Factors influencing ethical climate in a nonprofit organisation: An empirical investigation

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ABSTRACT

Drawing from Victor and Cullen's^{1,2} theoretical framework a recent study by Agarwal and Malloy³ examined ethical work climate dimensions in the context of a nonprofit organisation. This paper reviews the framework and extends the study further by investigating several factors that influence the perception of ethical work climate in a nonprofit organisation. The multiple analysis of variance (MANOVA) procedure is employed to test nine hypotheses. Results demonstrate somewhat unique findings regarding factors that influence ethical climate perception in a nonprofit context. Specifically, the findings of this study point to the level of

education, decision style and the influence that superiors and volunteers have upon ethical perception. Results also demonstrate that factors that have been employed traditionally by for-profit management, such as length of service, codes of ethics, size of the organisation and peer pressure, do not effectively influence ethical perception in the nonprofit context. Finally implications of this study are discussed.

INTRODUCTION

In the last decade there has been a push to understand the nature of organisations through the concept of climate. Research has demonstrated that climate is a significant factor that influences both productivity and satisfaction among its members.⁴⁻¹¹ Furthermore, climate has been uncovered as a variable that influences ethical conduct among groups and individuals.^{1,2,6,12}

As a 'catalyst' or at least as a potentially forceful moderator of individual organisational behaviour, climate may have a significant role to play in the manner in which members behave or are influenced to behave ethically or unethically.¹³ Presumably then, organisational climate in conjunction with an individual's own ethical orientation, as well as the formal system of rules and regulations of the organisation, may be key variables

in determining not only the performance of organisational members, but also the tenor of the ethical conduct of the membership.¹ Falkenberg and Herremans¹⁴ conclude from their research that 'the informal systems [ie climate] are the dominant influence on behaviour when ethical issues are resolved' (p. 140). Specifically, it has been suggested by many in the field that the ethical climate in organisations influences the moral conduct of the membership.^{1,2,6,12} Ethical climate is generally defined as a psychological construct that is based upon the aggregation of individual perceptions of what is ethical conduct in the organisation. 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 behaviour and how ethical issues are managed. An understanding of the factors that influence the perception of ethical behaviour in an organisation or in different sectors of administration (ie public, for-profit and nonprofit) therefore would be extremely important for the leadership of any group of people in order to foster ethical conduct as opposed to unethical conduct.

Three recent studies have been carried out exploring the nature of ethical climates in nonprofit organisations.^{3,15,16} The results seem to indicate that the nonprofit sector is unique. In particular, the research conducted by Agarwal and Malloy³ resulted in a framework that is particularly distinct from previous findings in the for-profit sector; however, none of these studies sought to explore the factors that create this distinction. The purpose of this paper is to examine the conceptual framework developed by Agarwal and Malloy³ and then to extend it so as to incorporate factors that may influence the development of ethical climate in nonprofit organisations.

ETHICAL CLIMATE

Victor and Cullen^{1,2} 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 drew from the findings of Higgins *et al.* and Kohlberg^{17,18} which indicate that the 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' which is created by the community.

Ethical theory, in Victor and Cullen's^{1,2} construct, consists of three dimensions that parallel the pre-conventional, conventional and post-conventional orientations of Kohlberg's¹⁹ model. They include egoism (hedonism), benevolence (utilitarianism) and principled (deontology) ethical grounding. Egoism refers to behaviour that is fundamentally self-interested in seeking pleasure and avoiding pain for the individual actor. The focus of benevolence or utilitarianism is towards the greatest pleasure and least pain for the collective or for the greater number (eg the immediate work group, the firm, the community and the society at large). In contrast to these two teleologically based orientations is the principled or deontological view which places greatest emphasis upon duty founded upon laws, rules, policies and procedures (eg the firm's code of ethics, the laws of society or divine commandments). Locus of analysis, consisting of individual, local and cosmopolitan referent points, functions to 'shape the behaviors and attitudes of role incumbents' (p. 106).² 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

Figure 1 Victor and Cullen’s ethical climate matrix (for-profit)^{1,2}

Locus of analysis				
Ethical criteria		Individual	Local	Cosmopolitan
	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>

*Victor and Cullen’s conceptual dimensions based upon *a priori* juxtaposition of ethical theory and locus of analysis are found in upper case letters.

**Victor and Cullen’s empirical dimensions are found in italics

community of significant others. Norms, values and behaviours derived from this immediate work or social community are internalised or at least generally operationalised by the individual actor. The cosmopolitan locus of analysis extends beyond the group and the firm. At this level, behaviour is shaped by normative systems that have the potential to operate within the organisation but are generated and maintained externally (eg professional codes of ethics as opposed to firm-specific behavioural norms). The juxtaposition of ethical theory and locus of analysis results in a 3 × 3 matrix consisting of nine theoretically based ethical climates (Figure 1).

While the nine cells of Victor and Cullen’s² matrix are generic in their theoretical application, the research that has been conducted, with few exceptions, has focused upon the for-profit sector. The empirical results, as indicated in parentheses in Figure 1, demonstrate that generally only five climate types in

for-profit settings emerge (ie instrumental, caring, independence, rules and law and code). In the study by Agarwal and Malloy³ in a nonprofit organisation, this distribution of locus of analysis was not replicated. While the authors used Victor and Cullen’s^{1,2} questionnaire, they found dramatically different ethical climate orientations. Figure 2 is a reproduction of the extracted dimensions for the nonprofit organisation within Victor and Cullen’s^{1,2} framework of ethical criteria and locus of analysis.

Three interesting findings emerge from the Agarwal and Malloy³ study (Figure 2). First, concerning the dimensions based upon the benevolent ethical criteria, two distinct climates emerge: individual caring and social caring. A comparison of Figures 1 and 2 reveals that the nonprofit sector has a greater discriminating perception of benevolent climates than its counterpart in the for-profit sector. Jeavons²⁰ argues that this is a result of its underlying communitarian assumptions.

<i>Locus of analysis</i>				
Ethical criteria		<i>Individual</i>	<i>Local</i>	<i>Cosmopolitan</i>
	Egoism	<i>Machiavellian</i>		
	Benevolence	<i>Individual caring *</i>		<i>Social caring</i>
	Principle	<i>Independence</i>		<i>Law and code</i>

*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 organisational setting. Social caring refers to an organisation where members perceive the organisation to be concerned with the welfare of the commonwealth and not just its own survival. Finally, law and code refers to a structured organisational climate that is driven by formal policy and procedure.

