
Ethical Climate in Nonprofit Organizations

Propositions and Implications

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The authors discuss a number of variables that may influence the perception of ethical climate in the nonprofit sector, including individual, organizational, and significant other (peers, coworkers, and superiors) variables. The basis of this discussion is the model developed by Agarwal and Malloy (1999) identifying a framework for nonprofits that is distinct from the for-profit orientation. The authors provide ten propositions and discuss their implications.

THE CONCEPT of *climate* has received an increasing amount of attention in the organizational literature, as theorists and practitioners search for a means of explaining and enhancing work-related behavior and satisfaction (Bartels, Harrick, Martell, and Strickland, 1998; Jones and Hiltebeitel, 1995; Schwenker, Ferrell, and Ingram, 1997; Sinclair, 1993). That a positive or strong climate within an organization is a necessary antecedent for high performance and satisfaction is accepted theoretically and, to a limited extent, empirically by the scholars studying organizations (DeConick and Lewis, 1997). Generally, climate has been considered to be the informal interpreter and judge of an individual's organizational behavior.

As a catalyst, or at least as a potentially forceful moderator of individual organizational behavior, climate may have a significant role to play in the way members behave or are influenced to behave ethically or unethically (Stead, Worrell, and Stead, 1990). Presumably then, organizational climate in conjunction with an individual's own ethical orientation, as well as the formal system of rules and regulations of the organization, may be key variables in determining not only the performance of organizational members but the tenor of the ethical conduct of the membership (Victor and Cullen, 1988). Falkenberg and Herremans conclude from their research that "the informal systems [climate] are the dominant influence on behavior

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when ethical issues are resolved" (1995, p. 140). Specifically, many in the field have suggested that the ethical climate in organizations influences the moral conduct of the membership (Cohen, 1995; Schneider, 1975; Victor and Cullen, 1987, 1988).

Ethical climate is generally defined as a psychological construct that is based on the aggregation of individual perceptions of what is ethical conduct in the organization. As such, ethical climate is defined generally by the group and in turn identifies for the group and for individuals what is ethical or unethical behavior and how ethical issues are managed. An understanding of the factors that influence the perception of ethical behavior in an organization or in different sectors of administration (that is, public, for-profit, and nonprofit) would therefore be extremely important for the leadership of any group of people in order to foster ethical conduct as opposed to unethical conduct.

Although ethical climate has emerged as an important topic of research and practice in the for-profit sector, relatively little work has been carried out in the realm of nonprofit organizations. This is unfortunate because, like its for-profit counterpart, nonprofit organizations are susceptible to ethical transgressions (for example, the Canadian Red Cross, a nonprofit organization, was implicated in a scandal in which the organization knowingly allowed tainted blood to enter the blood bank). Further, nonprofit organizations are increasingly responsible for the delivery of public programs downloaded by federal agencies and thus are under greater scrutiny and accountability to dispense the public purse ethically (Ford and Zussman, 1997).

Three studies have explored the nature of ethical climate in nonprofit organizations (Agarwal and Malloy, 1999; Brower and Shrader, 2000; Deshpande, 1996). The results seem to indicate that the nonprofit sector is unique. In particular, the research conducted by Agarwal and Malloy (1999) resulted in a framework that is distinct from the previous findings in the for-profit sector. However, none of these studies sought to explore the factors that create this distinction. In this article, we extend the concept developed by Agarwal and Malloy to incorporate factors that may influence the development of ethical climate in nonprofit organizations.

Definition of Ethical Climate

Victor and Cullen (1987, 1988) developed a framework for measuring the perception of ethical orientation by combining the theoretical constructs of *cognitive moral development*, *ethical theory*, and *locus of analysis*. They draw from the findings of Kohlberg and others' research (Higgins, Power, and Kohlberg, 1984; Kohlberg, 1984) indicating that an individual's cognitive ability to reason through moral dilemmas is developmental. The opportunity for moral development takes place within a moral atmosphere or higher-stage environment that is created by the community. Ethical theory, according to the

construct Victor and Cullen (1987, 1988) developed, consists of three dimensions that parallel the *pre-conventional*, *conventional*, and *post-conventional* orientations of Kohlberg's model (1969). They include egoism (hedonism), benevolence (utilitarianism), and principled ethical grounding (deontology). Egoism refers to behavior that is fundamentally self-interested in seeking pleasure and avoiding pain for the individual actor. The focus of *benevolence* or utilitarianism is toward the greatest pleasure and least pain for the collective or for the greater number (for example, the immediate work group, the firm, the community, and society at large). In contrast to these two teleologically based orientations is the principled or *deontological* view that places greatest emphasis on duty founded on laws, rules, policies, and procedures (for example, the firm's code of ethics, the laws of society, or divine commandments).

