing the Law', 'Informing the Public' and 'Self-Purification'.³ The results of the interviews conducted prior to the questionnaire survey were reflected in the eight vignettes.⁴

These eight vignettes pose two questions: (1) How do you judge this problem personally? [Ethical Judgment] (2) How do you act when taking a leading role in the scenarios? [Ethical Action]. A six point Likert Type Scale, signifying the intensity of ethical level, measured the responses to these questions. In order to exclude the effects on ethical decision-making of the traits of the ethical problems themselves, as Jones (1991) suggests, we defined the score of ethical judgment and ethical action by aggregating the mean of each case. Ethical judgment is therefore calculated from the following expression: (the sum of ethical judgment score from case 1 to case 8)/8. Ethical action is calculated from: (the sum of ethical action score from case 1 to case 8)/8. The discrepancy between ethical judgment and ethical action is measured by the following expression: 'ethical judgment - ethical action'.

In this study, as factors affecting ethical judgment and ethical action, we set out two constructs: personal factors and the organizational climate dimensions.

(2) Personal Factors

Personal factors comprise demographic variables and personal ethical characteristics. Demographic variables include gender, age, academic background, adoption category, position, occupation and years of service. They are measured on a nominal scale.

Personal ethical characteristics are measured by the 'Locus of Control' and the 'Ethical Absolute vs. the Ethical Relative'. The 'Locus of Control' measures the intensity of the feelings that things in life can be accomplished by one's own efforts (internal), or that they are predetermined by situations outside one's control (external). Some previous studies have concluded that 'internal' persons are more inclined to carry through their ethical judgments into action (Rotter, 1966; Trevino and Weaver, 2003). In this study, respondents were asked to answer in relation to five items; 'Promotion', 'Success in Business', 'Human Relations in the Workplace', 'Performance and Predisposition' and 'Life', on a six point Likert scale (ranging from 1: 'tends to be internal' to 6: 'tends to be external').

The 'Ethical Absolute vs. The Ethical Relative' measures the intensity of the belief that we make ethical judgments following a universal rule, or of the belief that there are a choice of rules depending on the particular culture or situation (DeGeorge, 1989). The respondents were asked to answer in relation to five items; 'Bribe and Rake-Off', 'Right or Wrong within Organizations', 'Right or Wrong between Organizations', 'Personal Ethical Judgment' and 'Judgment about proverbs such as "Do not lie"', on a six point Likert scale (ranging from 1: 'tends to be relative' to 6: 'tends to be absolute').

Four types of personal ethical characteristics ('Idealism', 'Realism', 'Hoping for Christ' and 'Depending on the Situation') were generated by using these two dimensions.

Figure 1 Four Types of Personal Ethical Characteristics

(3) The Organizational Climate

There are various definitions of 'organizational climate' (Litwin and Stringer, 1968; Schein, 1985; Kotter and Heskett, 1992). We defined it as 'the shared values of members, and the characteristic pattern of behavior and custom' based on definitions

in previous studies.⁵ In this study, the measurement indices were developed by taking into account previous studies that utilized a quantitative measurement of organizational climate (Kagono, 1983; Nemoto and Yoshimoto, 1994; Sakikawa, 1998; Kono and Clegg, 1998; and others) and also Company A's published management philosophy. The results of the interview survey are also reflected in the measurement indices. The measurement indices were set on a six point Likert scale (ranging from 1: 'completely false' to 6: 'completely true'), consisting of 12 main dimensions (125 items).⁶

In order to test the validity of these main dimensions that were determined in advance, a factor analysis (a principal component analysis with a varimax rotation) was conducted. When one factor was extracted by this analysis, we interpreted it as showing that our supposed framework of organizational climate dimensions was valid as a measurement index. When plural factors were extracted, we selected appropriate variables of an organizational climate dimension by examining them from both a statistical viewpoint (observing the level of factor loading and the change in the α coefficient by reducing variables) and a social scientific viewpoint. Using these processes we selected variables consisting of organizational climate dimensions. To quantify these organizational climate dimensions, we calculated the mean of the items that composed them, and used the results as the measurement values of the dimensions of organizational climate. In some climate dimensions, the means were reversed in order to make all the dimensions become 'desirable' the larger the means became.

In discussing the quantitative measurement of organizational climate, the focus has often been a 'unit of analysis'. Strictly speaking, the 'unit of analysis' in this study was the 'individual' organization member and it evaluated the intensity of individual perceptions of organizational climate. But as Litwin and Stringer (1968: p.66) point out, 'The climate of an organization could...be defined operationally as the sum of the perceptions of the individuals working in that organization', and in this analysis, we regard the sum of the intensity of individual perceptions as the organizational climate dimensions.

Table 2 Dimensions Composed of the Organizational Climate and Descriptive Statistics

4. Results and Findings

(1) The Discrepancy between Ethical Judgment and Ethical Action

A paired T test was conducted in order to verify the existence of the discrepancy between ethical judgment and ethical action. The comparison of the mean of each total index shows that the level of individual judgment is higher than that of action that considers position in the company. Looking at each case separately, the same result is seen in six out of eight cases (Figure 2). Therefore, individual ethical judgment is not always connected directly to ethical action in organizations. In two cases ('False Report' and 'Observing the Law'), the level of action is a little higher than that of judgment, but there is no significant difference between the two. As to 'False Report', we assume that the low level of ethical judgment here was caused by one particular factor in Company A, and was the result of the respondents' complaint about unpaid overtime work. In 'Observing the Law', we assume that the tendency to avoid parking violations while on business caused the high level of ethical action. Despite these two exceptions, the results generally support the view either that an individual's ethical judgment and ethical action should be considered from a different point of view (e.g. Trevino, 1986; Trevino and Weaver, 2003), or that individuals as members of organizations tend to have lower ethical standards (Nakano et al., 1998). The results therefore show the need to pay attention to organizational factors that affect individual ethical action in organizations.

Figure 2 The Discrepancy between Ethical Judgment and Ethical Action

(2) The Relationship between Ethical Judgment, Ethical Action and Personal Factors

A T test or ANOVA was conducted to determine whether or not personal factors affected ethical judgment and ethical action. The results of a demographic analysis indicated that the mean differences of ethical judgment in relation to position and years of service were significant, and that age, position, type of job and years of service were significant for ethical action. Age, years of service and position are linked in the sense that after joining a company, an employee's position will rise with the years, and it can be said that with this rise in position, the level of ethical judgment and ethical action also rises. Beside position and years of service, ethical action is affected by job type (technologists had the highest level, followed by sales and staff). These results suggest that differences in situation within organizations have subtle effects on ethical action. With other demographic variables (such as

gender, education and type of recruitment), the difference between the means of ethical judgment and action were not significant.