Figure 2 Agarwal and Malloy's ethical climate matrix (not-for-profit)³

Secondly, the climate dimensions concerning the individual and cosmopolitan loci of analysis were polarised. In Figure 2, there were no significant climate perceptions based upon the local locus of analysis (ie ethical climate relating to the organisation itself). Therefore, individuals in the nonprofit sector may perceive ethical climate to be more supportive of personal growth, well-being and social responsibility than the organisation in which they work. Norms, values and behaviour 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 organisational imperative is strongly advocated and inculcated.^{1,2,21}

The third finding concerns the nature of the ethical climate of the nonprofit organisation. Earlier research by Derry²² suggests that for-profit organisations are justice-oriented institutions. Both males and females appear to operate based upon adherence to the justice model. It is argued that because organisational cul-

ture was justice-oriented (ie organisational hierarchies, reward and punishment structures, policy- and procedure-driven, etc), most employees would conform to organisational culture regardless of gender. These qualitative findings were further supported by the quantitative results of Victor and Cullen's work^{1,2} in which they found that 'law and code' was dominant in for-profit contexts. In contrast, the findings of Agarwal and Malloy³ differ considerably from earlier results in the for-profit context. Their study reveals, in the nonprofit context, a general trend towards 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 Derry²² suggests that women have to adapt to the culture of the for-profit organisation, the findings of Agarwal and Malloy³ indicate that such an adaptation would not be required among female members of a nonprofit organisation. Rather, it may be that male members must modify their behaviour to accom-

moderate a caring culture in the nonprofit organisation.

Not-for-profit organisations need to understand the uniqueness of these ethical climate dimensions in order to adapt marketing practices, both internally (internal marketing) as well as externally. In services marketing, the five dimensions of service quality used by firm stakeholders are: *tangible benefits*, *reliability*, *responsiveness*, *assurance* and *empathy*.²³ While the tangible and reliability dimensions of relationship quality pertain to the performance of obligations and are grounded in integrity, the other three dimensions (responsiveness, assurance and empathy) are embedded in benevolence. Benevolence forms the underlying dimension of trust in a relationship which implies that one partner is *genuinely* interested in the other partner's welfare and motivated to seek joint gain rather than an egocentric motive.^{24,25}

The for-profit sector, which fundamentally follows the justice model, is increasingly embracing the tenets of relationship marketing, ie treating customers and other groups as long-term stakeholders rather than immediate transaction-specific profit centres. Morgan and Hunt²⁶ broaden this definition by stating 'relationship marketing refers to all marketing activities directed towards establishing, developing, and maintaining, successful relational exchanges'. Intuitively, the not-for-profit sector is better placed than the for-profit sector to launch and leverage relationship marketing practices effectively since it is grounded in the caring feminine model. For example, positioning and promotion of the organisation and its causes to the external stakeholders must take into consideration the genuine caring and long-term perspectives. Individual caring (internal marketing) and social caring (external marketing) should then become major drivers of policies and practices.

The purpose of this paper is to build upon the Agarwal and Malloy³ framework and extend it further to discuss the influence of several factors on perception of ethical climate. An understanding of the factors that influence the perception of ethical behaviour in an organisation would be extremely important for the leadership of any group of people in order to foster ethical conduct. Based upon the related literature, these factors can be classified as individual factors, organisational factors and significant other factors. These categories were selected based upon the trends of earlier research and conceptual work regarding factors that influence ethical decision making and ethical climate.^{9,27,28} While these factors have been explored in the business sector, there is a lack of research initiative in the nonprofit realm. As there may be a unique perspective of ethical climate in the nonprofit organisation,^{3,15} the authors 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 these factors are discussed and a number of hypotheses are presented.

HYPOTHESES

Research concerning factors of ethical climate indicates that a variety of factors may influence individual and group perceptions, thus supporting the contention that ethical climate is multi-determined.² Some of these factors are gender, age and ethical education;^{29,30} organisational factors, codes of ethics and corporate policy;^{31,32} level of moral development and organisational commitment;^{33,34} and nature and frequency of ethical dilemma.^{35,36} With the exception of the study by Luthar *et al.*,²⁹ all of the research mentioned was based upon Victor and Cullen's² framework.

Furthermore, none of these studies was carried out in the context of nonprofit organisations.

Based upon past theoretical and empirical research and upon the dimensions developed by Agarwal and Malloy,³ nine hypotheses were investigated in this study. These nine were selected because they represent research paths that have been generally followed in previous investigations in for-profit contexts. They have yet to be explored in the nonprofit realm, specifically in the context of nonprofit organisations. These hypotheses have been placed into the following three groupings: individual-specific factors,³ organisational-specific factors³ and dilemma-specific factors.³

Individual-specific factors

These hypotheses are focused upon each individual's demographic profile that may influence their perception of ethical work climate. The literature is rich with empirical studies concerning demographic independent variables.^{2,7,29,37–40} These factors act as perceptual filters through which organisational values, behaviour and actions are interpreted.

Generally speaking, the research is unresolved regarding the existence of *gender differences* in ethical behaviour or in the perception of ethical climate.^{18,22,29,41–45} It has been argued that females reason from an ethic of caring⁴¹ whereas males reason from an ethic of justice.¹⁸ The empirical data confirming or denying gender distinction in business contexts are far from uniform.^{46–48} For example, Derry's²² study reveals a justice orientation in for-profit organisations as does the research conducted by Victor and Cullen^{1,2} and by Trevino *et al.*⁴⁹ in which the dominant climate was found to be 'law and code' (ie the justice model).

In contrast, in the nonprofit context, the study by Agarwal and Malloy³ found

the dominant climate to be that of individual caring (ie 'feminine') and the least important factor to be law and code. Therefore, it may be expected that members (both males and females) in nonprofit organisations become socialised to conform to a 'feminine' perspective of individual caring as opposed to the 'masculine' perspective of justice or 'law and code' in for-profit organisations. In light of this discussion, the following is the first hypothesis:

H_{1a}: *That there will not be a significant difference in the perception of ethical climate based upon gender.*

The empirical literature supports the observation that one's *educational background* does influence the manner in which ethical dilemmas and ethical climates are perceived.^{29,34,38} Specifically, Kohlberg's¹⁸ work has demonstrated that educational background will influence the extent to which an individual is able to reason at higher levels of cognitive complexity (eg from pre-conventional to post-conventional levels of moral reasoning). 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 upon the influence of significant others and then prevailing rules, laws, policies, or procedures. The individual at higher levels of cognitive development (ie advanced experience and/or educational background) perceives ethical situations in a more complex and analytical fashion. Perceptions are based upon universal principles individually developed. Therefore, the perception of ethical climate presumably would be influenced also by the cognitive ability of the organisational member. Therefore, the following

hypothesis is presented with regard to educational level:

H_{1b}: *That there will be a significant difference in the perception of ethical climate based upon educational level.*

Victor and Cullen² identified *length of service* as a significant factor in the ethical work climate of for-profit firms. Other related literature on commitment has identified length of service as a strong indicator of one's organisational motivation, loyalty and perception of ethical climate.^{33,34,50,51} On the other hand, Upchurch and Ruhland⁴⁸ found no significant impact on the perception of ethical climate from job tenure. While there may not be complete agreement in the for-profit literature, there does seem to be strong evidence to suggest that length of service will make a significant impact upon one's ethical perception, organisational commitment and socialisation.⁵²

