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Ethical Work Climate Dimensions in a Not-For-Profit Organization: An Empirical Study*

James Agarwal
David Cruise Malloy

ABSTRACT. This paper is an attempt to address the limited amount of research in the realm of organizational ethical climate in the not-for-profit sector. The paper draws from Victor and Cullen's (1988) theoretical framework which, combines the constructs of cognitive moral development, ethical theory, and locus of analysis. However, as a point of departure from Victor and Cullen's work, the authors propose an alternative methodology to extract ethical climate dimensions based on theoretical considerations. Using the Ethical Climate Questionnaire (ECQ), an exploratory factor analysis is conducted followed by a confirmatory factor analysis using LISREL. The resulting five dimensions are labelled as: individual caring, machiavellianism, independence, social caring, and law and code. Findings provide a somewhat disparate perspective of the ethical climates in a not-for-profit context. First, there is a more discriminating perception of benevolent climate than its for-profit counterpart. Second, the dimensions are polarized between the individual and the cos-

mopolitan loci of analysis. These findings are then discussed with implications and direction for future research.

Introduction

The concepts of organizational climate and culture are related directly to the notion of the workplace as community. Within any form of community, by definition, there exist formal and informal beliefs, values, and norms of how the members should conduct themselves (Etzioni, 1993). Contemporary administrative literature indicates that the concepts of climate and culture have been widely accepted as a means to explain organizational behavior generally and ethical behavior specifically (Moran and Volkwein, 1992; Olson, 1995; Trevino, 1990). For example, Cohen (1995a) states that "with the workplace replacing the church and state as a primary source of behavioral norms and even moral values, ideologies reinforced in the work setting have a stronger impact on behavior outside the workplace than at any other time in history" (p. 338). The current and evolved endorsement of these concepts is indicative of the view of the workplace as more than a Taylor-esque machine or a biological organism/system (Hodgkinson, 1996). In contrast, the workplace, based upon the climate/culture metaphor, is regarded as a community of individuals who bring with them the ability to believe, to value, and to seek meaning in organizational missions, goals, and objectives.

Climate and culture, though often used synonymously, are different concepts (Moran and Volkwein, 1992). Climate refers to the members' shared perception of how the organization

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operates whereas culture refers to the administration's and the members' *assumption* about how the organization *does* and *ought* to operate (Butcher, 1994; Meudal and Gadd, 1994; Olson, 1995). Where the former is a psychological construct, the latter is an anthropological construct (Rousseau, 1988; Trevino, 1990). Where climate is measurable quantitatively, culture seems to require, at different levels, both quantitative and qualitative methods (Olson, 1995; Schein, 1985). Finally, climate appears to be the result or a manifestation of organizational culture, whereas culture subsumes climate (Butcher, 1994; Olson, 1995; Reichers and Schneider, 1990).

Research in this area is generally found in for-profit contexts. The focus of much of the literature relates to the extent to which an organization can be more efficient, effective, and profitable as a consequence of being (and perceived to be) ethical (e.g., Marcoulides and Heck, 1993; Sims and Keon, 1997; Sinclair, 1993; Wimbush, Shepard and Markham, 1997). Research in the not-for-profit context has not addressed the theme of ethical climate to a significant extent (Deshpande, 1996). This may be a function of a number of factors. First, the not-for-profit sector, by virtue of its mandate typically to serve and not to profit (i.e., the non-distribution constraint) perhaps does not provide the same *opportunities* for economically- and individually-based unethical behavior as does its for-profit counterpart (cf., Swanson, 1992; Carver, 1990; Drucker, 1990; Hansmann, 1987; Thibault, Slack and Hinings, 1993). In other words, as employees, members of the board, and volunteers are unable to distribute organizational profits, the incentive for the individual to enhance their position economically is somewhat circumscribed.