The results of the analysis of the four types of personal ethical characteristics revealed that 'Idealism' was the highest, followed by 'Realism', 'Hoping for Christ' and 'Depending on the Situation'. These results indicate that the 'Ethical Absolute vs. the Ethical Relative' measure has stronger effects on both ethical judgment and ethical action (the more 'absolute', the higher the level of ethics), which supports the suggestion from some previous studies in the U.S.A. (e.g. Trevino and Youngblood, 1990, etc.). The type of personal ethical characteristic is an important factor affecting both ethical judgment and ethical action.⁷ But, interestingly, there is a similarity between the way personal factors affect ethical judgment and ethical action. Therefore the difference in the type of personal ethical characteristic is not a factor which totally explains the discrepancy between ethical judgment and ethical action.

Table 3 Ethical Judgment and Ethical Action for Type of Personal Ethical Characteristics

(3) The Organizational Climate as an Enhancement Factor

In order to determine whether the organizational climate affects ethical judgment and ethical action, the dependent variables were divided into two groups (a high group and a low group) by mean, and a T test was conducted on the differences of perception of organizational climate.

The results revealed that, in comparing the high and low groups in respect of ethical judgment, differences of perception of the organizational climate were scarcely significant, with the exception of some small significance in 'Solidity' and 'Compliance' (Table 4). This suggests that individual ethical judgment in organizations was strongly based on individual ethics, being scarcely affected by organizational climate factors.

However, when comparing the high and low groups in respect of ethical action, there were significant differences between the two groups in the organizational climate dimension, as in 'Customer Orientation', 'Profitability and Efficiency', 'Innovativeness', 'Reliability', 'Reflectiveness', 'Humanity', 'Team Work', 'Respecting All Personnel' and 'Ethicality' (Table 5). Therefore, as the level of the perception of these organizational climate dimensions items rises, the level of ethical action also rises. These results suggest that these dimensions of organizational climate

function as the factors that support and enhance ethical action by organization members. Interestingly, factors such as ‘Customer Orientation’, ‘Profitability and Efficiency’ and ‘Innovativeness’, which are regarded as factors that affect the competitiveness of organizations, tend to be linked with factors such as ‘Humanity’, ‘Respecting All Personnel’ and ‘Ethicality’, which are related to humanity and ethics. This suggests that there is some interrelation between organizational climates that affect competitiveness, and ‘Humanity’ and ‘Ethicality’.

The results of this study suggest that organizational climate dimensions have little effect on ethical judgment but greatly affect ethical action. Since the results above suggest that personal factors have the same effect on both ethical judgment and ethical action, we conclude that organizational factors are the main cause of the discrepancy between ethical judgment and ethical action.

Table 4 Differences of Perception of the Organizational Climate for the Level of Ethical Judgment

Table 5 Differences of Perception of the Organizational Climate for the Level of Ethical Action

(4) The Discrepancy between Ethical Judgment and Ethical Action, and Organizational Climate

In order to examine in detail the relationship between the discrepancy of ethical judgment and action, and the organizational climate dimensions, a typology was made based on two dimensions; ethical judgment and ethical action (Figure 3). The discrepancy between ethical judgment and ethical action was divided into three sectors. One was the ‘Action’ type where the score given by the equation: ‘ethical judgment – ethical action’ was below 0 (i.e. the score of ethical action in the level of ethics was higher than that of ethical judgment). The second was the ‘Agreement’ type, where the score was more than 0 but below 0.75 (i.e. the score of ethical judgment is almost consistent with that of ethical action). The third was the ‘Discrepancy’ type, where the score was higher than 0.75 (i.e. the score of ethical action was lower than that of ethical judgment). The respondents were divided into four groups according to the relationship between the discrepant situation and the level of ethical action.⁸

- 1 The 'High Ethics' type. Members of this group were of the 'Discrepancy' type and 'Agreement' type in the discrepant dimension, and had high ethical action scores.
- 2 The 'Support' type. Members of this group were of the 'Action' type in the discrepant dimension, and had high ethical action scores.
- 3 The 'Impediment' type. Members of this group were of the 'Discrepancy' type in the discrepant dimension, and had low ethical action scores.
- 4 The 'Low Ethics' type. Members of this group were of the 'Action' type and 'Agreement' type in the discrepant dimension, and had low ethical action scores.

Figure 3 The Judgment – Action Matrix

The results of this analysis show that, firstly, the 'Support' type scored highest in the climate dimensions that include 'Team Work', 'Respecting All Personnel', 'Ethical Tone' and 'Transparency'. This suggests that personnel who recognize these climate dimensions clearly have a high level of ethical action, and that these climate dimensions tend to enhance ethical action beyond the individual's ethicality. This result corresponds with the organizational climate items in the preceding section which enhance ethical action.

Secondly, the 'High Ethics' type or the 'Low Ethics' type scored highest in the climate dimensions that include 'Profitability and Efficiency', 'Consistency', 'Flexibility', 'Rigidity' (reverse items), 'Autonomy' and 'Compliance'. This suggests that as the level of the recognition of these climate dimensions rises, the range of the discrepancy becomes smaller, and the tendency rises for ethical judgment and ethical action to come into accord.

Finally, the 'Impediment' type scored lowest in the climate dimensions that include 'Team Work', 'Respecting All Personnel', 'Ethical Tone', 'Transparency', 'Flexibility', 'Rigidity' and 'Reflectiveness'. This suggests that as level of recognition of these climates dimensions falls, the tendency for things to function as impediment factors to ethical action rises (see Table 6).

Table 6 Differences of Perception of Organizational Climate for Four Types in the Judgment – Action Matrix

5, Suggestions

The results of this study imply that the relation between personal moral judgment

and moral action in organizations is not particularly strong, something that has been pointed out in many other studies. Our study also suggests that organizational factors rather than personal factors affect moral action, and that factors such as ‘customer orientation’, ‘profitability and efficiency’, ‘innovativeness’, ‘reliability’, ‘humanity’, ‘team work’, ‘respecting all personnel’ and ‘ethicality’ especially enhance moral action. Our suggestion that certain organizational factors (the organizational climate) affect moral action is the distinctive finding of this study, because there are few other studies that have analyzed the effect of various factors of the organizational climate on ethical decision making. (Most of the studies looking at the relationship between organizational climate and ethical decision-making have only analyzed the relation between ‘ethicality’ and ethical decision-making).

