倫理氣候、倫理行為與倫理機制的關係

Ethical Climate and its Relationship to Ethical Behavior and Ethical Mechanisms

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摘要：企業倫理逐漸受到各國重視，不但學界討論倫理氣候，也成為業界影響員工行為的重要因素。透過跨層次分析，本研究討論倫理氣候的理論及實務、檢驗倫理氣候和倫理行為間的關係、並探討與倫理氣候相關的組織倫理機制及與未來應用於倫理氣候研究的相關建議。基於企業倫理對金融業人員的影響，研究對象為台灣金融業的理財專員；研究結果顯示，由於透過體制強制的約束力，規範、法律及規則型氣候對員工行為產生顯著影響，與其他類型的倫理氣候只引起特定的倫理行為不同。若組織另具備倫理守則及獎懲系統，則將影響組織中規範、法律及規則型倫理氣候的型塑。

關鍵詞：倫理氣候；倫理行為；倫理機制；跨層次分析

Abstract：Business ethics is widely perceived as a global issue, and ethical climate is considered to be a significant factor affecting employees' behavior. This study explores organizational ethical climate by: firstly, illustrating the theoretical

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and empirical basis, discussing the relationship between ethical climate and ethical behavior, as well as examining the relevant organizational ethical mechanisms regarding forming ethical climate; the implications for future research concerning ethical climate are introduced. This study applies multilevel analysis; samples are from Taiwanese financial consulting firms due to the significance concerning ethics in this industry. The results suggest that a "rules, law and code" ethical climate has a significant influence on employees' ethical behavior because of institutionalized coercion, while other ethical climate dimensions affect certain limited ethical behaviors. Moreover, organizations with a code of ethics and enforcement systems will influence the formation of rules, law and code ethical climate.

Keywords: Ethical climate; Ethical behaviors; Ethical mechanisms; Multilevel
           analysis

1. Introduction

Because of ongoing unethical scandals worldwide, business ethics issues challenge countries universally (Hulpke and Lau, 2008). The thriving economic growth from the 1990s in East Asian areas not only establishes the eminent role of this region in the global economy, but also draws academics and practitioners' attention to the relevant business ethics issues in these countries (Chatterjee and Pearson, 2003; Martin and Cullen, 2006; Shafer, 2008; Weeks, Loe, Chonko and Wakefield, 2004). On the one hand, economic development leads to cross-border investment, prompting investors to probe into the ethical environment in the foreign financial markets where they invest (Baker and Veit, 1996). On the other hand, concerns about ethical issues have given rise to many frameworks and much research in different management fields (Martin and Cullen, 2006; Weeks *et al.*, 2004).

Unethical behavior is regarded as costly to enterprises as well as to society as a whole (Dubinsky, Nataraajan and Huang, 2004). Among relative investigations, financial consultants become the main target when mentioning ethical issues because they are expected to act ethically and are trusted by the investing public

(Román and Munuera, 2005). Since financial investments are abstract and need dependable information, financial consultants, therefore, serve the critical role of providing moral and correct direction. However, if they disregard ethical principles and act unethically, the authorities can intervene and reduce these financial consultants' flexibility, which may result in increased costs, and influence public confidence (Brown, Treviño and Harrison, 2005). At worst, this intervention may further impair firms' performance and undermine entire country's economy. Accordingly, practitioners and academics are making efforts to develop theoretical frameworks as well as implement empirical examinations concerning organizational factors (e.g. codes of conduct, reward systems, and organizational climate) (Weeks *et al.*, 2004) and individual influences (e.g. ethical leadership) (Brown *et al.*, 2005).

Because of the introduction of ethical climate in 1980s (e.g. Victor and Cullen, 1988), relevant research has extended in both business and ethics fields. Derived from general organizational work climate since the 1950s, ethical climate is used to refer to the organizational members' shared perceptions of organizational ethical practices, policies, values and procedures (Babin, Boles and Robin, 2000; Martin and Cullen 2006; Schwepker, 2001; Victor and Cullen, 1988). Organizational ethical climate consists of rules, law and code, and has caring, independence and instrumental dimensions, characterized as the tenets applied when employees make decisions within an organization (Victor and Cullen, 1988). Organizations communicate ethical regulations and standards to employees to clearly specify their expected behavior, and further guide members when encountering ethical dilemmas (Schneider, 1975).