Locus of analysis consisting of individual, local, and cosmopolitan referents functions to "shape the behaviors and attitudes of role incumbents" (Victor and Cullen, 1988, p. 106). The individual locus of analysis is idiographically based and may reflect a hedonistic or an existentialistic ethical orientation. The local referent is the immediate work group or the firm generally, as well as the individual's community of significant others. Norms, values, and behaviors derived from this immediate work or social community are internalized, or at least generally operationalized by the individual actor. The cosmopolitan locus of analysis extends beyond the group and the firm. At this level, behavior is shaped by normative systems that have the potential to operate within the organization but are generated and maintained externally (for example, professional codes of ethics as opposed to firm-specific behavioral norms). The juxtaposition of ethical theory and locus of analysis results in a 3×3 matrix consisting of nine theoretically based ethical climates (see Table 1).

Table 1. Ethical Work Climate Matrix (For-Profit)

Locus of Analysis			
	Individual	Local	Cosmopolitan
<i>Ethical Criteria</i>			
Egoism	SELF-INTEREST <i>Instrumental</i>	COMPANY PROFIT <i>Instrumental</i>	EFFICIENCY
Benevolence	FRIENDSHIP <i>Caring</i>	TEAM INTEREST <i>Caring</i>	SOCIAL RESPONSIBILITY
Principle	PERSONAL MORALITY <i>Independence</i>	COMPANY RULES AND PROCEDURES <i>Rules</i>	LAW AND PROFESSIONAL CODES <i>Law and Code</i>

Note: Uppercase letters indicate conceptual dimensions based on a priori juxtaposition of ethical theory and locus of analysis (Victor and Cullen, 1987, 1988). Italics indicate empirical dimensions (Victor and Cullen, 1988).

Although the nine cells of the matrix are generic in their theoretical application, the research that has been conducted, with few exceptions, has focused on the for-profit sector. The empirical results, as indicated in italics in Table 1, demonstrate that there are only five climate types in for-profit settings: instrumental, caring, independence, rules, and law and code. In an Agarwal and Malloy (1999) study of a nonprofit organization, this distribution of locus of analysis was not replicated. Although the authors used the questionnaire developed by Victor and Cullen (1987, 1988), they incorporated a unique statistical method for measuring the perception of ethical orientation and found dramatically different ethical climate orientations (see Agarwal and Malloy [1999] for details of their statistical rationale). Table 2 shows a reproduction of the extracted dimensions within Victor and Cullen's framework of ethical criteria and locus of analysis.

Three interesting findings emerge from the Agarwal and Malloy (1999) study (refer to Table 2). First, concerning the dimensions based on the benevolent ethical criteria, two distinct climates emerge: individual caring and social caring. A comparison of Tables 1 and 2 reveals that the nonprofit sector has a more discriminating perception of benevolent climates than its for-profit counterpart. Jeavons (1994) argues that this is a result of its underlying communitarian assumptions.

Second, the climate dimensions concerning individual and cosmopolitan loci of analysis are polarized. In Table 2, there are no significant climate perceptions based on the local locus of analysis (that is, ethical climate relating to the organization itself). Therefore, individuals in the nonprofit sector may perceive ethical climate as

Table 2. Ethical Work Climate Matrix (Nonprofit)

		<i>Locus of Analysis</i>		
		<i>Individual</i>	<i>Local</i>	<i>Cosmopolitan</i>
<i>Ethical Criteria</i>				
Egoism		Machiavellianism ^{1,2}		
Benevolence		Individual caring		Social caring
Principle		Independence		Law and code

¹An *individual caring* climate is perceived by members as being personally concerned for the well-being of the individual. A *Machiavellian* climate is perceived as being a competitive and careerist environment where the strongest survive. The climate described as *independence* allows for individual freedom and responsibility in the organizational setting. *Social caring* refers to an organization where members perceive the organization to be concerned with the welfare of the commonwealth and not just its own survival. Finally, *law and code* refers to a structured organizational climate that is driven by formal policy and procedure.