Two practical suggestions follow from this study. Firstly, when enhancing ethics in organizations, one must recognize the importance of the organizational climate. When trying to enhance ethics, most firms begin by developing formal systems such as codes of conducts, rules, procedures and educational systems. But without the development of the relevant organizational climate, formal systems can be ineffectual. As Nakano (2001) points out, ethical values can be learned more from cultural factors than from formal systems. Secondly, since developing the relevant organizational climate is crucial, analyzing the present organizational climate is the first step towards enhancing organization ethics. Finally, enhancing organizational ethics must keep pace with corporate policies and strategies that aim to improve competitiveness and organizational culture. The results of this study suggest that ethical behavior is affected not only by ethical factors, but also by factors that affect competitiveness (customer orientation, profitability and efficiency, innovativeness). And since most personnel often think of business ethics as being something very remote from them, policies that try only to enhance business ethics might fail. For these reasons, integrating company policies that enhance organization ethics with other company policies is crucial. Top management must take the initiative in this integration.

6. The Limitations of this Study and the Shape of Future Studies

The first limitation of this study is that since it was based on the results of the trial research phase of the project, the study sample (200) was relatively small and was not rigorously selected (the staff of the corporate planning section of Corporation A did the selection). A study based on research in which all of the employees of

Corporation A participate is required. Secondly, in this study, the interrelationship between personal factors and organizational factors is not considered, and so the interrelationship between these two variables must be looked at in future studies. Finally, because it mainly concentrated on analyzing the effects of organizational climate, this study did not consider the effect of organizational factors such as formal systems (codes of ethics, the organizational structure and personnel management system) and the leadership of top management. Hence further studies that consider the effect of other organizational factors are required.

Future studies must also consider the relationship between each of the organizational climate factors and their effects on moral judgment and moral action.⁹ The data from this study suggest that there is correlation between all organizational climate factors, and that there are strong correlations between factors that affect competitiveness and ethical behavior. This suggests that the relationship between factors that affect competitiveness and ethical behavior is not antonymous. Interestingly, a climate of ‘rejecting overemphasis on sales and profits’ does not have a negative correlation with other factors (in fact it shows a weak positive correlation with other factors). This suggests that an organizational climate that overemphasizes sales and profits, while neglecting ethics and humanity, might end up with poor business results. Further examination is required to verify these findings.

Acknowledgements

This research was supported and funded by the Reitaku Institute of Political Economics and Social Studies. We are deeply grateful to the Institute for its support. Likewise, this research would not have been possible without the cooperation of Corporation A. We would therefore like to thank all the personnel of Corporation A who cooperated with us, and we are especially grateful to the very helpful members of the corporate planning section of Corporation A who arranged the interviews and questionnaires.

Endnotes

1. In this study, we use part of the results of a university-industry cooperation project (‘Organizational Development for Building an Ethical and Competitive Organization’) with Corporation A, a sales subsidiary firm of a machine production firm. See Yamada et al. (2002) for details.
2. Cavanagh and Fritzsche (1985) suggest that there are two advantages to using

vignettes. Firstly, it is possible to set actual situations about complex ethical problems. Secondly, without leading questions, researchers can change the setting of variables through a focus on their interests.

3. For the contents of the vignettes, see Appendix 1.
4. For a summary of the interview survey, see Yamada et al. (2002) and Yamada et al. (2003).
5. Some develop strict arguments, distinguishing organizational climate from organizational culture in concept (Denison 1996). But in this paper, we regard both concepts as the same, in that they represent the members' 'invisible' shared values that penetrate into organizations.
6. For details of the organizational climate variables and the questionnaire items, see Appendix 2. In order to create questionnaire items for 'Ethicality', we partially referred to the measurement index for an ethical work climate (Ethical Climate Questionnaire: ECQ) developed by Victor and Cullen (1988). For the detailed contents of the ECQ, see Cullen et al. (1993). Studies which analyze the relationship between organization deviations, personal ethical judgment and the ethical organizational climate measured by ECQ include Trevino, Butterfield and McCabe (1998), Fritzsche (2000), Barnett and Vaicys (2000), and Vard (2001).
7. Analysis of the differences between general demographic variables for the perception of organizational climate showed small significant differences. On the other hand, analysis of personal ethical characteristics revealed that most items had significant differences. The perception of the 'Idealism' type members was highest, followed by 'Realism', 'Depending on Situations' and 'Hoping for Christ'. The conclusion is therefore that as the level of 'internal' in the 'Locus of Control' rises, the perception of organizational climate tends to rise.
8. We first planned to conduct an analysis for six types: three types in the discrepancy between ethical judgment and ethical action, each for two types (High and Low) of ethical action. But in this study, due to the limited number of respondents, we could not conduct a strict analysis and achieve perfect results. Hence we should point out that the following results are surmises which need to be confirmed by further research.
9. The results from a correlation analysis using this data as to the interrelationship between organizational climate variables revealed that there is a positive correlation between them and that there is no negative correlation. Therefore these results show that there is a correlation (the intensity of a linear relationship) between the various dimensions of organizational climate listed as the content of

the 'desirable organizational climate' we supposed. Further, these results support the view that as the score of the correlation coefficient rises, either the degree of the realization of a desirable organizational climate becomes greater, or the degree of the activity of the organizations becomes greater.

Some items such as 'Customer Orientation', 'Profitability and Efficiency', 'Innovativeness', 'Activity' and 'Reflectiveness' correlated closely (though not entirely) with 'Humanity' or 'Ethicality'. This shows that there is a positive correlation between the organizational climate dimensions which relate to 'competitiveness' in economic performance and those such as 'Humanity' or 'Ethicality'. This result suggests that both dimensions are not inconsistent, contrary to common belief.

There is also a positive correlation between 'Overemphasis on Profit and Sales' and other dimensions. Since this correlation is not very strong, we hesitate to make many suggestions based on it. But since there is no negative correlation between both dimensions, obviously a 'Make profit and sales by fair means or foul' type of climate cannot promote (indeed, rather reduces) economic performance.