The nonprofit context may be different, however, in terms of its impact on the perception of ethical climate. For example, if the perception of ethical climate by nonprofit members were greatly influenced by individual and/or cosmopolitan referents, then the impact of length of service upon ethical climate (and other organisational variables, such as commitment and socialisation) presumably would be less powerful. As a result, the third hypothesis states:

H_{1c}: *That there will not be a significant difference in the perception of ethical climate based upon length of service of the individual.*

Organisational-specific factors

These hypotheses are focused upon the organisation itself. The nature of the organisation has been shown to be an overwhelmingly important factor in

influencing the ethical or unethical behaviour of the members and the perception of climate in for-profit contexts.^{30,34} For example, Victor and Cullen² suggest that organisational form (ie market, bureaucratic and clan typologies) as well as various specific factors, such as organisational and individual histories, will influence the perception of ethical climate. Agarwal and Malloy³ found that this presumably powerful factor is muted in the nonprofit sector and replaced by individual and cosmopolitan factors. Despite the weakened position of organisational influence in the nonprofit realm, the authors wish to press the point in this section by discussing a number of factors that are perceived to be implicit factors in the for-profit literature.

There has been some research that indicates that *organisational size* has an impact upon ethical behaviour of members.^{53,54} For example, Weber⁵⁴ suggests that, in larger and more highly structured organisations, the individual may feel somewhat distant from central operations and the formal (and centralised) code of ethics. As a result, there may be a greater reliance upon the immediate peer group (ie informal norms) or superiors to resolve ethical dilemmas as well as greater pressure to conform to group norms and values. In contrast, members of smaller organisations may be more in tune with formal norms and thus organisational ethics may have much more direct effect and relevance. This trend, however, may not be the case in the nonprofit realm. It may be for the nonprofit members that, regardless of the organisational size, local norms, be they formal or informal, will have less meaning than individual and cosmopolitan norms.³ For example, an environmentalist employed in either a large or small organisation may be committed to the cosmopolitan goals and

objectives (eg save endangered species) as opposed to the formal/informal norms of the organisation. Based upon this recent research, the following hypothesis is formulated:

H_{2a}: *That there will not be a significant difference in the perception of ethical climate based upon the size of the organisation.*

The literature concerning for-profit organisations suggests that the existence of *codes of ethics* positively influences the ethical behaviour of the membership in the for-profit sector.^{10,31,38,55} For example, in a study by Vitell and Singhapakdi⁵⁶ it was found that the interests of the organisation are held in higher esteem where codes of ethics exist. Weeks and Nantel⁵⁷ found that well-communicated codes of ethics influence the behaviour of individuals in sales positions; however, this may not be the case in nonprofit organisations. Unlike for-profit organisations, the study by Agarwal and Malloy³ reveals that perceptions of ethical climate generally are not influenced by local/organisational loci of analyses. Therefore, it may seem appropriate to suggest that formal organisational-based codes of ethics will not influence perceptions of ethical climate as the following null hypothesis states:

H_{2b}: *That there will not be a significant difference in the perception of ethical climate based upon the existence of a code of ethics in the organisation.*

Decision-making style has been known to influence the ethical perception of the membership in the for-profit sector.³⁸ Generally speaking, autocratic styles infer that individuals wield authority from positions of legitimate and/or charismatic power. On the other hand, democratic (majority vote) and consensual (unanimous agreement) styles infer group par-

ticipation and power distribution.⁴⁸ As the perception of ethical climate is not driven locally, members of nonprofit organisations 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.

H_{2c}: *That there will not be a significant difference in the perception of ethical climate based upon the decision style used in the organisation.*

Dilemma-specific hypotheses

These factors describe the nature of dilemmas 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.^{35,36,58,59,60} For example, Morris and McDonald³⁶ investigated the relative moral intensity of dilemmas faced by undergraduate administration students. Robertson and Schlegelmilch⁶⁰ identified 15 ethical issues (eg drug and alcohol abuse, employee theft, conflict of interest, etc) that were of significant concern to American and British workers. In particular, Harris³⁵ investigated the nature and frequency of ethical issues for different levels of the organisation's hierarchy (eg top, middle, first level management and sales/service).

Forming the base of much of this research are the allied theories of social modelling,⁶¹ differential association⁶² and role-set configuration.⁶³ These theories point to the *nature* and *frequency* of interaction with superiors and co-workers that influences the ethical behaviour

and/or the perception of ethical behaviour by the individual.^{27,64–68} For example, Fritzsche⁶⁹ concludes ‘both peers and top management appear to influence significantly the ethical behaviour of managers, with top management wielding the greatest influence. Ethical behaviour can be encouraged and unethical behaviour can be discouraged by the actions of top management and of peers. Unfortunately, the converse is also probably true.’ (p. 66)

The nonprofit context, however, may be unique with respect to the influence of superiors and co-workers upon the perception of ethical work climate. These two cohorts represent a source of normative pressure to conform to local/organisational standards of conduct. Since the local locus of analysis was found to be absent from the matrix of ethical dimensions of work climate,³ it may be hypothesised, therefore, that neither superiors nor co-workers will influence individuals’ perception of ethical climate. For example, the individual working in a nonprofit health care centre may be more significantly influenced by the philosophy of the profession (eg the American Medical Association) rather than the particular behaviour, norms and beliefs of their immediate work group.

H_{3a}: *That there will not be a significant difference in the perception of ethical climate based upon the frequency of dilemmas dealing with superiors.*

H_{3b}: *That there will not be a significant difference in the perception of ethical climate based upon the frequency of dilemmas dealing with co-workers.*

This hypothesis may not be the case for volunteers who are somewhat external to the organisation in terms of professional and contractual obligation and duty. The volunteer may represent a more cosmopolitan perspective and, in fact, may

have a greater impact upon ethical perceptions of the member than internal cohorts, such as superiors and co-workers.⁶⁹ Based upon this rationale, the following hypothesis was developed:

H_{3c}: *That there will be a significant difference in the perception of ethical climate based upon the frequency of dilemmas dealing with volunteers.*

METHODOLOGY

Sample

The subjects of the study were members of a Canadian provincial sports federation established in 1974. The federation is an umbrella organisation that consists of 70 sports-specific sub-units with 400 members who receive philosophical and policy guidance, funding and administrative support from an administrative central office. The federation is a not-for-profit organisation that is charged with the delivery of sport at both the recreational and elite levels of competition. It is important to note that the Canadian sports scene has undergone dramatic changes in the past 30 years as the federal government has taken an active role in the promotion and delivery of sports and recreation programming.⁷⁰ As a consequence of this initiative, a substantial cadre of professional sports administrators has developed not only at the federal level but also at the provincial and municipal levels of government.⁷¹ The rationale for the growth of this emergent profession was the expectation that ‘better results in the high performance sport area [was]... at least partially dependent on the existence of a rational, professionally organised and controlled management system’(p. 141).⁷² Therefore, in Canada (and other countries such as Australia) there exists a distinct force of nonprofit administrators, funded

directly and/or peripherally (ie through licensed lottery sales) by government whose function it is to deliver sports and recreational programming to elite athletes and recreation participants.