²*Machiavellianism* is a term that commonly depicts self-centered and hedonistic behavior on the part of an individual. Although this is a common understanding of the term, Machiavelli's Prince was ruthless, but only for the well-being of civic virtue.

more supportive of personal growth and well-being and of social responsibility than toward the organization in which they work. Norms, values, and behaviors derived from the immediate work group do not influence the perception of ethical climate. This is in sharp contrast to the for-profit sector where the organization imperative is strongly advocated and inculcated (Hodgkinson, 1996; Victor and Cullen, 1987, 1988).

The third finding concerns the nature of the ethical climate of the nonprofit organization. Earlier research by Derry (1989) suggests that for-profit organizations are justice-oriented institutions. Both males and females appear to operate based on adherence to the justice model. Derry argues that because organizational culture is justice oriented (that is, oriented toward organizational hierarchies, reward and punishment, policies and procedures), most employees (regardless of gender) would conform to organizational culture. These qualitative findings are further supported by the quantitative results of the work by Victor and Cullen (1987, 1988) in which "law and code" is dominant in for-profit contexts.

On the contrary, the findings of Agarwal and Malloy (1999) differ considerably from earlier results in the for-profit context. Their study reveals that in the nonprofit context there is a general trend toward a so-called caring climate. This finding is interesting and important, as it seems to indicate that an alternative perspective exists with regard to a nonprofit context. Where Derry (1989) had suggested that women had to adapt to the culture of the for-profit organization, the findings of Agarwal and Malloy indicate that such an adaptation would not be required among female members in the nonprofit organization. Rather, it may be that male members must modify their behavior to accommodate a caring culture in the nonprofit organization.

We propose to take the Agarwal and Malloy (1999) nonprofit findings and extend them to a discussion of the influence of several factors on the perception of ethical climate. An understanding of how those factors influence the perception of ethical behavior in an organization would be important for the leadership of any group of people seeking to foster ethical conduct.

Based on the literature, the factors can be classified as (1) individual, (2) organizational, and (3) significant other. The selection of these categories was based on the trends of earlier research and conceptual work regarding factors that influence ethical decision making and ethical climate (for example, Adams, Harris, and Carley, 1998; Hadjistavropoulos and Malloy, 2000; Schepker, Ferrell, and Ingram, 1997). These factors have been explored in the business sector but not in the nonprofit realm. As there may be a unique perspective of ethical climate in the nonprofit organization (see Agarwal and Malloy, 1999; Brower and Shrader, 2000), we feel that these factors need to be examined and cannot be transferred and accepted implicitly from research dealing with the for-profit sector. In the next section, we discuss these factors and present several propositions.

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Factors That Influence Ethical Climate

The research indicates that ethical climate is multidetermined (Victor and Cullen, 1988). Some determining factors are gender, age, and ethical education (Luthar, Di Battista, and Gauthschi, 1997; Wimbush, Shepard, and Markham, 1997); organizational factors, codes of ethics, corporate policy (Nwachukwu and Vitell, 1997; Wyld and Jones, 1997); level of moral development and organizational commitment (Kelley and Dorsch, 1991; Sims and Keon, 1997); and nature and frequency of ethical dilemma (Harris, 1990; Morris and McDonald, 1995). With the exception of the study by Luthar, Di Battista, and Gauthschi, all of the research mentioned was based on the framework of Victor and Cullen (1988). Further, none of these studies was carried out in the context of nonprofit organizations.

In the nonprofit context, we use the dimensions developed by Agarwal and Malloy (1999) and present ten propositions. These were selected because they represent research paths that have been followed in previous investigations in for-profit contexts. They have yet to be explored in the nonprofit realm.

Individual-Specific Factors

Individual-specific propositions concern the factors particular to the individual's demographic profile that may influence the perception of ethical work climate. The research in the area of applied ethics in administration generally and climate specifically is rich with demographic independent variables (for example, Elm and Nichols, 1993; Ford and Richardson, 1994; Luthar, Di Battista, and Gauthschi, 1997). These factors act as the individual's perceptual filters with which the interpretation of organizational values, behaviors, and actions are judged.

Generally speaking, the research is unresolved regarding the existence of gender differences in ethical behavior or in the perception of ethical climate (see Dawson, 1997; Galbraith and Stevenson, 1993; Gilligan, 1982, Gregory, 1990; Kohlberg, 1984; Luthar, Di Battista, and Gauthschi, 1997; Upchurch and Ruhland, 1995). For example, a study by Derry (1989) reveals a justice orientation in for-profit organizations, as does the research conducted by Victor and Cullen (1987, 1988) and by Trevino, Butterfield, and McCabe (1998), in which the dominant climate was found to be law and code (that is, the justice model).