Second, until rather recently, the not-for-profit sector, unlike the for-profit sector, has not been the centre of public ethical scrutiny (e.g., events of this decade concerning the United Way of America or the Canadian Red Cross). Many writers have suggested that the current emphasis upon ethical climate and culture in the for-profit sector is in reaction to the public's scepticism of the integrity of business in general as a result of blatant examples of ethically questionable

conduct. For example, Giacalone, Fricker and Beard (1995) state that

In recent years, there has been much attention to ethical decision making in organizations. Highly publicized banking scandals (e.g., Lincoln Savings), environmental accidents (e.g., Chernobyl, the Exxon Valdez, Bhopal, Love Canal), and instances of corporate fraud and neglect (E.F. Hutton, General Electric) have given rise to mounting scorn of business (p. 497).

Third, the apparent trend in the not-for-profit literature has focused upon the more traditional management functions of planning (e.g., Powell, 1987; Steiner, Gross, Ruffolo and Murray, 1994; Thibault, Slack and Hinings, 1994), organizational structure (e.g., Martinez-Brawley and Delevan, 1993; Powell, 1987), motivation (e.g., Perlmutter and Cnaan, 1993), and management style and leadership (e.g., Grasso, 1994; Bailey and Grochau, 1994; Herman, 1994; Hemovics, Herman and Jurkiewics, 1995; Powell, 1987) to the limited attention paid to the more conceptual and philosophical functions and issues (cf., Carbone, 1993; Jeavons, 1994; Deshpande, 1996). It may be that these organizations are placing more emphasis upon becoming more technically efficient and effective in the wake of general economic hardships and competition for limited resources experienced by the not-for-profit sector generally (e.g., Hammack and Young, 1993).

The rationale for this relative paucity of ethics research may be that implicit assumptions regarding members' heightened ethical conduct among organizations in this realm traditionally exist (i.e., that the behavioral norm in not-for-profit organizations is to be concerned with such values as charity and caring). Jeavons (1994) suggests that "the basis for much of these organizations' support is the expectation that they will be vehicles for building a more caring, more just society" (p. 200).

This paper is an attempt to redress this relatively limited amount of research in the realm of ethical climate in the not-for-profit sector. Of the research that has been carried out in this area, much of it has employed the ethical climate questionnaire (ECQ) developed by Victor and Cullen

(1987; 1988). Within the realm of the not-for-profit sector, at least one recent study has used this instrument (Deshpande, 1996). The purpose of this study was not only to investigate and provide additional evidence in the not-for-profit sector of the existence and character of ethical work climates, but also to extend the ECQ as a viable method of exploring this phenomenon.

Organizational ethical climate

Despite numerous and varied attempts to define organizational climate, there seems to be relative consensus that it is a psychological construct based upon the aggregation of individual perceptions (Victor and Cullen, 1987). Cohen (1995a) defines moral climate as “shared perceptions of prevailing organizational norms for addressing issues within a moral component” (p. 386). Kelley and Dorsch (1991) suggest that the construct refers to “the prevailing attitudes about the firm’s standards concerning the appropriate conduct within the firm” (p. 56). Schneider (1975) states that work climates “are psychologically meaningful molar descriptions that people can agree to characterize a system’s practices and procedures” (p. 474). Schneider and Rentsch (1988) suggest that climate is the message that organizational members receive from organizational policies, procedures, and reward systems. Victor and Cullen (1987) define ethical climate as “the shared perceptions of what is ethically correct behavior and how ethical issues should be handled” (p. 51). Cohen (1995b) in the following summarizes much of the existing research on ethical climates:

- (a) moral climate is an intervening variable – a function of organizational processes that influence employee behavior, (b) moral climate reflects managerial expectations, (c) different moral climates can exist within the same firm, (d) moral climate refers to a specific criterion of interest: the activity of addressing moral concerns, and (e) moral climate is multidimensional (p. 387).