References

- Barnett, Tim and Cheryl Vaicys, 'The Moderating Effect of Individuals' Perceptions of Ethical Work Climate on Ethical Judgments and Behavioral Intentions', *Journal of Business Ethics*, 27, 2000, pp.351-362.
- Bass, Kenneth, Tim Barnett, and Gene Brown, 'Individual Difference Variables, Ethical Judgments, and Ethical Behavioral Intentions', *Business Ethics Quarterly*, 9(2), 1999, pp.183-205.
- Cavanagh, S. J., Gerald F and David J. Fritzsche, 'Using Vignettes in Business Ethics Research', *Research in Corporate Social Performance and Policy*, Vol. 7, 1985, pp.279-293.
- Cullen, John B., Bart Victor, and J., W. Bronson, 'The Ethical Climate Questionnaire: An Assessment of Its Development and Validity', *Psychological Report*, 73, 1993, pp.667-674.
- DeGeorge, Richard T., *Business Ethics, third edition*, Macmillan Publishing Co., 1989.
- Denison, Daniel R., 'What is the Difference between Organizational Culture and Organizational Climate? A Native's Point of View on A Decade of Paradigm Wars', *Academy of Management Review*, 21(3), 1996, pp.619-654.
- Ford, Robert C. and Woodrw D. Richardson, 'Ethical Decision Making: A Review of the

- Empirical Literature', *Journal of Business Ethics*, 13, 1994, pp.205-221.
- Fritzsche, David J., 'Ethical Climate and the Ethical Dimension of Decision Making', *Journal of Business Ethics*, 24, 2000, pp.125-140.
- Jones, Thomas M., 'Ethical Decision Making by Individuals in Organizations: An Issue – Contingent Model', *Academy of Management Review*, 16(2), 1991, pp.366-395.
- Kagono, Tadao, 'Soshikibunka no sokutei to typology, [Measurement of Organizational Culture and Typology]' in Kagono Tadao (eds.), *Restructuring to Soshikibunka* [Restructuring and Organizational Culture], Hakutoshobo, 1993, pp.65-88.
- Kono, Toyohiro and Stewart, R. Clegg, *Transformations of Corporate Culture: Experiences of Japanese Enterprises*, Berlin/New York, Walter de Gruyter, 1998.
- Kotter, John P. and James L. Heskett, *Corporate Culture and Performance*, The Free Press, 1992.
- Litwin, George H. and Robert A. Stringer, Jr., *Motivation and Organizational Climate*, Harvard Graduate School of Business Administration, 1968.
- Loe, Terry W., Linda Ferrell, and Phylis Mansfield, 'A Review of Empirical Studies Assessing Ethical Decision Making in Business', *Journal of Business Ethics*, 25, 2000, pp.185-204.
- Nakano, Chiaki, 'Jissho Kenkyu: Kigyoukanrisha no Rinrikan ni kansuru Nichibei Hikaku [An Empirical Study of Japanese Managers' Beliefs on Business Ethics]', *Reitaku Gakusai Journal*, 3 (1), 1995, pp.29-50.
- Nakano, Chiaki, *Ethics-At-Work in Japanese Business: An Empirical Study of Japanese Managers' Perceptions of Ethics in Their Corporate Lives*, Ann Arbor, Michigan: A Bell & Howell Company, 2001.
- Nakano, Chiaki, Kanno, Takashi, Shiina, Akira, Shinozuka, Minoru, Shimizu, Yutaka, Shimoda, Zenzo, Takizawa, Yoetsu and Nakahashi, Yasushi, "'Kojin no Ryoushiki" to "Kaisha ni okeru Tachiba": Kigyourinri ni kansuru Nihon no Business Man no Ishikichosa, [Personal Conscience and Corporate Standpoint: A Survey Study of Japanese Businesspeople's View of Ethics]', *Nihon Keiei Rinri Gakkaishi*, 5, 1998, pp.67-79.
- Nemoto, Takashi and Yoshimoto, Yoko, *Kokusaikeiei to Kigyoubunka* [Global Management and Corporate Culture], Gakubunsha, 1994.
- Rotter, Julian B., 'Generalized Expectancies for Internal Versus External Control of Reinforcement', *Psychological Monographs: General and Applied*, 80(1), 1966, pp.1-28.
- Sakikawa, Takashi, *Soshikibunka to Innovation* [Organizational Culture and

- Innovation], Chikurashobo, 1998.
- Schein, Edgar H., *Organizational Culture and Leadership*, Jossey-Bass inc., 1985.
- Trevino, Linda K., 'Ethical Decision Making in Organizations: A Person-Situation Interaction Model', *Academy of Management Review*, 11(3), 1986, pp.601-617.
- Trevino, Linda K., 'A Cultural Perspective on Changing and Developing Organizational Ethics', *Research in Organizational Change and Development*, 4, 1990, pp.195-230.
- Trevino, Linda K. and Gary R. Weaver, *Managing Ethics in Business Organizations*, Stanford University Press, 2003.
- Trevino, Linda K. and Stuart A. Youngblood, 'Bad Apples in Bad Barrels: A Causal Analysis of Ethical Decision-Making Behavior', *Journal of Applied Psychology*, 75(4), 1990, pp.378-385.
- Trevino, Linda K., Kenneth D. Butterfield, and Donald L. McCabe, 'The Ethical Context in Organizations: Influences on Employee Attitudes and Behavior', *Business Ethics Quarterly*, 8(3), 1998, pp.447-476.
- Vardi, Yoav, 'The Effects of Organizational and Ethical Climates on Misconduct at Work', *Journal of Business Ethics*, 29, 2001, pp.325-337.
- Victor, Bart and John B. Cullen, 'The Organizational Bases of Ethical Work Climates', *Administrative Science Quarterly*, 33, 1988, pp.101-125.
- Yamada, Toshiyuki, Fukunaga Akihiko, Nomura Chikako and Nakano Chiaki, 'Kyosoryoku / Rinrisei Koujou ni mukete no Soshikikaihatsu: Interview Chosa ni yoru Yobiteki Kousatsu [Organizational Development for Building An Ethical and Competitive Organization: A Preliminary Analysis of an Interview Survey]', *Nihon Keiei Rinri Gakkaishi*, 9, 2002, pp.101-125.
- Yamada, Toshiyuki, Fukunaga Akihiko, Nomura Chikako and Nakano Chiaki, 'Kigyourinri no Kakuritsu ni muketa Soshikikaihatsu: Interview Chosa ni yoru Yobiteki Kousatsu [Organizational Development for Building An Ethical Organization: A Preliminary Analysis of an Interview Survey]', *Jissenkeiei*, 40, 2003, pp.145-152.
- Zey-Ferrell, Mary, K. Mark Weaver, and O. C. Ferrell, 'Predicting Unethical Behavior Among Marketing Practitioners', *Human Relations*, 32(7), 1979, pp.557-569.

Appendix 1: Vignettes (abstracts)

1. Evaluating Subordinates

A is a sales manager for a security firm and has to evaluate his subordinates.

Subordinate B's performance is the best in the branch but his business methods are forceful. On the other hand, subordinate C is making steady efforts but his performance is mediocre. Which subordinate must A evaluate more highly?

2. 'Sexual Harassment'

One day manager D heard complaints from his female subordinate X about assistant manager E (who is also D's subordinate and X's superior). X complained that E often teased her about her personal life and figure. But E's jokes did not seem to be offensive. Since E is capable and a popular figure in the firm, D thinks highly of E. What should D do?