The subjects were sent a self-addressed and stamped envelope, the survey instrument, and a cover letter explaining the purpose of the study. Subjects were informed, in writing, that their participation was voluntary and that their responses would remain anonymous and confidential. The study received approval from the Ethics in Research Committee from a Canadian university. The return rate was 37 per cent or 148 usable questionnaires. This level of response is not uncommon based upon the ethical nature of the items.^{73,74} The sample consisted of executive and technical directors, board of directors and coaches. The mean age of the respondents was 42 years. The respondents were 67 per cent male and 33 per cent female and had an average of about 12 years of experience.

Measurement

The instrument used in this study consisted of two sections. The first section included the ethical climate questionnaire (ECQ) developed by Victor and Cullen.^{1,2} This survey instrument consists of 36 items anchored on a six-point Likert scale (completely false to completely true). Each item asked a question pertaining to one of the nine theoretical cells identified in Figure 1. For example, item number 14 states, 'Decision makers are expected to comply with the law and professional standards over and above other considerations'. This particular item reflects an ethical climate that appears in the 'local' and 'principle' cell of Figure 1. In some cases, items were modified slightly to reflect the context of sports organisations as opposed to the generic format of the ECQ.

The second section consisted of the study's independent variables based upon Soutar *et al.*'s⁷³ study investigating the impact of various work factors upon ethical decision making. The individual-specific factors were measured as follows: gender type — male and female; level of education — high school, undergraduate, and graduate; and length of service — 1–5 years, 6–10 years and 11–20 years. The organisational-specific factors were measured as follows: size of organisation — less than 100 members, 100 to <500 members, 500 to <2,500 members and more than 2,500 members; existence of code of ethics — yes and no; and decision style — autocratic, democratic and consensual. The dilemma-specific factors were measured as follows: dilemma dealing with superiors — never, occasionally and frequently; dilemma dealing with co-workers — never, occasionally and frequently; and dilemma dealing with volunteers — never, occasionally and frequently.

ANALYSIS AND RESULTS

The five dimensions extracted by Agarwal and Malloy³ in the not-for-profit context were used for this study. The common factor model (oblique rotation) extracted five dimensions with eigenvalues greater than unity. These were: individual caring (6.68), machiavellianism (3.06), independence (2.20), social caring (1.42) and law and code.^{1,16} Cronbach alphas for these constructs were individual caring 0.67, machiavellianism 0.86, independence 0.78, social caring 0.79 and law and code 0.79, thus indicating acceptable reliability. Table 1 contains the factor loadings. Also, as hypothesised based on theoretical considerations,^{1,2} all of the factors were significantly correlated ($p < 0.05$) except for independence. Using LISREL, the measurement model with

Table 1: Factor loadings

	1	2	3	4	5
FACTOR 1: Individual Caring					
35. It is expected that each individual is cared for when making decisions here.[BI]	<u>58</u>	-09	-11	05	08
21. Our major consideration is what is best for everyone in the organisation.[BI]	<u>46</u>	-19	13	10	24
32. What is best for each individual is a primary concern in this organisation.[BI]	<u>46</u>	08	06	04	-01
16. In this organisation, our major concern is always what is best for the other person.[BI]	<u>39</u>	-10	17	14	04
FACTOR 2: Machiavellianism					
33. Decision makers in this organisation are very concerned about what is best for themselves.[EI]	-02	<u>85</u>	20	-16	-02
10. In this organisation, decision makers protect their own interests above other considerations.[EI]	-1	<u>56</u>	-01	-20	-03
1. In this organisation, decision makers are mostly out for themselves. [EI]	-27	<u>56</u>	09	-19	05
6. There is no room for one's own personal morals or ethics in this organisation.[EI]	12	<u>42</u>	-26	-02	-07
FACTOR 3: Independence					
22. In this organisation, decision makers are guided by their own personal ethics.[PI]	02	05	<u>81</u>	03	08
3. In this organisation, decision makers are expected to follow their own personal and moral beliefs.[PI]	00	09	<u>78</u>	05	-06
FACTOR 4: Social Caring					
30. Decision makers in this organisation are actively concerned about the athletes' and the public's interests.[BC]	-04	-05	10	<u>82</u>	-01
34. The effects of decisions on the athlete and the public are a primary concern in this organisation.[BC]	15	-04	-09	<u>68</u>	-04
26. It is expected that you will always do what is right for the athlete and public.[BC]	15	05	06	<u>59</u>	05
28. Decision makers in this organisation have a strong sense of responsibility to the outside community.[BC]	-09	-13	-05	<u>59</u>	14

Table 1: (continued)

	1	2	3	4	5
FACTOR 5: Law and Code					
13. The first consideration is whether a decision violates any law.[PC]	-09	08	-14	18	<u>73</u>
14. Decision makers are expected to comply with the law and professional standards over and above other considerations.[PC]	25	-11	10	-15	<u>69</u>
20. In this organisation, decision makers are expected to strictly follow legal or professional standards.[PC]	18	-10	0	7	<u>63</u>
24. In this organisation, the law or ethical code is the major consideration.[PC]	-07	08	08	13	<u>59</u>

Abbreviations

Ego-Individual [EI]

Benevolent-Individual [BI]

Principle-Individual [PI]

Ego-Local [EL]

Benevolent-Local [BL]

Principle-Local [PL]

Ego-Cosmopolitan [EC]

Benevolent-Cosmopolitan [BC]

Principle-Cosmopolitan [PC]

co-variances among constructs (ie the five extracted dimensions) was tested using maximum likelihood estimation. The results were: chi square with 67 degrees of freedom = 83.50 ($p = 0.08$); GFI = 0.92; AGFI = 0.88; and RMSR = 0.06, indicating a good model fit.

To test each of the hypotheses, the five climate dimensions (individual caring, machiavellianism, independence, social caring and law and code) served as the multivariate dependent variable. A series of multiple analysis of variance procedures (MANOVAs) were conducted with the individual, organisational and dilemma-specific factors serving as the independent variable. The results are discussed below.

Individual-specific factors

Of the three hypotheses presented for this set of factors, all were supported (see Table 2). H_{1a} was supported because there was no significant difference in the perception of ethical climate based upon gender ($F = 1.42$, $p < 0.220$). H_{1b} was also supported because there was a sig-

nificant difference in the perception of ethical climate based upon educational level ($F = 1.83$, $p < 0.030$). Machiavellianism was the only ethical dimension perceived differently across educational levels ($F = 5.21$, $p < 0.002$). The higher the education, the greater the influence of machiavellianism on ethical perception. Finally, under individual-specific factors, H_{1c} was also supported because there was no significant difference in the perception of ethical climate based upon length of service ($F = 1.26$, $p < 0.256$).