The concept of ethical climates in particular is a powerful one. Despite the attempts by the organization to formally create an ethical workplace,

it is the perception of these policies, procedures, myths, and reward and punishment systems and behaviors that are manifested in actual ethical conduct of the members (cf., Hodgkinson, 1996; Sims, 1992; Trevino, 1992). For example, Victor and Cullen (1988) suggest that the ethical work climate of an organization assists members to determine “the perceived prescriptions, proscriptions, and permissions regarding moral obligations in organizations” (p. 101). As a result, ethical climate weighs in heavily when organizational rhetoric is incongruent with organizational reality.

Victor and Cullen’s framework

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’s research (Higgins, Power and Kohlberg, 1984; Kohlberg, 1984) that indicates that the individual’s cognitive ability to reason through moral dilemmas is developmental and that the “moral atmosphere” or “higher stage environment” that is created by the collective or the “just community” is a powerful moderator for this process. Extrapolated to the context of the organization, work climate may function to establish and reinforce aggregate norms, values, and beliefs that may or may not be ethically enhancing or consistent with the institutional view of *how things ought to be done around here* (Trevino, 1986, 1990; Wyld and Jones, 1997).

Ethical theory, in Victor and Cullen’s (1987, 1988) construct, consists of three dimensions that parallel the pre-conventional, conventional, and post-conventional orientations of Kohlberg’s (1969) model. They include egoism (hedonism), benevolence (utilitarianism), and principled (deontology) ethical grounding. 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 (e.g., 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 (e.g., the firm's code of ethics, the laws of society, the Judeo-Christian Ten Commandments, the Buddhist's Eight-fold Path). These three broad categories are presented hierarchically from egoism to principle based upon the Kohlbergian developmental model and juxtaposed with locus of analysis dimension.

Locus of analysis, consisting of individual, local, and cosmopolitan sources 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 (e.g., professional codes of ethics as opposed to firm-specific behavioral norms).

Cullen, Victor and Bronson (1993) suggest that by combining these two dimensions it is possible to tap into both the form of ethical reasoning (i.e., locus of analysis) as well as the content of ethical reasoning (i.e., ethical criteria) to provide a construct that describes the "perception of how the members of an organization typically make decisions" (p. 669) (cf., Malloy and Zakus, 1995). This amalgamation resulted in a 3 × 3 matrix consisting of nine conceptual ethical climate archetypes (Table I).

Climate archetypes based upon the egoism construct consist of perceptions relating individual self-interest, organizational self-interest, and nomothetic or systemic self-interest. The climate archetypes based upon benevolence include perceptions of interpersonal friendship, team orientations, and social responsibility. The third ethical construct, principle, consists of perceptions of personal morality, organizational policy, and laws/professional codes (Victor and Cullen, 1988).

TABLE I
Ethical work climate matrix (Victor and Cullen, 1988)

LOCUS OF ANALYSIS				
		Individual	Local	Cosmopolitan
ETHICAL CRITERIA	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 & PROFESSIONAL CODES <i>Law & codes</i>

* Victor and Cullen's (1987, 1988) dimensions based upon a priori juxtaposition of ethical theory and locus of analysis are found in upper case letters.

** Victor and Cullen's (1988) dimensions based upon factor analysis (Principal Components Analysis) using orthogonal rotations are found in italics.

Correlation among ethical dimensions

From this conceptual matrix, an instrument was developed to measure ethical work climates. Conducting principal component analyses with varimax rotations, studies by the authors uncovered five (Victor and Cullen, 1988), six (Victor and Cullen, 1987, 1990), and subsequently seven (Cullen, Victor and Bronson, 1993) climate types with adequate factor loadings. Though there was relative independence among these scales, the authors suggested that, theoretically, there could be dependence between one or more of them. They stated “[w]hile greater scale independence may be desirable to tap the better uniqueness of each type of climate, the theoretical relationships among the constructs does not demand strict independence” (Victor and Cullen, 1988, p. 62). For example, it is not inconceivable that the ethical dimension of “caring” and “law and code”, from Victor and Cullen’s 1987 study, could be theoretically related. These two dimension are, in fact, the basis of the ethical theory, *rule utilitarianism*, which focuses upon the greatest good for the greatest number through the adherence of pre-established rules of conduct (Raphael, 1981). Similarly a theoretical relationship may exist between individual benevolence and social benevolence as is suggested by Gilligan’s (1982) advanced stage of moral reasoning where the individual (female) would become

the arbiter of an independent judgment that now subsumes both conventions and individual needs under the moral principle of non-violence. Judgment remains psychological in its concern with the intention and consequence of action, but now it becomes universal in its condemnation of exploitation and hurt (p. 492).