The knowledge basis of business ethics are cumulated gradually, especially the appearance of Ethical climate theory (ECT) acting as the influential factors in this area (Martin and Cullen 2006). Studies delineate the antecedents and consequences of ethical climate are broadly examined, and the significance of this specific work climate are emphasized since it influences behaviors of organizational members to a certain extent and further affect the operation of business performance (Martin and Cullen 2006; Schneider, 1975). Accordingly, this study serves as an extension to the research into ethical climate, and

investigates the relationship between ethical climate, ethical behavior and ethical mechanisms in Taiwanese financial consulting firms by applying a multilevel method. Understanding these relationships may provide greater insights for embedding ethics into organizations, effectively managing financial consultants, and further maintaining long-term customer relationships. A workplace with a complete ethical context may affect employees' compliance behavior, and raise moral standards when resolving such issues (Martin and Cullen, 2006; Román and Munuera, 2005; Schneider, 1975).

We also bring knowledge related to different outcomes of organizational ethical mechanisms in upholding the organizational ethical climate. Ethical mechanisms are regarded as the institutional instruments which clarify appropriate behaviors and can promote the ethical climate in the organizations. Establishing a code of ethics, providing ethical training, and implementing enforcement systems may be significant steps to encourage ethical behavior and limit unethical actions (Baker and Veit, 1996). Subsequently, through these ethical mechanisms, organizational members feel obliged to follow the rules and regulations, and adjust their behavior to fit in with the institutionalized context (Weber, 1993). In the current study, we begin with a review of the theoretical foundation of ethical climate, followed by a discussion of the research methods and results. The primary objectives of this study are as follows: (1) to address the theoretical basis of organizational ethical climate; (2) to investigate its influence on employees; and (3) to indicate the organizational ethical mechanisms and their impact upon ethical climate. Next, we discuss the limitations and implications for future ethical climate research.

Our study contributes to the literature in the following aspects. Firstly, by summarizing previous discussions (e.g. Martin and Cullen, 2006), we examine three different organizational ethical mechanisms for upholding the formation of ethical climate which may provide insights for practitioners when business ethics concerns prevail (Brown et al., 2005). In addition, we broaden the comprehension of ethical climate by adopting a multilevel method to investigate related issues. Studies focusing on contextual influence are suggested because most prior ethical climate research has investigated the individual level effects,

whereas multilevel analysis can enable further research to explore different levels of analysis with empirical understandability (Martin and Cullen, 2006). In the current research, we hope to extend the previous theoretical views for the further development of ethical climate theory and relevant practical ethical mechanisms.

2. Literature Review and Hypotheses

2.1. Ethical Climate

Organizational climate is defined as shared psychological meanings derived from aggregated individual perceptions of the work environment that communicate standards, regulations, policies and behavioral expectations to employees (James, Choi, Ko, McNeil, Minton, Wright and Kim, 2008; Schneider, 1975; Wimbush and Shepard, 1994). It is characterized as an extension of the psychological climate that describes one's perception of the work environment in terms of one's own well-being. Organizations clearly inform each member of what they should do, and tend to shape and guide employees' behavior by way of the organizational climate (Martin and Cullen, 2006; Victor and Cullen, 1988).

Since the late 1950s, there has been growing interest in various aspects of organizational climate, such as service, safety, support, and innovation (Wimbush and Shepard, 1994). Ethical climate as a multidimensional construct is one of the streams of organizational climate research (Victor and Cullen, 1987; 1988). An ethical climate refers to the psychologically shared perceptions that employees hold towards perceived ethical practices and policies which reflect the organizational norms and values (Schneider, 1975; Schwepker, 2001; Victor and Cullen, 1988; Wimbush and Shepard, 1994). These shared perceptions are derived from organizational members' observations of how the organization manages ethical dilemmas and decision-making (Wimbush and Shepard, 1994). Similar to other kinds of organizational climates, ethical climate is expected to specify and influence certain ethical behavior within organizations (Schneider, 1975).

Organizational ethical climate as one of the normative control systems is based on societal norms, organizational form, and firm-specific attributes to act as

a legitimate entity that internalizes as well as fits in with the social process, norms, and obligations (Schwepker and Good, 2007; Victor and Cullen, 1988). Consequently, organizational ethical climates serve as one of the institutionalized societal norms (Victor and Cullen, 1988).

The theoretical bases of ethical climate stem from cosmopolitan-local constructs (i.e. individual, local, and cosmopolitan) and ethical theory (i.e. egoism, benevolence and deontology) (Victor and Cullen, 1988). On the one hand, the former construct is used as a referent source when individuals consider what behavior is acceptable or unacceptable (Wimbush *et al.*, 1997). On the other hand, these major ethical theories are taken as main decision-making criteria when individuals encounter ethical dilemmas. Victor and Cullen (1987; 1988) integrated the three ethical theories and the three referent sources to develop ethical climate dimensions, including the caring, law and code, rules, and independence dimensions. These different dimensions existing in an organization affect how ethical conflicts are taken into account and resolved. So far, it remains the most prevalent categorization to date (Shafer, 2008; Victor and Cullen, 1988; Weeks *et al.*, 2004; Wimbush and Shepard, 1994).