On the contrary, in the nonprofit context the study by Agarwal and Malloy (1999) shows the dominant climate to be that of individual caring ("feminine") and the least important factor to be law and code in a nonprofit context. Therefore it may be expected that members (both males and females) in nonprofit organizations would be socialized to conform to a so-called feminine perspective of individual caring, as opposed to the "masculine" perspective of justice or law and code in the for-profit organizations. In light of this discussion, following is the first proposition:

PROPOSITION 1A. *Gender will not influence the perception of ethical climate.*

Research in for-profit organizations generally supports the view that one's *educational background* does influence the manner in which ethical dilemmas and ethical climates are perceived (Ford and Richardson, 1994; Luthar, Di Battista, and Gauthsch, 1997; Sims and Keon, 1997). Kohlberg (1984) has demonstrated that educational background influences the extent to which an individual is able to reason at higher levels of cognitive complexity. For example, individuals who reason at lower levels of cognitive development view ethical situations in terms of personal reward or punishment. At intermediate levels of cognitive capacity, ethical dilemmas are based first on the influence of significant others, then on prevailing rules, laws, policies, or procedures. The individual at higher levels of cognitive development (that is, with advanced experience or educational background) perceives ethical situations in a more complex and analytical fashion. Perceptions are based on universal principles individually developed. Therefore the perception of ethical climate would presumably be influenced by the cognitive ability of the organizational member. Although this would be true of both nonprofit and for-profit organizations, it could be argued that the cognitive freedom fostered within the organization may influence the development of the cognitive capacities of the individual. For example, in an organization in which strict adherence to policy is demanded and little room for interpretations is allowed, there may be less opportunity for cognitive growth than if the organizational member was encouraged to be more cosmopolitan and at the same time accountable for individual action. Based on the Agarwal and Malloy (1999) model, in which little influence is seen from the local or internal organizational sources and more is based on individual and cosmopolitan referent points, it can be proposed that nonprofit organizations foster a more cognitively demanding environment. The result of this environment is the enhanced ability of the member to recognize deeper aspects of organizational reality (for example, ethical climate). In contrast, the for-profit model, as developed and tested by Victor and Cullen (1988), demonstrates a greater reliance on organizational and rule-based ethical guidance. This environment places fewer cognitive demands on the individual, as he or she is able to rely on internal policy to make ethical choices. Therefore the following two propositions are presented with regard to educational levels:

PROPOSITION 1B. *Educational level will influence the perception of ethical climate.*

PROPOSITION 1C. *Nonprofit organizations will foster a more cognitively challenging environment that will heighten the members' ability to perceive ethical climate.*

Victor and Cullen (1988) identified *length of service* as a significant factor in ethical work climate in for-profit firms. Other literature on commitment has identified length of service as a strong indicator of one's organizational motivation, loyalty, and perception of ethical climate (for example, Kelley and Dorsch, 1991; Sims and Keon, 1997; Street, Robertson, and Geiger, 1997). However, Upchurch and Ruhland (1995) report no significant effect on the perception of ethical climate from job tenure. Although complete agreement does not appear in the for-profit literature, there is strong evidence that length of service makes a significant impact on a person's ethical perception, organizational commitment, and socialization (Wilkins and Ouchi, 1983).

However, the nonprofit context may be different in terms of its impact on the perception of ethical climate. If the perception of ethical climate by nonprofit members were greatly influenced by individual or cosmopolitan referents, then the impact of length of service on such variables as ethical climate (and other organizational variables such as commitment and socialization) would presumably be less powerful. Thus its influence on the perception of ethical climate would also be less. As a result, the third proposition states:

PROPOSITION 1D. *Length of service of the individual will not influence the perception of ethical climate.*

Organization-Specific Factors

These propositions are focused on the organization itself. The nature of the organization has been shown to be an overwhelmingly important factor in influencing the ethical or unethical behavior of the members and the perception of climate in for-profit contexts (Sims and Keon, 1997; Wimbush, Shepard, and Markham, 1997). For example, Victor and Cullen (1988) suggest that organizational form (that is, market, bureaucratic, and clan typologies), as well as various specific factors such as organizational and individual histories, influence the perception of ethical climate. Agarwal and Malloy (1999) show that this presumably powerful factor is muted in the nonprofit sector and replaced by individual and cosmopolitan factors. Despite the weakened position of organizational influence in the nonprofit realm, the authors wish to press the point in this section by discussing a number of factors that are perceived as implicit factors in the for-profit literature.