In a study exploring the multiplicity of organizational climates within a single firm, Wimbush, Shepard and Markham (1997) identified three of Victor and Cullen’s (1988) five empirically derived ethical climates in operation as well as a fourth climate which they termed “service”. Their work attempted to juxtapose Victor and Cullen’s typologies with Ouchi’s (1980) transactional framework for organizational

culture. These findings suggest that multiple climates can and do exist within the framework of a single organization.

There may also exist an inverse relationship between ethical climates. For example, a negative correlation may exist between the dimensions “self-interest” and “social responsibility”. This relationship could correspond to the opposing views of the hedonist who favors individual pleasure and the utilitarian who favors the greatest pleasure for the greatest number (Mill, 1985). In the not-for-profit sector, Deshpande (1996) reported the presence of significant inter-correlations (among the dimensions of professionalism, caring, rules, instrumental, efficiency, and independence) thereby further reinforcing Victor and Cullen’s argument of the co-existence of multiple ethical climates.

Past studies employing Victor and Cullen’s framework, have invariably utilized the principal components model with varimax rotation to extract the factors. Upchurch and Ruhland (1995) studied the relationship between ethical climate and leadership style using Victor and Cullen’s empirically derived factors. Sims and Keon (1997) conducted a study to measure the relationship between preferred/present ethical work climates and worker satisfaction and commitment. Their measure of ethical climate consisted of a 15 item scale incorporating three items from each of the five climates identified by Victor and Cullen (1988). In the not-for-profit sector, Deshpande (1996) attempted to uncover the relationship between ethical climate and managerial success using Victor and Cullen’s (1990) six climate types.

Based on theoretical and empirical evidence of the correlation and co-existence of climate dimensions (Raphael, 1981; Gilligan, 1982; Mill, 1985; Victor and Cullen, 1987, 1988; Deshpande, 1996; Wimbush, Shepard and Markham, 1997), we modify the methodology by using the common factor model with oblique rotation to extract the factors. This method is appropriate when identifying the underlying dimensions and when the common variance is of interest. Oblique rotation is generally used when the factors are likely to be significantly correlated (Malhotra, 1996).

Method

Sample

The subjects for the study were members of a provincial sport federation in a Canadian province. The Federation consists of a number of sport specific sub-units that receive philosophical and policy guidance, funding, and administrative support from an administrative central office. The Federation is a not-for-profit organization that is charged with the delivery of sport at both the recreational and elite levels of competition.

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% or 148 usable questionnaires. This level of response is not uncommon based upon the ethical nature of the items (cf., Soutar, McNeil and Moster, 1994; Vitell, Nwachukwu and Barnes, 1993). The sample primarily consisted of executive and technical directors, board of directors, and coaches. The mean age of the respondents was 42 years. The respondents were 67 percent male and 33 percent female and had an average of about 12 years of experience.

Results

Exploratory factor analysis

The instrument for this study was based upon the Ethical Work Climate Questionnaire developed by Victor and Cullen (1987; 1988). Slight modifications were made to place items into the context of provincial non-profit sport organizations as opposed to for-profit business organizations. These modifications were reviewed by independent readers to verify their face validity.