Organisational-specific factors

Of the three hypotheses presented for this set of factors, two were supported (see Table 3). H_{2a} was supported. There was no significant difference in the perception of ethical climate based upon size of the organisation ($F = 1.45$, $p < 0.123$). H_{2b} was also supported because there was no significant difference in the perception of ethical climate based upon whether or not the organisation carried a code of conduct ($F = 1.62$, $p < 0.160$). However, H_{2c} was

Table 2: Individual-specific factors

Gender (N = 137)	Overall effect: F = 1.42, p < 0.220		Level of education (N = 109)		Overall effect: F = 1.83, p < 0.030		Length of service (N = 127)		Overall effect: F = 1.26, p < 0.256	
Ethical climate dimensions	Mean/S.D.	F value/P value (1, 135)	Ethical climate dimensions	Mean/S.D.	F value/P value (2, 106)	Ethical climate dimensions	Mean/S.D.	F Value/P Value (2, 124)		
Individual caring (F1)		0.01/0.934	Individual caring (F1)		1.38/0.252	Individual caring (F1)		0.46/0.634		
Male	3.35/0.71		High school	3.48/0.85		1–5 years	3.27/0.68			
Female	3.34/0.81		Undergraduate	3.22/0.67		6–10 years	3.41/0.72			
			Graduate	3.25/0.84		11–20 years	3.39/0.94			
Machiavellianism (F2)		0.02/0.893	Machiavellianism (F2)		5.21/0.002*	Machiavellianism (F2)		3.40/0.037*		
Male	1.72/1.02		High school	1.40/0.86		1–5 years	1.90/1.05			
Female	1.72/0.78		Undergraduate	1.81/0.92		6–10 years	1.58/0.79			
			Graduate	1.96/1.04		11–20 years	1.33/0.84			
Independence (F3)		4.15/0.044*	Independence (F3)		0.61/0.608	Independence (F3)		0.90/0.411		
Male	3.43/0.98		High school	3.24/1.20		1–5 years	3.35/1.00			
Female	3.06/1.05		Undergraduate	3.27/0.93		6–10 years	3.33/0.87			
			Graduate	3.64/0.92		11–20 years	3.02/1.16			
Social caring (F4)		0.13/0.721	Social caring (F4)		1.45/0.233	Social caring (F4)		2.18/0.117		
Male	3.91/0.64		High school	4.05/0.64		1–5 years	3.88/0.55			
Female	3.86/0.65		Undergraduate	3.76/0.57		6–10 years	3.86/0.61			
			Graduate	3.95/1.06		11–20 years	4.18/0.85			
Law and code (F5)		1.21/0.272	Law and code (F5)		0.83/0.483	Law and code (F5)		0.10/0.90		
Male	3.71/0.87		High school	4.01/0.73		1–5 years	3.77/0.87			
Female	3.88/0.70		Undergraduate	3.73/0.85		6–10 years	3.73/0.80			
			Graduate	3.75/0.84		11–20 years	3.83/0.74			

*Significant at $p < 0.05$

Table 3: Organisation-specific factors

Members size (N = 137)	Overall effect: F = 1.45, p < 0.123		Code of ethics (N = 121)		Overall effect: F = 1.62, p < 0.160		Decision style (N = 128)		Overall effect: F = 2.94, p < 0.002	
Ethical climate dimensions	Mean/S.D.	F value/P value (1, 133)	Ethical climate dimensions	Mean/S.D.	F value/P value (1, 119)	Ethical climate dimensions	Mean/S.D.	F Value/P Value (2, 125)		
Individual caring (F1)		3.06/0.030*	Individual caring (F1)		1.29/0.258	Individual caring (F1)		1.57/0.212		
Less than 100	3.64/0.68		Yes	3.40/0.70		Autocratic	3.12/0.60			
100 – < 500	3.57/0.59		No	3.25/0.75		Democratic	3.37/0.72			
500 – < 2,500	3.13/0.80					Consensual	3.50/0.72			
More than 2,500	3.28/0.74									
Machiavellianism (F2)		1.41/0.244	Machiavellianism (F2)		2.64/0.107	Machiavellianism (F2)		11.03/0.000*		
Less than 100	1.44/0.81		Yes	1.65/0.98		Autocratic	2.57/1.31			
100 – < 500	1.86/0.93		No	1.93/0.86		Democratic	1.55/0.78			
500 – < 2,500	1.92/0.92					Consensual	1.47/0.76			
More than 2,500	1.65/1.01									
Independence (F3)		0.67/0.574	Independence (F3)		0.92/0.339	Independence (F3)		0.64/0.531		
Less than 100	3.03/1.16		Yes	3.23/1.05		Autocratic	3.27/0.92			
100 – < 500	3.42/1.21		No	3.41/0.94		Democratic	3.26/0.97			
500 – < 2,500	3.36/0.75					Consensual	3.50/1.12			
More than 2,500	3.33/1.00									
Social caring (F4)		2.57/0.057	Social caring (F4)		1.01/0.316	Social caring (F4)		6.52/0.002*		
Less than 100	3.91/0.59		Yes	3.88/0.55		Autocratic	3.46/0.48			
100 – < 500	4.08/0.51		No	3.76/0.75		Democratic	3.92/0.56			
500 – < 2,500	3.64/0.72					Consensual	4.11/0.75			
More than 2,500	3.94/0.64									
Law and code (F5)		0.81/0.489	Law and code (F5)		4.79/0.031*	Law and code (F5)		0.43/0.653		
Less than 100	3.81/0.58		Yes	3.86/0.85		Autocratic	3.71/0.77			
100 – < 500	3.97/0.76		No	3.52/0.78		Democratic	3.85/0.73			
500 – < 2,500	3.67/1.06					Consensual	3.72/0.93			
More than 2,500	3.70/0.76									

*Significant at $p < 0.05$

not supported because there was a significant difference in the perception of ethical climate based upon type of decision-making style ($F = 2.94$, $p < 0.002$). Machiavellianism ($F = 11.03$, $p < 0.000$) and social caring ($F = 6.52$, $p < 0.002$) were perceived differently across decision styles. In a democratic or consensual decision style, machiavellianism was lower compared to the autocratic decision style. Similarly, social caring was perceived to be highest in a consensual style, followed by democratic style, and the least in an autocratic style.