In a caring ethical climate, employees will care for the well-being of one another and those who may be affected by the ethical decisions, both within and outside of the organization. If an organization is depicted as adopting a law and code ethical climate, employees are requested to follow the regulations of the government or professional institutes. This dimension requires individuals to go beyond the organization itself to professional associations or the government in order to define what "proper" behaviors are when dealing with ethical issues. In an ethical climate characterized by the rules dimension, employees will adhere to the organizational policies and standards. In an independence ethical climate, employees are led by their own moral beliefs and personal principles, while in an instrumental ethical climate, organizational members look out for their own interests, regardless of others who may be affected by their decisions (Victor and Cullen, 1987; 1988; Wimbush and Shepard, 1994).

Similar to other climate research, it is imperative to identify the proper level of analysis and the relationship among ethical dimensions and other variables

(Wimbush and Shepard, 1994). To extend the lines of investigation, it is necessary to distinguish individual climate perception from organizational climate. The former depicts individual senses and perceptions of organizational features, while the latter refers to organizational members' shared perceptions of the organizational structure, practices and policies (Victor and Cullen, 1988). Ethical climate represents a collective concept resulting from employees' shared perceptions when working in the same environment and agreeing with organizational practices and procedures (Wimbush and Shepard, 1994).

From the previous discussion, we know that the significance of ethical climate can convey expected conduct (Treviño, Butterfield and McCabe, 2001), decrease role ambiguity (Schwepker, Ferrell and Ingram, 1997), and increase the predictability of employees' ethical behavior (Wimbush and Shepard, 1994). For practitioners, the development and recognition of an ethical climate are essential. An ethical climate may exist because the coherent perceptions are shared by organizational members (Wimbush *et al.*, 1997). By understanding certain ethical climate dimensions existing in the organization, managers are able to manage practices and policies to enhance employee ethical behavior in that organization. Employees' behavior that is consistent with the climate will be expected throughout the organization (Wimbush *et al.*, 1997). More ethical behavior can be anticipated in organizations where ethical values and behavior are supported and promoted (Schwepker and Good, 2007; Wimbush and Shepard, 1994).

According to the previous discussion, an organizational ethical climate refers to a composition of members' shared perceptions concerning organizational ethical values derived from policies and procedures (Schwepker and Good, 2007). If employees' perceptions are similar throughout the organization, common understandings may be facilitated, and there will be further influence on their behavior (Wimbush *et al.*, 1997).

In order to understand the relationship between ethical climate and behavior, each ethical theory underlying ethical climate dimensions should be underscored because they serve as a foundation when making decisions in terms of ethical behavior (Wimbush and Shepard, 1994). On the one hand, in an organization in which benevolence and deontological ethical criteria are leading tenets, it is

assumed that ethical behavior will be prevalent among employees because organizational activities are concerned with the interests of others when making decisions in both moral theories. On the other hand, if the predominant dimension of the ethical climate is recognized as egoist, employees would increase their self-interest despite the influences and consequences the decisions have on others (Wimbush and Shepard, 1994; Wimbush *et al.*, 1997). Of the five ethical climate dimensions, the instrumental climate is the one that is most likely to lead to unethical behavior. To sum up, we propose that ethical climate, as employees' shared perceptions of the organizational ethical values, will influence members' behavior. Further, different ethical climate dimensions also foster different ethical behavior. The first hypothesis is therefore as follows:

> *H1a: The dimensions of the caring, the rules, law and code, and the independence ethical climates are positively related to employees' ethical behavior.*

> *H1b: The instrumental dimension of the ethical climate is negatively related to employees' ethical behavior.*

2.2. Ethical Mechanisms

In the late 1970s, Weber (1993) suggested 'institutionalizing ethics into business, thus depicting organizations' efforts to integrate ethics into employees' decision-making processes. Ethical climate (i.e. employees' shared perceptions of an organization's practices and policies) would have influence on the individual's ethical behavior, and further affect the organization's overall performance (Wimbush and Shepard, 1994). Without adequate organizational practices and policies that require employees' ethical conduct, employees may ignore the consequences of ethical decision-making as long as the final goals and performance are achieved. As a result, organizational ethical mechanisms are characterized as an instrument to strengthen and improve organizational ethical climate and to further motivate employees' ethical conduct within the organization.