A common factor analysis (CFA) using principal axis factoring was conducted utilising the oblique rotation method. The rationale for using CFA as opposed to principal components analysis as used by Victor and Cullen (1987; 1988) was the assumption that the factors were non-orthogonal based upon theoretical considerations explained earlier. Both Bartlett test of sphericity (1794.14 at $p = 0.000$) and the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy (0.74) indicated that factor analysis was appropriate for the data. The resulting analysis yielded ten factors. Only five factors yielded eigenvalues greater than unity. These were 6.68, 3.06, 2.20, 1.42, and 1.16. Therefore, these five dimensions of ethical work climate with eigenvalues greater than unity were selected. The pattern matrix with factor loadings is reported in Table II. These dimensions of ethical climate were termed as follows: Individual Caring, Machiavellianism,

TABLE II
Common factor analysis (using oblimin rotation) pattern matrix

	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 organization. [BI]	<u>46</u>	−19	13	10	24
32. What is best for each individual is a primary concern in this organization.[BI]	<u>46</u>	08	06	04	−01
16. In this organization, our major concern is always what is best for the other person.[BI]	<u>39</u>	−10	17	14	04

TABLE II (Continued)

	1	2	3	4	5
FACTOR 2: Machiavellianism					
33. Decision makers in this organization are very concerned about what is best for themselves.[EI]	−02	<u>85</u>	20	−16	−02
10. In this organization, decision makers protect their own interests above other considerations.[EI]	−18	<u>56</u>	−01	−20	−03
1. In this organization, 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 organization.[EI]	12	<u>42</u>	−26	−02	−07
FACTOR 3: Independence					
22. In this organization, decision makers are guided by their own personal ethics.[PI]	02	05	<u>81</u>	03	08
3. In this organization, 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 organization are actively concerned about the athletes' and the publics' 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 organization.[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 organization have a strong sense of responsibility to the outside community.[BC]	−09	−13	−05	<u>59</u>	14
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 organization, decision makers are expected to strictly follow legal or professional standards.[PC]	18	−10	07	−07	<u>63</u>
24. In this organization, the law or ethical code is the major consideration.[PC]	−07	08	08	13	<u>59</u>

* Abbreviations

Ego-Individual – [EI]

Ego-Local – [EL]

Ego-Cosmopolitan – [EC]

Benevolent-Individual – [BI]

Benevolent-Local – [BL]

Benevolent-Cosmopolitan – [BC]

Principle-Individual – [PI]

Principle-Local – [PL]

Principle-Cosmopolitan – [PC]

Independence, Social Caring, and Law and Code.

Table III gives the inter-correlations between the factors and construct reliability of each factor. Most of the factors are significantly correlated at $p < 0.05$ except for independence. The constructs have satisfactory reliabilities. These are: individual caring 0.67, machiavellianism 0.86, independence 0.78, social caring 0.79, and law and code 0.79.

As the research design for this study was somewhat dissimilar to that of earlier work by Victor and Cullen (1987, 1988), a number of differences exist with regard to the number and content of specific scales yielded from the factor analysis (Table IV). In previous research by Victor and Cullen, the "caring" scale incorporated the theoretical constructs of benevolent-individual, local and cosmopolitan. In this study, two distinct factors were statistically generated which include benevolent-individual and benev-

olent-cosmopolitan theoretical constructs. These dimensions were labelled "individual caring" and "social caring" respectively. The difference between the scales of past and present studies may be a function of the respondents in a not-for-profit sector being more sensitive to the well-being of co-workers and the public-at-large than those working in the for-profit realm.

Another major distinction in our study as compared to the earlier study is that the factors are primarily focused on both the "individual" and the "cosmopolitan" locus of analysis (see Table IV). These factors do not explain the "local" locus of analysis as was found in the earlier study (instrumental dimension). In other words, in not-for-profit sector, organizational imperative and organizational rules are not the typical sub-climates as found in the for-profit sector. Rather, the dimensions focus more on the individual (egoism individual, benevolence individual, and principle individual) and the

TABLE III
Inter-correlation and construct reliability

Climate scales	2	3	4	5	Construct reliability
	----- Correlation -----				
1. Individual caring	-0.59*	0.16	0.64*	0.57*	0.67
2. Machiavellianism		0.12	-0.56*	-0.23*	0.86
3. Independence			0.09	0.31*	0.78
4. Social caring				0.27*	0.79
5. Law and code					0.79

* Significant at $p < 0.05$.