3. 'False Report'

F is a maintenance technologist in an electronic appliances shop and often works overtime. As in many other firms in Japan, employees in this electronic appliances shop are not paid for all the overtime they do (not paying the full amount for overtime is illegal in Japan, but since the issue is quite difficult to regulate, most cases, except serious ones, are left unattended). But in E's shop, the full allowance for work done outside the office is paid. Thus F (like his colleagues) reports working longer outside hours than he actually does. Is F's behavior acceptable?

4. 'Illegal Directions from One's Superior'

G is a member of staff in the personnel affairs section of a branch of Company Z. In this branch, non-paid overtime work is a daily occurrence and since it is illegal, it risks punishment by the authorities. So the headquarters of Company Z has decided to check the working hours at the branch. Since the branch manager is responsible for this, he ordered G to alter the attendance book. G could refuse, but then other member of the personnel affairs section would alter the attendance book and G would be in disfavor with the branch manager. What should G do?

5. 'Illegal Requests from Customers'

H is an automobile salesman and has to meet a severe quota. One day, regular customer W proposed buying a new car (he had previously bought two cars from H). But since there are no more parking spaces at W's house, it is impossible to sell a new automobile to W (when buying a car in Japan, one must certify that one has a parking space.) Thus W suggests making a false certificate. What should H do?

6. 'Observing the Law'

I is using an automobile for sales. At most of I's clients, there is a pay parking lot, but most people park their cars on the street (which is illegal). But the police do not strictly regulate cars parked on the street. Where should I park?

7. 'Informing the Public'

J is a marketing staff member of a cosmetics company. A new face lotion that has a 'dramatic' effect on most users has been developed. But on the other hand, in rare cases (one out of millions) there is a possibility of serious side effects for users who are hypersensitive. What kind of sales promotion should J make?

8. 'Self-Purification'

Assistant manager K has doubts about the frequent business trips of his superior, manager L. When checking the fees for L's business trips, he found that half of the trips seemed unnecessary. This angered K, because L was always persuading his subordinates to cut down on business fees. Thus K tried to grill L, but L claimed that all of the business trips he had made were necessary. Should K report his suspicions to the management or not?

Appendix 2: Summary of the Organizational Climate Dimensions and Items

Organizational Climate Dimensions (Main Dimensions)	Each Item (title only)
Customer Orientation (8)	<p>【effort toward improving service】 【priority of needs】 【developing the customer】 【consumer orientation】 【priority of a holding company】 【meeting complaints】 【effort to exploit complaints】 【integrity to customer】</p>
Profitability and Efficiency (8)	<p>Profitability 【cost consciousness】 【interest in profitability】 【interest in group management】 【long-term orientation】</p> <p>Efficiency 【cost reduction as the only rallying cry】 【efficiency of work】 【futile meeting and inside oriented work】 【futile work】</p>
Over Emphasis on Profit and Sales (5)	<p>【overemphasis on profit】 【overemphasis on sales】 【myopia】 【overemphasis on norms】 【purpose and means in achieving sales and profit】</p>
Innovativeness (10)	<p>【weakness of crisis consciousness】 【proactive effort】 【positive evaluation for change】 【business innovation】 【evaluation for challenge】 【taking a risk】 【learning from failures】 【abolition of convention】</p> <p>[excluded items: 【embarrassment for change】 【innovation of strategy and systems】]</p>
Reliability (7)	<p>Steadiness 【steadiness 1】 【valuation of a solid person】 【steady effort in work】</p> <p>Risk Management 【certainty】 【prevention of risk】 【quick and appropriate response to risk】</p> <p>[excluded items: 【steadiness 2】]</p>
Flexibility (9)	<p>Flexible Response in the Field 【flexibility of operation】 【respect for the field】 【cooperation with rivals】 【competition as dialogue】</p> <p>Rigidity 【bureaucracy】 【bureaucratization of procedures】 【rigidity of rules】 【sectionalism】 【authoritarianism】</p>
Activeness (9)	<p>【quick response to environmental change】 【experimentalism】 【only words without action】 【Putting inspiration and idea into action】 【spontaneity】 【lack of spontaneity】</p>

	[excluded items: [autonomy] * [toughness] *]
Reflectiveness (8)	[lack of carefulness] [lack of discretion] [carefulness and certainty] [lack of information analysis] [dependence on precedent and no analysis of the change of prerequisite conditions] [a mind that inquires into causes] [manifold considerations] [intimate debate]
Humanity (20)	<p>Respect for Humanity [respect for humanity] [job satisfaction] [stress in the workplace] [guarantee of employment]</p> <p>Service Rating [merit rating] [estimation of respect for spontaneity] [estimation by ability] [ambiguous and subjective rating]</p> <p>Autonomy and Zeal [autonomy] * [toughness] * [zeal and morale]</p> <p>Training and Reward [just reward] [fair reward] [the right man in the right place] [training] [gap between institutions and the real: welfare]</p> <p>Balance between Home and Career [balance between home and career] [gap between institutions and the real: overtime work 1]</p> <p>[gap between institutions and the real: paid holiday] [gap between institutions and the real: maternity leave and child-care leave] [excluded items: [trust for staff] [gap between institutions and the real: overtime work 2]]</p>
Team Work (9)	[mutual trust] [cooperation] [kindness and care] [constructive criticism] [mutual obstruction] [cooperation between sections] [sharing information] [easy atmosphere for talk] [excluded items: [connivance]]
Respecting Each Personnel (8)	[respecting individuality 1] [respecting individuality 2] [atmosphere of free speech] [the highest stake would be driven first] [exhibition of personality and originality] [realization of the ideal] [self-assertion] [excluded items: [neglect of personal will and group pressure]]
Ethicality (24)	Ethical Tone [confusion of the public and the private 1] [discrimination] [sexual harassment]

	<p>【 evasion of responsibility 】 【 honest atmosphere】 【hideable climate】</p> <p>Compliance 【business and ethics】 【obeying the law】 【leaking of secrets】 【severe punishment】 【confusion of the public and the private 2】 【reliance on members】</p> <p>Transparency 【'for my company' and ethics】 【false in word and deed 】 【 personal conscience vs. organizational pressure】 【openness (inside)】 【openness (outside)】 【clear decision-making】 [excluded items: 【social contribution through business 】 【 philanthropy 】 【 regard for stakeholders】 【purpose and means】 【ethical dialogue】]</p>
--	--

NOTE: The numbers in parentheses following the organizational climate dimensions (Main Dimensions) represent the original questionnaire items. The [excluded items] are those items excluded in calculating the organizational climate variables used for analysis. The excluded items in 'Activity', both 【autonomy】 and 【toughness】 , were carried across to the items of 'Humanity'.