Some research has indicated that *organizational size* has an impact on the ethical behavior of members (Murphy, Smith, and Daley, 1992; Weber, 1990; Wiley, 1998). For example, Weber (1990) suggests that in larger and more highly structured organizations, the individual may feel somewhat distant from central operations and the formal (and centralized) code of ethics. As a result, there may be a greater reliance on the immediate peer group (that is, informal ethical norms) or superiors to resolve ethical dilemmas, as well as greater pressure to conform to group norms and values. In contrast,

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members of smaller organizations may be more in tune with formal norms; thus organizational ethics may have much more direct effect and relevance.

This trend, however, may not be the case in the nonprofit realm. It may be that, regardless of organizational size, local norms (formal or informal) have less meaning in nonprofits than individual and cosmopolitan norms. Based on this research, the following proposition is formulated:

PROPOSITION 2A. *Size of the organization will not influence the perception of ethical climate.*

The literature concerning for-profit organizations suggests that the existence of organizational *codes of ethics* positively influences the ethical behavior of the membership in the for-profit sector (Dean, 1992; Ford and Richardson, 1994; Nwachukwu and Vitell, 1997; Sinclair, 1993). For example, Vitell and Singhapakdi (1991) report that the interests of the organization are held in higher esteem where codes of ethics exist. Weeks and Nantel (1992) report that well-communicated codes of ethics influence the behavior of individuals in sales positions. However, this may not be the case in nonprofit organizations in which organization codes may have less sway than individual or cosmopolitan codes. Therefore, it may seem appropriate to suggest that formal organization-based codes of ethics do not influence perception of ethical climate, as the following proposition states:

PROPOSITION 2B. *The existence of a code of ethics in the organization will not influence the perception of ethical climate.*

Decision-making style has been known to influence the ethical perception of the membership in the for-profit sector (Ford and Richardson, 1994). Generally speaking, autocratic styles infer that individuals wield authority from positions of legitimate or charismatic power. However, democratic (majority vote) and consensual (unanimous agreement) styles infer group participation and power distribution (Upchurch and Ruhland, 1995). As the perception of ethical climate is not driven locally, members of nonprofit organizations may be indifferent to decision styles generally. For example, the Machiavellian member may care little for the decision style used because his or her concern is not the decision but the result to him or her personally. Similarly, the cosmopolitan may care little for the style used if universal goals are being achieved. Therefore for both the Machiavellian and the cosmopolitan, if goals are being attained, decision style may be irrelevant.

PROPOSITION 2C. *The decision style used in the organization will not influence the perception of ethical climate.*

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Significant Other Factors

These factors describe the nature of dilemmas in terms of their contact with significant others that the individual may have faced in their work environment. A number of studies in the for-profit sector have identified factors related to the nature of the dilemma (Harris, 1990; Morris and McDonald, 1995; Posner and Schmidt, 1993; Robertson and Schlegelmilch, 1993). Robertson and Schlegelmilch (1993) identify fifteen ethical issues (for example, drug and alcohol abuse, employee theft, conflict of interest) that are of significant concern to American and British workers. In particular, Harris (1990) investigated the nature and frequency of ethical issues faced by different levels of the organization's hierarchy (for example, top, middle, and first-level management, and sales and service).

At the base of much of this research are the allied theories of social modeling (Bandura, 1977), differential association (Sutherland and Cressey, 1970), and role-set configuration (Merton, 1957). These theories point to the nature and frequency of interaction with superiors and coworkers that influence the ethical behavior or the perception of ethical behavior by the individual (for example, Adams, Harris, and Carley, 1998; Brenner and Molander, 1977; Ferrell, Zey-Ferrell, and Krugman, 1983; Jones and Kavanagh, 1996). Fritzsche (1997) concludes that "both peers and top management appear to significantly influence the ethical behavior of managers, with top management wielding the greatest influence. Ethical behavior can be encouraged and unethical behavior can be discouraged by the actions of top management and of peers. Unfortunately, the converse is also probably true" (p. 66).