TABLE IV
Empirically based ethical work climate matrix*

LOCUS OF ANALYSIS				
		Individual	Local	Cosmopolitan
ETHICAL CRITERIA	Egoism	<i>Machiavellianism*</i>		
	Benevolence	<i>Individual caring</i>		<i>Social caring</i>
	Principle	<i>Independence</i>		<i>Law & codes</i>

* Dimensions are based upon factor analysis (Common Factor Analysis) using oblique rotation.

cosmopolitan (benevolence cosmopolitan and principle cosmopolitan).

For the remaining dimensions there was similarity between the past and present studies with the exception of the “rules” dimension which did not emerge in this factor-analytic study. This occurrence may be indicative of the evolving bureaucratisation and professionalisation of not-for-profit sport governing bodies as opposed to the somewhat traditional “kitchen table” approach of past decades (Slack and Hinings, 1992).

An “individual caring” climate is perceived by members as being personally concerned for the wellbeing 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 perceived the organization to be concerned with the welfare of the commonwealth and not just its own survival. Finally, the climate “law and code” refers to a structured organizational climate that is driven by formal policy and procedure.

Confirmatory factor analysis

Confirmatory factor analysis is an appropriate method to test the measurement properties as well as the goodness of fit of the common factor model. In general, the top three items with factor loadings greater than 0.50 were included for analysis except for factor 1 where items with loadings of 0.46 were included. For factor 4, four items were selected since the loadings of the third and fourth items were identical. This resulted in fifteen items for five factors: items 35, 21, and 32 for factor 1; items 33, 10, and 1 for factor 2; items 22 and 3 for factor 3; items 30, 34, 26, and 28 for factor 4; and items 13, 14, and 20 for factor 5 (see Table II).

The covariance matrix of these variables was subjected to LISREL (Joreskog and Sorbom, 1989). Based on the standardized solution, factor 1 was refined by dropping the third item (item 32) due to low reliability. Subsequently, a new

covariance matrix of fourteen items was subjected to LISREL.

Measurement model

The measurement model with covariances among the constructs was tested using maximum likelihood estimation. The results are: chi square with 67 degrees of freedom = 83.50 ($p = 0.08$); GFI = 0.92; AGFI = 0.88; and RMSR = 0.06.¹ The correlations among constructs are reported in Table III. Internal consistency was assessed by Cronbach’s Alpha which were: individual caring (0.57); machiavelliansim (0.86); independence (0.73); social caring (0.79); and law and code (0.77).

Convergent validity is established if the shared variance accounts for 0.50 or more of the total variance (Fornell and Larcker, 1981). The shared variance for the constructs were: individual caring at 0.51, machiavelliansim at 0.66, independence at 0.69, social caring at 0.49, and law and code at 0.57. Overall, convergent validity was well established for all constructs and marginally established for social caring which is very close to the 0.50 level. However, construct reliability (0.79) among the measures of social caring is fairly strong.

Discriminant validity is established if the shared variance is larger than the squared correlations between constructs (Fornell and Larcker, 1981). Results in Table V show that discriminant validity among the constructs is established.

Discussion

The results of this study provide a variety of new insights into the perceptions of ethical climate in a not-for-profit sector. First, from the methodological perspective, this study differed from the Victor and Cullen’s (1988) study as a common factor model with oblique rotation for the exploratory analysis was used. The justification of common factors was based on the theoretical grounds that different climates can simultaneously co-exist in an organization sharing common characteristics. Significant inter-