Dilemma-specific factors

Three hypotheses were presented for this set of factors of which only two were supported (see Table 4). H_{3a} was not supported because there was a significant difference in the perception of ethical climate based upon frequency of dilemma in dealing with superiors ($F = 2.01$, $p < 0.037$). Individuals who have a higher frequency of dilemmas in dealing with their superiors perceived relatively strong machiavellianism. On the other hand, H_{3b} was supported because there was no significant difference in the perception of ethical climate based upon frequency of dilemma in dealing with co-workers ($F = 1.60$, $p < 0.114$). Finally, under dilemma-specific factors, H_{3c} was also supported because there was a significant difference in the perception of ethical climate based upon frequency of dilemma in dealing with volunteers ($F = 2.05$, $p < 0.032$). The two dimensions with significant difference were social caring ($F = 7.57$, $p < 0.001$) and law and code ($F = 4.66$, $p < 0.012$). Individuals with occasional frequency of dilemma in dealing with their volunteers perceived social caring and law and code to be relatively higher. On the other hand, individuals with either high or no frequency of dilemmas in dealing with their

volunteers perceived social caring and law and code to be relatively lower.

DISCUSSION

The purpose of this study was to test the robustness of the theoretical and conceptual model developed by Agarwal and Malloy.³ A number of factors were identified that influence members' perception of the ethical work climate in this nonprofit organisation. These factors will be discussed in terms of the general categories of individual-specific, organisational-specific and dilemma-specific findings.

Individual-specific findings

The first hypothesis (H_{1a}), which was supported, confirms that, regardless of gender, members perceived the climate of their organisation to be individual caring.²² This finding is interesting in view of past research (in the for-profit context) that has demonstrated that the climate of law and code/professionalism generally seems to be dominant. This is a significant departure from previous findings.^{1,2,30,34} Is this a function of the nonprofit context? Does the nonprofit organisation foster a more caring climate (ie a more 'feminine' climate) as opposed to the for-profit organisation's more functional climate (ie a more 'masculine' climate)? If this is the case, then the nonprofit organisation offers an alternative work environment for both male and female members. It may provide a climate in which the member will not feel compelled to adopt or modify ethical behaviour according to the traditional organisational model of justice (ie a so-called 'masculine' orientation) as was suggested by Derry.²² In contrast, there seems to be a perception among nonprofit members in this study that ethical behaviour ought to be geared towards the ethics of caring (ie a so-called 'feminine' orientation).

Table 4: Dilemma-specific factors

<i>Dilemma-superior</i> (<i>N</i> = 73)	Overall effect: <i>F</i> = 2.01, <i>p</i> < 0.037		<i>Dilemma-coworker</i> (<i>N</i> = 75)		Overall effect: <i>F</i> = 1.60, <i>p</i> < 0.114		<i>Dilemma-volunteer</i> (<i>N</i> = 77)		Overall effect: <i>F</i> = 2.05, <i>p</i> < 0.032	
	Mean/S.D.	<i>F</i> value/ <i>P</i> value (2,70)	Ethical climate dimensions	Mean/S.D.	<i>F</i> value/ <i>P</i> value (2,72)	Ethical climate dimensions	Mean/S.D.	<i>F</i> value/ <i>P</i> value (2,74)		
<i>Ethical climate</i> <i>dimensions</i>										
Individual caring (F1)		0.63/0.533	Individual caring (F1)		2.11/0.129	Individual caring (F1)		1.79/0.174		
Never	3.42/0.62		Never	3.52/0.63		Never	3.30/0.77			
Occasionally	3.30/0.60		Occasionally	3.27/0.66		Occasionally	3.43/0.59			
Frequently	3.18/1.01		Frequently	2.95/1.23		Frequently	2.97/0.81			
Machiavellianism (F2)		3.55/0.034*	Machiavellianism (F2)		2.04/0.138	Machiavellianism (F2)		0.20/0.823		
Never	1.67/0.80		Never	1.73/0.87		Never	1.90/0.81			
Occasionally	1.87/0.92		Occasionally	1.82/0.95		Occasionally	1.78/0.90			
Frequently	2.58/1.48		Frequently	2.70/1.95		Frequently	1.94/0.85			
Independence (F3)		3.07/0.053	Independence (F3)		2.13/0.126	Independence (F3)		0.80/0.455		
Never	3.63/0.90		Never	3.55/0.82		Never	3.60/0.91			
Occasionally	3.07/1.05		Occasionally	3.34/1.08		Occasionally	3.34/1.02			
Frequently	3.05/0.93		Frequently	2.60/0.96		Frequently	3.06/1.02			
Social caring (F4)			Social caring (F4)		3.40/0.039*	Social caring (F4)		7.57/0.001*		
Never	3.90/0.63	0.60/0.550	Never	3.98/0.51		Never	3.65/0.52			
Occasionally	3.99/0.72		Occasionally	4.00/0.71		Occasionally	4.07/0.57			
Frequently	3.73/0.56		Frequently	3.20/0.99		Frequently	3.31/0.80			
Law and code (F5)		0.89/0.415	Law and code (F5)		2.34/0.103	Law and code (F5)		4.66/0.012*		
Never	3.61/0.78		Never	3.82/0.64		Never	3.58/0.66			
Occasionally	3.86/0.73		Occasionally	3.74/0.79		Occasionally	3.88/0.68			
Frequently	3.80/0.73		Frequently	3.05/0.99		Frequently	3.06/1.14			

*Significant at $p < 0.05$

This finding may have a significant impact upon the way in which the nonprofit organisation perceives itself and ultimately upon the manner in which it chooses to manage employees, volunteers and other external stakeholders. Relationship marketing strategies should capitalise on its inherent traits of benevolence and caring nature. A fundamental aspect of relationship management is customer (or stakeholder) retention. Research indicates that it is far less expensive to retain a customer (or stakeholder) than to acquire a new one.⁷⁵ Stakeholder bonding results in growth and profitability of the firm.⁷⁶ The key is to identify high-intensity relationship partners who have the potential to contribute to the goals of the firm and maintain the relationship in a benevolent and trusting environment.

The second hypothesis supported was educational level (H_{1b}). In this nonprofit context it was found that the more advanced the educational background of the member, the more likely they were to perceive the organisation as being 'machievellian' in nature. It may be that members with higher education were able to comprehend the complexity and subtlety of organisational politics to a greater extent than those members without advanced education. In other words, perception of machievellianism may go relatively unnoticed by some members and may appear blatant by other members as a function of their relative educational backgrounds.

The hypothesis concerning length of service was also supported (H_{1c}). As the locus of analysis for this sector was individual and cosmopolitan, it stands to reason that one's length of service (ie a member's long-term exposure to local norms) would be less important than those factors based internal to the individual and external to the organisation.² Simply put, if the local referent point is not a sig-

nificant factor for an organisational member, then the length of time spent within this environment will not be important. It may be rather that the length of service for the cause (ie the individual or cosmopolitan cause) is of greater significance than one's tenure in a particular organisation. This finding may be somewhat disconcerting for the manager of the nonprofit organisation who attempts to instill some form of organisational control through organisational normative standards.^{52,77} It may be that such standards are more valued by members if they perceive them to be self-empowering and globally based.