Table 1 Demographic Summary of the Respondents

Gender	Male	152(90.5%)
	Female	16(9.5%)
Age	18~29	46(27.4%)
	30~39	84(50.0%)
	40~49	32(19.0%)
	Over 50	6(3.6%)
Education	High School	55(32.7%)
	College	27(16.3%)
	University and Graduate School	84(50.6%)
	No Answer	2
Type of Recruitment	Employment of New Graduates	114(74.0%)
	Mid-Career Recruit	40(26.0%)
Position	Staff	22(13.5%)
	Associate Manager	122(74.8%)
	Manager	19(11.7%)
	No Answer	5
Type of Job	Sales	64(38.1%)
	Staff	26(15.5%)
	Technologist	78(46.4%)
Years of Service	Less than 5 Years	33(19.8%)
	5~10 Years	38(22.8%)
	10~20 Years	76(45.55%)
	More than 20 Years	20(12.0%)
	No Answer	1

Figure 1 Four Types of Personal Ethical Characteristics

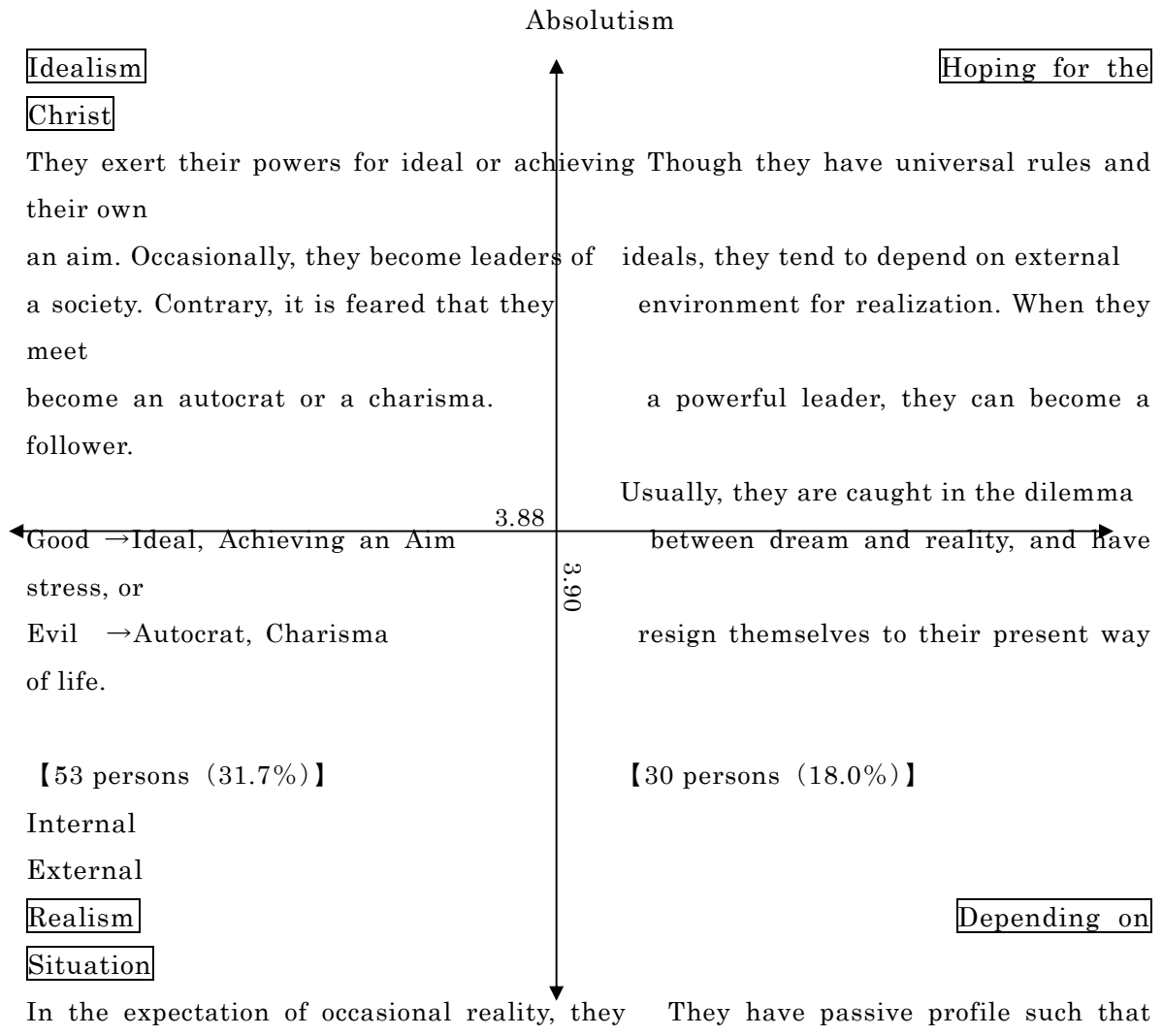
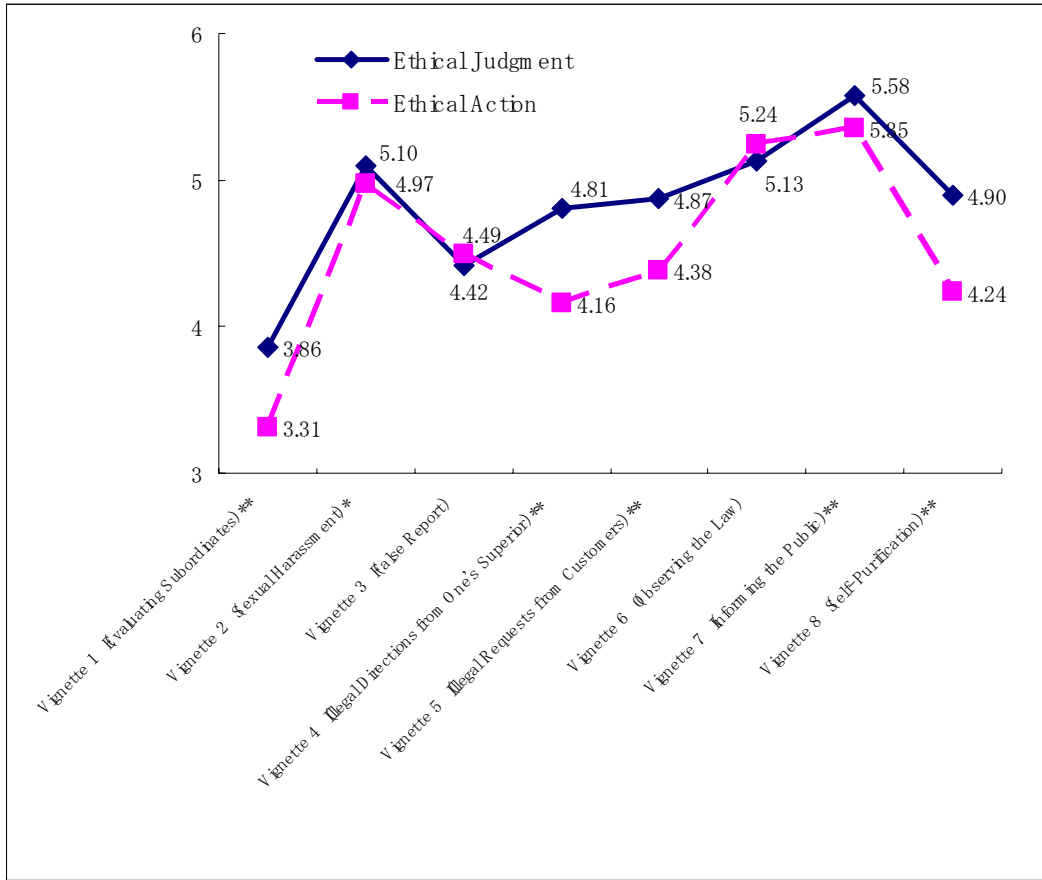