TABLE V
Test for convergent and discriminant validity

Climate scales	2	3	4	5	Average of squared loading
	----- Correlation -----				
1. Individual caring	0.34	0.02	0.41	0.33	0.51
2. Machiavellianism		0.02	0.31	0.05	0.66
3. Independence			0.01	0.09	0.69
4. Social caring				0.07	0.49
5. Law and code					0.57

correlations between factors suggest that this in fact was the case in varying degrees. For example, individual caring and social caring are significantly and positively correlated. Similarly, machiavellianism and caring (both individual and social) are significantly and negatively correlated. This underscores the presumption that multiple perceptions of organizational members exist (e.g., Kelley and Dorsch, 1991; Upchurch and Ruhland, 1995; Victor and Cullen, 1988; Wimbush and Shepard, 1994; Wimbush, Shepard and Markham, 1997). Further research is needed to identify the moderating factors (such as individual, organizational, and situation-specific) that may influence the perceptions of ethical climate among organizational members in not-for-profit sector.

The use of confirmatory factor analysis further extends the reliability and validity of the exploratory model. LISREL results validate the common factor model both in terms of the model fit as well as measurement properties including convergent and discriminant validity. A comparison of the common factor model with the principal components model clearly indicates the superiority of the former model. Therefore, there is strong empirical support for the interdependence of ethical climates.

From a theoretical perspective, a number of findings were noteworthy regarding the perceptions of ethical climate in the not-for-profit sector. In particular, two findings will be elaborated upon in this discussion. First, concerning the dimensions based upon the benevolent ethical criteria, two distinct climates emerged from the factor analysis, individual caring and social caring. This result is in contrast with earlier

research by Victor and Cullen (1987, 1988) where no discrimination among the various loci of analysis within the benevolent ethical criteria was found (with the exception of an unpublished paper cited in Cullen, Victor and Bronson, 1993). As subsequent research has incorporated generally the five- or six-factor model, the climate of caring has been accepted, theoretically and statistically as the combination of benevolent individual and local dimensions. As the findings in this current study suggest, the not-for-profit sector may have a more discriminating perception of benevolent climates than its for-profit counterparts. That individual and societal concerns are explicitly perceived in the not-for-profit context may not be surprising based upon the underlying communitarian assumptions of this organizational realm (Jeavons, 1994).

Second, in this study dimensions were polarised concerning individual and cosmopolitan loci of analyses. In other words, in the not-for-profit sector, there appears to be an absence of perceptions of ethical climate relating to the organization itself (i.e., the local locus of analysis). Rather, the emergent dimensions focused upon individual (egoism-individual, benevolent-individual, and principle-individual) and cosmopolitan (benevolent-cosmopolitan and principle-cosmopolitan) perceptions of organizational behavior. Again, this is in sharp contrast to the instrument dimension (egoism and local) of Victor and Cullen (1987, 1988).

These results suggest that individuals in the not-for-profit sector may perceive ethical climate as more supportive toward personal growth and wellbeing and toward social responsibility than to the organization in which they work and/or

volunteer. This finding may be consistent with the results of Sims and Keon's (1997) study that demonstrated a relationship between satisfaction, commitment, and cognitive moral development and ethical climate. In other words, individuals choosing to be involved in not-for-profit organizations may themselves be predisposed to individual or cosmopolitan values, norms, and beliefs. In contrast, those who choose to participate in for-profit business ventures may find local referents (e.g., Ouchi's (1980) altruistic hedonism-based clan) as more functional and salient.

This finding differs conceptually (Hodgkinson, 1996; Rinehart, 1987) and empirically (Victor and Cullen, 1987, 1988) from the for-profit sector, where the notion of the organizational imperative is strongly advocated and inculcated. For example, Scott and Hart (1979) describe the organizational imperative as commanding that "[w]hatever is good for the individual can only come from the modern organization . . . [and] all behavior must enhance the health of such organizations" (p. 43). Individuals in the not-for-profit sector, in this study, clearly do not perceive themselves as persons *qua* organizational functionaries. Rather, the organization may be a medium through which they can achieve their personal and societal objectives and goals.