Internal marketing is creating, developing and maintaining an internal service culture and orientation, which in turn assists and supports the organisation in the achievement of its goals.⁷⁸ Piercy and Morgan⁷⁹ advocate the development of a marketing programme aimed at the internal market that parallels the external marketplace with a view to raising customer (stakeholder) consciousness and service orientation. The internal service culture has a direct bearing on how service-oriented and customer-oriented employees will be. Cause-related tenure rather than seniority-related tenure then becomes a better indicator of internal marketing and stakeholder consciousness.

Organisational-specific findings

Organisation size as well as organisational codes of ethics were not found to influence the perception of ethical climate as hypothesised (H_{2a} and H_{2b} respectively). Presumably if local norms have less influence among nonprofit members than internal and cosmopolitan norms, organisational size as well as local-based codes of ethics will not be powerful factors capable of instilling organisational standards of ethical behaviour. This finding is in contrast with earlier for-profit

research which suggests that the larger the size of the organisation, the more apt it is to experience unethical behaviour. Trevino¹¹ argues that, in larger organisations, any ethical norms established and formally fostered by the organisation's culture are dissipated over a large bureaucracy. As a consequence there is greater reliance upon the immediate workgroups as a reference point for ethical norms that may or may not be congruent with those of the organisational leadership. This appears not to be the case with nonprofit organisations. The impact of these findings is important, particularly from the standpoint of developing and maintaining a shared sense of organisational culture.

With regard to codes of ethics, as hypothesised, the findings indicate that they are not a significant factor influencing ethical perception. This finding is perhaps not surprising for two reasons. First, the empirical literature thus far has not demonstrated conclusively that codes of ethics are an overly effective means of instilling or motivating heightened ethical conduct among employees.^{57,80–85} Secondly, as members working in the nonprofit context seem to base their frame of reference outside the confines of the organisation, means used by the leadership, such as codes of ethics, which are 'locally oriented' are unlikely to have a significant impact upon perceptions or behaviours. Perhaps if codes were designed to incorporate the cosmopolitan with the local, the relevance to the membership might be achieved. For example, in a nonprofit organisation where the bottom line is only one of a variety of measures of efficiency, a statement in the code could link organisational success and effectiveness with environmental responsibility.

If the leadership wishes to develop shared notions of purpose and organisa-

tional behaviour,^{11,86,87} then strategies must foster individual empowerment and incorporate global norms in order to be effective. In other words, the local culture must become more cosmopolitan in its orientation. For example, organisational processes that involve member participation in key decision making and are based upon principles developed for the greater good of society or the ecosystem, presumably will be well received in the nonprofit context. Norms reflecting global codes of conduct are more effective in influencing perceptions of ethical climates. In an era of globalisation and strategic alliances, cause related marketing by the profit sector helps to align corporate philanthropy and business interests.⁸⁸ Today's marketplace is rife with strategic alliances in most markets with a potential in all markets.⁸⁹ Not-for-profit organisations can align their interests with for-profit organisations on the basis of global codes of conduct rather than local codes of conduct.

The hypothesis for decision style was not supported (H_{2c}). Decision style was found to influence both 'machievellian' and 'social caring' climate dimensions. The greater the use of autocratic style, the greater the perception of 'machievellianism'.^{21,90} If members derive their sense of ethics and work climate norms from sources other than the organisational context, an autocratic style of decision making coming from the administration may be viewed with some suspicion. Furthermore, an autocratic organisational approach may stifle the cosmopolitan and individual goals of members. Where formal structures exist and are in use (ie formal structure could exist and be ignored), opportunities for behaviour that deviates from organisational-dictated norms would be limited.^{9,91,92} As the perception of 'machievellian' climate is also tied to educational level and position,

it may be reasonable to assume that those with higher levels of education believe themselves to be capable of controlling their own work behaviour. In this context, an autocratic decision style may be perceived as not only power seeking (ie 'machievellian') but also unwarranted paternalism.

The second aspect of decision style demonstrates that democratic and consensual orientations are linked with perceptions of a 'social caring' ethical climate. This finding is not surprising as the request for input and involvement of members by the administration presumably would be viewed positively in terms of valuing group involvement in organisational processes. Democratic or consensual decision styles may instil a sense of group cohesion and foster a perception of concern regarding how members feel (ie a feminine climate).⁴² One of the fundamental assumptions of relationship marketing is equity and consensual participation in the exchange process. Norms are adopted by including all persons whose interests are affected and by requiring social consensus of the terms of the contract, which then becomes the basis of fairness.⁹³ Fair procedures demonstrate an authority's respect for the rights and dignity of the individual in the participative process.⁹⁴

These styles may be most appropriate in the nonprofit context for two reasons. First, as many organisational members' participation is optional (ie they are volunteers), dictatorial decisions are likely to be rebuked. In addition, individuals tend to volunteer because they believe that they have something to offer⁹⁵ and autocratic styles infer that, other than labour, workers have little intellectual capital to provide in terms of decision making.⁹⁶ Secondly, as the educational background of members is relatively advanced, decision-making that does not

tap into their relative expertise will be perceived negatively.

Dilemma-specific findings

The findings for this category of factors both refuted and supported the *a priori* claim that internal members (ie superiors and co-workers) would not influence ethical perceptions (H_{3a} and H_{3b}). In H_{3a} it was hypothesised that the frequency of dilemmas involving superiors would not influence ethical perceptions because the locus of analysis for nonprofit members is individually or cosmopolitan-based; however, this was not found to be the case. It may be that the additional factor of legitimate and/or charismatic power (eg control over reward and punishment — psychological or monetary), and perhaps the suspicion associated with the wielding of power held by the superior, may be key factors that influence ethical perception.^{21,90} The data revealed that 'machievellian' and 'independence' climates were influenced by frequency of dilemmas with superiors. Specifically, the greater the frequency of dilemmas with one's superior, the more negative the perception of ethical climate (ie 'machievellian') and the more infrequent one's dealings with the superior, the greater the sense of empowerment (ie 'independence'). While it may be argued by some that 'machievellian' behaviour need not always be perceived as negative, egocentricity and unscrupulous power-seeking is generally thought to be the antithesis of positive organisational perception and behaviour. This finding is also consistent with the perception of machievellianism as a function of the use of autocratic styles of decision making. These perceptions also may be formed if superiors attempt to overtly influence behaviour through the use of local/organisational norms. If this style and content of leadership is seen to be

imposed upon the membership, there may be a negative reaction and perception of this organisational behaviour (ie machiavellianism). These results suggest that leadership in nonprofit contexts may need to re-evaluate traditional management strategies and move towards behaviour that is more consistent with the somewhat unique paradigm of the nonprofit organisation. Internal marketing leadership strategies should foster an individual caring environment so as to retain employees and motivate them towards the goals of the organisation. For-profit research in marketing finds support for linking between employee satisfaction and retention and customer satisfaction and retention.^{97,98} In the same vein, high customer retention can also lead to higher employee satisfaction and retention as employees find their jobs easier when dealing with satisfied customers rather than dissatisfied customers.