Table 2 Dimensions composed of Organizational Climate and Results of Descriptive Statistics

Organizational Climate Dimensions	Mean (Standard Deviation)
Customer Orientation (8)	3.848 (0.788)
Profitability and Efficiency (8)	3.529 (0.719)
Profitability	3.567 (0.799)
Efficiency	3.491 (0.862)
Over Emphasis on Profit and Sales (R) (5)	3.905 (0.862)
Innovativeness (10)	3.419 (0.712)
Reliability (7)	4.021 (0.652)
Steadiness	4.296 (0.727)
Risk Management	3.745 (0.809)
Flexibility (9)	3.499 (0.576)
Flexible Response in the Field	3.328 (0.744)
Rigidity (R)	3.636 (0.697)
Activeness (9)	3.471 (0.672)
Reflectiveness (8)	3.519 (0.697)
Humanity (20)	3.274 (0.563)
Respect for Human	3.219 (0.755)
Service Rating	3.512 (0.847)
Autonomy and Zeal	3.808 (0.728)
Training and Reward	3.090 (0.781)
Balance between Home and Career	2.899 (0.814)
Team Work (9)	3.814 (0.725)
Respecting Each Personnel (8)	3.543 (0.766)
Ethicality (24)	3.755 (0.551)
Ethical Tone	3.742 (0.765)
Compliance	4.087 (0.675)
Transparency	3.453 (0.539)

NOTE: The boldfaces represent main dimensions of organizational climate variables. The parenthetic numbers behind them represent the number of origin items for measurement. The items with R reverse in the interpretation direction. Therefore, “Over Emphasis on Profit and Sales (R)” represent that the higher the score becomes, the lower the level of the over emphasis on profit and sales becomes. “Rigidity (R)” represent that the higher the score becomes, the lower the level of organizational rigidity. becomes.

Figure 2 Discrepancy between Ethical Judgment and Ethical Action



NOTE: The means of “Ethical Judgment” and “Ethical Action” as synthesis indexes are 4.84, 4.52, respectively, and t value: 8.97 ($p < 0.0005$) is significant. And, vignettes with * are significant in differences between the means. **: $p < 0.0005$, *: $p < 0.05$

Table 3 Ethical Judgment and Ethical Action for Types of Personal Ethical Characteristics

	Idealism		Realism		Hoping for the Christ		Depending on situation		F value
	mean	s. d.	mean	s. d.	mean	s. d.	mean	s. d.	
Ethical Judgment	5.168	0.497	4.611	0.548	4.954	0.603	4.568	0.581	12.420 *
Ethical Action	4.791	0.520	4.454	0.532	4.546	0.559	4.255	0.666	7.403 *

NOTE:

*:p<0.0005

Table 4 Differences of Perceptions of Organizational Climate for the Level of Ethical Judgment

■ Organizational Climate	Judgment : High		Judgment : Low		t value
	Mean	s. d.	Mean	s. d.	
Customer Orientation	3.881	0.892	3.813	0.662	0.567
Profitability and Efficiency	3.556	0.814	3.498	0.602	0.524
Profitability	3.590	0.865	3.539	0.730	0.411
Efficiency	3.522	0.980	3.458	0.717	0.489
Over Emphasis on Profit and Sales	3.888	0.845	3.930	0.697	-0.353
Innovativeness	3.412	0.770	3.432	0.651	-0.182
Reliability	4.075	0.747	3.967	0.525	1.084
Steadiness	4.404	0.782	4.182	0.648	2.005 **
Risk Management	3.745	0.899	3.750	0.706	-0.037
Flexibility	3.481	0.659	3.526	0.471	-0.505
Flexible Response in the Field	3.330	0.853	3.326	0.611	0.034
Rigidity	3.602	0.728	3.688	0.665	-0.779
Activitiveness	3.442	0.693	3.506	0.658	-0.612
Reflectiveness	3.507	0.767	3.542	0.618	-0.325
Humanity	3.295	0.652	3.248	0.450	0.531
Respect for Human	3.295	0.809	3.120	0.688	1.487
Service Rating	3.552	0.937	3.474	0.747	0.582
Autonomy and Zeal	3.798	0.840	3.818	0.589	-0.183
Training and Reward	3.089	0.834	3.096	0.731	-0.061
Balance between Home and					
Career	2.856	0.833	2.936	0.802	-0.614
Team Work	3.793	0.820	3.838	0.615	-0.402
Respecting Each Personnel	3.498	0.864	3.601	0.647	-0.871
Ethicality	3.785	0.619	3.722	0.458	0.742
Ethical Tone	3.764	0.851	3.720	0.667	0.373
Compliance	4.172	0.718	3.993	0.612	1.700 *
Transparency	3.423	0.582	3.493	0.492	-0.829

NOTE: The boldfaces represent main dimensions of organizational climate variables.