Conclusion

The purpose of this research was twofold. First, the study sought to investigate the realm of ethical work climates in the not-for-profit sector generally as little work has been done in this area. Second, the task of the researchers was to explore the utility of an alternative statistical method based upon the theoretical linkage between disparate work climates. In order to accommodate this *a priori* assumption, common factor analysis was employed in contrast to the more traditional use of principle component analysis used in the ECQ research. The results of the study demonstrated that the perceptions of ethical work climates are dispersed between those focused upon the individual and those focused upon the societal/cosmopolitan realm. Climates perceived

as being focused upon the organizational or local domains were obvious by their absence in this study. This finding is in contrast to previous research where local-egoism, local benevolence, and local principle climates were identified (e.g., Victor and Cullen, 1987, 1988). Further research, incorporating the common factor model may reveal some interesting results regarding linkages with performance and various antecedent factors of ethical climate.

Implications

Some general implications for practice can be made from these findings. As ethical climate provides a framework for the identification and resolution of ethical dilemmas, it would seem that in not-for-profit context an organizationally-based climate is not a significant determinant of moral behavior. The implication of this finding suggests that the organization may have relatively limited control or influence over its members/volunteers. This may be viewed positively as member behavior is being moderated by existential and/or universal values, norms, and beliefs. However as organizations do exist for a common purpose, the lack of control may be problematic in terms of managerial attempts to co-ordinate effort.

While the universal or cosmopolitan orientation is laudable (Hodgkinson, 1996; Kohlberg, 1984), it presents the organization with some pragmatic limitations. For example, Hodgkinson (1996) suggests that while universal or cosmopolitan orientations may not necessarily conflict with the pragmatic operations of the organization, they may well impede efficiency and effectiveness. From a purely pragmatic perspective this "would be considered perverse, irrational, and absurd" (p. 118).

Perhaps what Hodgkinson is implying here is that some balance of cosmopolitan and local norms, values, and beliefs is appropriate for the reality of comprehensive organizational life. He argues that the principled or cosmopolitan level subsumes the rational (i.e., organizational) and the sub-rational (i.e., the individual) – it does not exorcise them. Future theoretical discussion may

extend beyond the existence of an interrelationship among organizational climates as this study has shown, to one where the nature of this relationship is explored (i.e., does a cosmopolitan-based climate replace or subsume the local and the individual climate types?). As a consequence, one may argue, not-for-profit organizations may need to focus more attention upon establishing and maintaining an internal "formal culture" (cf., Trevino, 1990) in order to foster congruency between the local-based perception of ethical organizational decisions and the cosmopolitan orientations. In other words, as the not-for-profit organization appears to be capable of looking outward to the more global perspective, it may wish to consider an inward view as well to balance the *Janus Head*. Similarly, one might argue that for-profit organizations that appear to focus inward may balance their perspective with an outward view toward their responsibilities and integration with the external environment (Etzioni, 1993; Cohen, 1995a).

Limitations

Like any other research, this study was limited by a number of factors. First, while this study compared with the Victor and Cullen's (1987, 1988) findings in a for-profit sector, it did not employ a comparative analysis between for-profit and not-for-profit sectors using the modified methodology. Additional research would be extremely interesting and valuable, particularly as these two sectors are vying increasingly for the same share of the marketplace for their organizational survival and justification. Second, the study collected data from one organization. Further research including a variety of not-for-profit organizations would prove to be valuable in generalizing some of the perceptions of the not-for-profit sector. Third, moderating variables were not included as part of this study. Further research to determine the influence of antecedent variables is warranted.

Notes

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¹ To compare the measurement models, a principal components analysis was also conducted which also yielded ten factors. Based on the eigenvalues, the first five factors (orthogonal) were selected and subsequently subjected to LISREL to test the measurement model. The results were: chi square 253.32 ($p = 0.000$) with $df = 90$; GFI = 0.79; AGFI = 0.72; and RMSR = 0.21. These results indicate the poor model fit with orthogonal factors as compared with correlated factors used in our analysis.

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