The second hypothesis in this grouping was supported (H_{3b}). In this nonprofit context, it appears that organisational co-workers do not influence each other. Rather, they are self-driven or appeal to more global sources of normative behaviour. The implication of this finding is similar to those mentioned earlier with regard to organisational code of ethics and length of service. If the leadership believes that it can instil a locally/organisationally driven standard of ethical behaviour through the use of traditional means (ie codes, peer pressure, tenure and organisational history/myths) in a nonprofit context, it may not succeed. An approach that is consistent with individual empowerment and grounded in global norms may prove to be a more effective means of developing a unified sense of organisational purpose.

The final hypothesis, which focused upon the influence of volunteers (external

members) on ethical perceptions, was supported (H_{3c}). This finding is consistent with the nonprofit model of ethical perceptions used by Agarwal and Malloy³ to demonstrate that members' perceptions are influenced by cosmopolitan norms. Volunteers, while being external to the organisation (ie they are unpaid and typically are not under the same obligation/control as internal members), are much more intimately involved in the operation of the organisation than the general public. In fact, as this study has demonstrated, they are able to influence the ethical perceptions of organisational members to a greater extent than organisational co-workers.

Specifically, a curvilinear relationship exists among the levels of frequency for volunteers (the relationship was linear for supervisors). This implies that ethical climate was influenced in a more pronounced manner when organisational members experienced occasional ethical conflict with volunteers. There was less impact upon ethical climate perceptions when respondents indicated that they had no conflict and when they had frequent conflict with volunteers. Perhaps this suggests that organisational members will be influenced by the behaviour of volunteers to a certain point and, after a saturation level is reached, any further conflict will be disregarded. To disregard further ethical conflict is perhaps minimally contentious in dealing with volunteers who may have no 'formal' relationship (ie obligation and/or contract) with the organisation and can be easily isolated from further information and participation. The essential point to be made here is that volunteers, who bring into the nonprofit organisation an external sense of ethical norms, influence the perception of ethical work climate to a greater extent than co-workers. This finding is consistent with the Agarwal and

Malloy³ model and raises important issues regarding the recruitment and selection of volunteers. For example, if the ethical standard of a volunteer is going to have a significant impact upon the organisation's ethical climate, then presumably leadership will need to be extremely careful when screening volunteers for positions in the organisation.

CONCLUSIONS AND IMPLICATIONS

The purpose of this study was to investigate what factors would influence the perception of ethical work climate in a nonprofit context. The study was based upon the statistical and theoretical model of ethical work climate developed by Agarwal and Malloy.³ Three categories of factors were developed from the empirical and theoretical literature. Of the nine hypotheses that were developed and tested, seven were supported, thus providing further evidence of the somewhat distinct character of ethical climate in a nonprofit setting. The findings of this study point to the level of education, decision style, and the influence that superiors and volunteers have upon the collective ethical perceptions of the membership. Furthermore, the results demonstrate that factors that have been employed traditionally by for-profit management, such as length of service, codes of ethics, size of the organisation and peer pressure, do not effectively influence ethical perceptions in this nonprofit context.

The implications of the factors that influence ethical perceptions point to the importance of being aware of the intellectual abilities of members, power sharing, leadership style and the recruitment of volunteers. Leadership needs to be cognisant that members, as a function of their educational level, not only expect to be part of the decision process but also are

suspicious of leadership when they are not included in the process. Members in this context appear to expect to be treated as ends-in-themselves as opposed to organisational means-to-an-end (ie Kantian versus utilitarian approaches). As a result, if the leadership employs the traditional for-profit (ie justice bureaucratic) managerial posture, it will be ill suited to the nonprofit's cosmopolitan membership seeking individual empowerment and participation in decision making. Specifically, this research suggests that leaders of nonprofit organisations should be aware of the manner in which they make decisions and the manner in which they behave generally because these internal cultural and political components are of great importance to the membership's perception of ethical climate. Furthermore, the leadership ought to be extremely selective when recruiting volunteers because these individuals may represent and provide role models for the very cosmopolitan norms that the organisational membership seeks to emulate. Thus, a volunteer should be considered as much more than a warm body that simply 'helps out'. Rather, they can be vital agents in the organisation's effort to instil global norms into the local context.

A strong implication of this research study is the tremendous potential of the nonprofit sector in capitalising on its inherent attributes of benevolence and caring nature. From the marketing perspective, this can be applied in the areas of internal marketing as well as relationship marketing. Nonprofit firms need to develop marketing programmes aimed at internal markets in a way that parallels the external markets. Internal marketing leadership strategies should foster an individual caring environment in order to retain and motivate employees towards the goals of the organisation. Relationship marketing concepts based on trust and genuine caring (individuals and

social) would facilitate long-term relationships and strategic alliances with external stakeholders. Increasingly, for-profit firms are entering into strategic alliances with the nonprofit sector on the basis of global codes and causes.

The implications of the factors that do not have an influence are also important for a number of reasons. Commitment based upon tenure or seniority must be revisited. If a member's allegiance is focused more upon the cause (ie saving ecology) than upon the organisation itself, then the means (eg power distribution, policy formulation and decision style) to weave the cosmopolitan with the local must be explored. Similarly, leadership must rethink the utility of codes of ethics that are grounded in local norms and perhaps consider broadening the scope of these codes to include more global standards that are apt to catch the interest and sense of duty of organisational members.⁹⁹ The size of the organisation does not seem to be relevant to ethical perception, as referents are not organisationally based. However, size could become salient if leadership could create a perceived link between individual, local and cosmopolitan values and goals.^{9,21} If such congruence is developed, then the size of the unified organisation may become influential in the perception of ethical climate. Similarly, the use of peer pressure (ie differential association) to instil an organisationally sanctioned climate or culture is unwise, particularly if peers represent a local orientation. It would be much more effective if the pressure to conform to certain norms was representative of the 'bigger picture' as opposed to the survival of one organisation.

Finally, the contention that the nonprofit organisation could be considered caring or 'feminine'¹⁰⁰ as opposed to masculine²² was supported by factors from each of the three categories. This is

certainly cause for managers of nonprofit organisations to reflect upon their own management behaviour and determine if it is congruent with the preferences and perceptions of members.

Limitations

This study is limited by the fact that only one nonprofit organisation was studied. Furthermore, the purpose of this organisation is to deliver elite and recreational sports programming. As such, there may be some fundamental differences between the perceptions of nonprofit sport organisations and the perceptions of nonprofit hospitals or environmental organisations. Therefore, generalisations to other nonprofit organisations must be made cautiously. Despite this caveat, there has yet to be any research to demonstrate empirically that differences do occur between nonprofit organisations. Future research should incorporate different typologies of nonprofit organisations. The authors also recommend that future investigations should incorporate a cross section of nonprofit and for-profit organisations in order to explore further the proposed differences between these two institutional paradigms.

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