Crosshatching items represent significant variables. *: p<0.1, **: p<0.05, ***: p<0.0005

Table 5 Differences of Perceptions of Organizational Climate for the Level of Ethical Action

■ Organizational Climate	Action : High		Action : Low		t value
	Mean	s. d.	Mean	s. d.	
Customer Orientation	3.964	0.867	3.745	0.707	1.767 *
Profitability and Efficiency	3.677	0.736	3.395	0.686	2.556 **
Profitability	3.718	0.771	3.428	0.810	2.357 **
Efficiency	3.636	0.909	3.362	0.809	2.055 **
Over Emphasis on Profit and Sales	3.949	0.805	3.869	0.754	0.664
Innovativeness	3.547	0.702	3.306	0.712	2.197 **
Reliability	4.141	0.705	3.919	0.588	2.210 **
Steadiness	4.485	0.747	4.134	0.675	3.181 ***
Risk Management	3.797	0.853	3.702	0.777	0.756
Flexibility	3.570	0.574	3.441	0.580	1.429
Flexible Response in the Field	3.426	0.778	3.238	0.713	1.613
Rigidity	3.686	0.691	3.602	0.708	0.759
Activitiveness	3.560	0.643	3.392	0.698	1.602
Reflectiveness	3.667	0.706	3.395	0.671	2.531 **
Humanity	3.354	0.570	3.199	0.556	1.738 *
Respect for Human	3.335	0.796	3.103	0.709	1.987 **
Service Rating	3.601	0.846	3.440	0.854	1.210
Autonomy and Zeal	3.886	0.732	3.736	0.730	1.325
Training and Reward	3.187	0.751	3.007	0.810	1.478
Balance between Home and Career	2.926	0.886	2.861	0.752	0.502
Team Work	3.947	0.773	3.694	0.670	2.253 **
Respecting Each Personnel	3.694	0.771	3.414	0.749	2.368 **
Ethicality	3.897	0.557	3.627	0.517	3.195 ***
Ethical Tone	3.948	0.781	3.556	0.713	3.363 ***
Compliance	4.233	0.654	3.961	0.672	2.618 **
Transparency	3.506	0.556	3.409	0.528	1.155

NOTE: The boldfaces represent main dimensions of organizational climate variables. Crosshatching items represent significant variables. *: p<0.1, **: p<0.05, ***: p<0.005, ****: p<0.0005

Figure 3 Judgment – Action Matrix

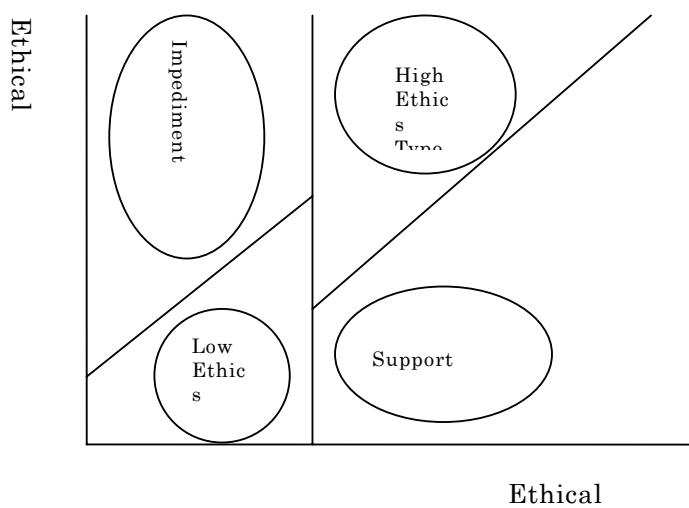


Table 6 Difference of Perception of Organizational Climate for Four Types in Judgment – Action Matrix

■ Personal Ethical Characteristics	Support		Low Ethics		High Ethics		Impediment		F value
	mean	s. d.	mean	s. d.	mean	s. d.	mean	s. d.	
Locus of Control	4.095	0.612	3.714	0.744	4.166	0.789	3.529	0.748	6.588 *****
Ethical Absolute vs. Ethical Relative	3.705	0.801	3.575	0.733	4.315	0.787	3.832	0.609	10.321 *****
■ Organizational Climate									
Customer Orientation	3.955	0.857	3.760	0.610	3.967	0.877	3.719	0.865	1.068
Profitability and Efficiency	3.638	0.628	3.458	0.615	3.690	0.771	<u>3.282</u>	0.798	2.596 *
Profitability	3.697	0.680	3.464	0.682	3.725	0.804	3.363	1.012	1.947
Efficiency	3.579	0.834	3.451	0.753	3.654	0.938	3.202	0.891	2.004
Over Emphasis on Profit and Sales	4.063	0.814	3.975	0.630	3.913	0.806	3.677	0.919	1.307
Innovativeness	3.395	0.833	3.317	0.662	3.596	0.656	3.286	0.805	2.000
Reliability	4.035	0.708	3.897	0.571	4.175	0.707	3.957	0.625	1.897
Steadiness	4.421	0.719	<u>4.101</u>	0.651	4.506	0.760	4.194	0.724	3.522 **
Risk Management	3.649	0.952	3.691	0.759	3.844	0.822	3.720	0.822	0.472
Flexibility	3.494	0.461	3.575	0.515	3.593	0.606	<u>3.189</u>	0.618	3.914 **
Flexible Response in the Field	3.458	0.773	3.299	0.615	3.417	0.786	3.125	0.868	1.231
Rigidity	3.522	0.651	3.796	0.679	3.736	0.700	<u>3.240</u>	0.622	5.108 *****
Activitiveness	3.609	0.728	3.406	0.658	3.545	0.619	3.367	0.779	0.910
Reflectiveness	3.776	0.781	3.433	0.643	3.631	0.684	<u>3.327</u>	0.726	2.493 *
Humanity	3.408	0.476	3.229	0.415	3.337	0.599	3.139	0.767	1.227
Respect for Human	3.395	0.747	3.165	0.590	3.317	0.816	2.992	0.884	1.714
Service Rating	3.632	0.843	3.473	0.707	3.591	0.854	3.379	1.082	0.575
Autonomy and Zeal	<u>3.597</u>	0.717	3.804	0.582	3.978	0.718	3.613	0.939	2.396 *
Training and Reward	3.211	0.672	3.068	0.718	3.180	0.780	2.897	0.956	1.047
Balance between Home and Career	3.347	0.845	2.873	0.665	<u>2.800</u>	0.865	2.839	0.913	2.211 *
Team Work	4.013	0.708	3.806	0.613	3.926	0.798	<u>3.492</u>	0.730	3.061 **
Respecting Each Personnel	3.940	0.516	3.549	0.625	3.615	0.825	<u>3.171</u>	0.893	4.551 *****
Ethicality	3.950	0.581	3.687	0.462	3.881	0.554	<u>3.525</u>	0.593	4.080 ***
Ethical Tone	4.008	0.650	3.665	0.627	3.929	0.822	<u>3.364</u>	0.821	4.939 *****
Compliance	4.139	0.791	<u>3.946</u>	0.628	4.261	0.613	3.989	0.754	2.448 *
Transparency	3.702	0.592	3.500	0.436	3.444	0.534	<u>3.247</u>	0.637	3.077 **

NOTE: The boldfaces represent main dimensions of organizational climate variables. The crosshatching parts represent the highest score in significant differences between the four groups, and the underlined parts represent the lowest score. *: p<0.1, **: p<0.05, ***: p<0.01. ****: p<0.005, *****: p<0.0005