However, the nonprofit context may be unique with respect to the influence of superiors and coworkers on the perception of ethical work climate. These two cohorts represent a source of normative pressure to conform to local and organizational standards of conduct. Because the local locus of analysis was found to be absent from the matrix of ethical dimensions of the nonprofit work climate in the study by Agarwal and Malloy (1999), it may be proposed that neither superiors nor coworkers who make up the local environment influence the individuals' perception of ethical climate. For example, the individual working in a nonprofit health care center may be influenced more significantly by the philosophy of the profession (for example, the American Medical Association's directives) than by the particular behaviors, norms, and beliefs of immediate work group members.

PROPOSITION 3A. The frequency of dilemmas dealing with superiors will not influence the perception of ethical climate.

PROPOSITION 3B. The frequency of dilemmas dealing with coworkers will not influence the perception of ethical climate.

However, this may not be the case for volunteers who are somewhat external to the organization in terms of professional and contractual obligation and duty. The volunteer may represent a more cosmopolitan perspective and may, in fact, have a greater impact on ethical perceptions of the member than internal cohorts such as superiors and coworkers (see Fritzsche, 1996). Based on this rationale, the following proposition was developed:

PROPOSITION 3C. *The frequency of dilemmas dealing with volunteers will influence the perception of ethical climate.*

Implications and Conclusion

We have discussed a number of factors that may influence the perception of ethical work climate in a nonprofit context, including three categories of factors (individual, organizational, and significant other) that have been shown to influence ethical perceptions in for-profit contexts. Our work and the earlier work of Agarwal and Malloy (1999) suggest that there may exist a unique configuration of ethical climate dimensions and a unique set of factors that influence these dimensions. As a result, a distinct management paradigm seems to be required for this nonprofit context in order to more fully understand, and enhance where necessary, the ethical climate of the membership.

The implications of the factors that *may* influence ethical perceptions point to the importance of being aware of the intellectual abilities of members, of power sharing, of leadership style, and of the recruitment of volunteers. The nonprofit leadership needs to be cognizant that members, as a function of educational level, not only expect to be part of the decision process but are suspicious of the leadership when they are not included. Members in this context may expect to be treated as Kantian ends-in-themselves, as opposed to organizational utilitarian means-to-an-end. As a result, if the leadership employs the traditional for-profit (justice-bureaucratic) managerial posture, it may be ill-suited to the nonprofit's cosmopolitan membership seeking individual empowerment and participation in decision making.

Specifically, we suggest that leaders of nonprofit organizations should be aware of the manner in which they make decisions and the manner in which they behave generally; these internal cultural and political components are of great importance to the membership's perception of ethical climate. Further, the leadership would do well to be extremely selective when recruiting volunteers because these individuals may represent and provide role models for the very cosmopolitan norms that the organizational membership seeks to emulate. Thus the ethical status of a volunteer should be considered; that person is much more than a warm body who is there to simply help out. Volunteers can be vital agents in the organization's effort to instill global norms into the local context.

The nonprofit leadership needs to be cognizant that members, as a function of educational level, not only expect to be part of the decision process but are suspicious of the leadership when they are not included

The implications of the factors that *may not* influence are also important for a number of reasons. Commitment based on tenure or seniority may need to be revisited. If a member's allegiance is focused more on the cause (for example, saving the ecology) than on the organization itself, then the means (for example, power distribution, policy formulation, and decision style) to weave the cosmopolitan with the local must be explored. Similarly, the leadership may rethink the utility of codes of ethics that are grounded in local norms and perhaps consider broadening its scope to include more global standards that are apt to catch the interest and sense of duty of organizational members (for example, Cohen, Pant, and Sharp, 1993). The size of the organization may not be relevant to ethical perception, as referents are not organizationally based. However, size may become salient if the leadership could create a perceived linkage between individual, local, and cosmopolitan values and goals (Hodgkinson, 1996; Schepker, Ferrell, and Ingram, 1997). Similarly, the use of peer pressure (for example, differential association) to instill an organizationally sanctioned climate or culture may be unwise, particularly if peers represent a local orientation. It may be much more effective if the pressure to conform to certain norms were representative of the "bigger picture," as opposed to the survival of one organization.

To conclude, a distinct management paradigm of ethical climate may be required for the nonprofit context. This article provides the conceptual framework for a set of propositions with potential managerial implications. Future research to validate these propositions should look at differences in perceptions of ethical climate between for-profit and nonprofit organizations. Further, data could be collected from a cross-section of organizations from both sectors to ensure the generalizability of the findings. Finally, a future research agenda should be developed to include cross-cultural factors that may have a moderating influence on the perception of ethical climate.

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