Ethical mechanisms are management practices that promote the internal

ethical climate. Through ethical mechanisms, organizations can instruct and guide employees in terms of what behaviors are acceptable, and highlight the organizational ethical values (Schwepker and Good, 2007; Victor and Cullen, 1988). Previous studies (e.g. Schwepker and Good, 2007; Weber, 1993) suggest similar ethical mechanisms, including a code of ethics, ethical training and enforcement systems (i.e. reward and punishment systems) that empirically facilitate an ethical climate. In this research, we applied these three mechanisms to investigate their impact on the formation of organizational ethical climate and employees' ethical behavior (Schwepker and Good, 2007; Weber, 1993).

An organization's code of ethics is the written description of the moral standards and a value embraced by the organization, and is a manifestation of the ethical climate to guide employees (Steven, 2008; Weber, 1993). As suggested by previous authors, ethical codes not only decrease wrongdoing, but also encourage correct ethical conduct (e.g. Somers, 2001; Steven, 2008). Besides, studies have also suggested that when a code of ethics is supported by other instruments, such as development programmes (e.g. employee ethics training and enforcement mechanisms), it will have a positive influence on employees' perceptions (Kaptein and Schwartz, 2008; Weber, 1993).

Ethical training is related to the institutionalization of ethics within an organization (Weber, 1993). There are different types of training, from general corporate introductions to particular professional rule descriptions. In order to embed the ethics in organizational members' decision-making processes, ethics training aims to stimulate employees' awareness of ethical issues, and enhance employees' ability to make ethical judgments. Consequently, by means of ethical training programmes, organizations not only communicate ethical standards to employees, but also create an advantageous environment to promote an ethical climate (Schwartz, 2004; Weber, 1993).

In addition to framing the code of ethics and arranging ethics training, practitioners signify that enforcement systems play an important role in effectively implementing the previously mentioned mechanisms (Román and Munuera, 2005; Schwartz, 2004). Without coherent and fair enforcement systems, other instruments may not be taken seriously when confronting ethical

decision-making (Schwartz, 2004). The enforcement systems, including positive reward and negative sanction mechanisms, should, on the one hand, punish employees who act unethically; on the other hand, they should reward those who adhere to the systems (Román and Munuera, 2005; Schwepker and Good, 2007). Without properly managing ethical issues, employees may challenge the effectiveness of the enforcement systems and further undermine the foundation of an ethical climate within the organization (Schwepker and Good, 2007).

The organizational ethical mechanisms can support the development of an ethical climate, motivate an ethics spirit, and foster employees' ethical behavior. Establishing an ethical climate through codes of ethics, ethical training and enforcement systems will decrease the chance of unethical behavior occurring (Schwepker and Good, 2007). As a result, generating a code of ethics, implementing ethical training programmes, and establishing enforcement systems will encourage employees' ethical behavior as well as influence employees' perceptions of the organizational ethical standards. Therefore:

> *H2a:* **The more prevalent the ethical mechanisms, the greater the presence of the four "positive" dimensions (i.e. caring, rules, law and code, and independence) of the ethical climate.**

> *H2b:* **The more prevalent the ethical mechanisms, the fewer occurrences of the instrumental dimension of the ethical climate.**

3. Method

3.1. Samples

Generally, financial services that advocate credence and uprightness are highly abstract and usually difficult for customers to fully understand. Therefore, it is necessary for customers to obtain accurate information and request appropriate guidance from financial consultants. In this circumstance, financial consultants may emphasize self-interest and pursue the required performance by taking advantage of their consumers due to the asymmetrical ownership of

information (Román and Munuera, 2005). Furthermore, financial consultants are expected to generate the organizations' revenues in a short period of time. Accordingly, our samples were collected from financial consultants in the banking and financial industry in Taiwan because their ethical behavior will influence organizational performance and further affect the trust of and long-term relationships with their customers.

We sent 40 questionnaires to the managers representing firms approbated by the Financial Supervisory Commission, Executive Yuan, Taiwan, and 410 questionnaires to financial consultants in each financial consulting department in these organizations (10-12 for each company). The managers responded to questions concerning whether or not their organizations have ethical mechanisms, while the financial consultants answered questions about their evaluation of their own ethical behavior and the ethical climate of the organizations. While a total of 40 firms (90%) agreed to participate, responses were received from managers representing 36 of these companies, giving a response rate of 90 percent. A total of 298 usable questionnaires were returned of the 410 distributed, i.e. a 72.68% response rate. The majority of the respondents were female (63.3%), and 39.73% were between 30 and 35 years old. Most (69.8%) had at least a college degree, while 30.3% had less than three years of job tenure. Among the 36 participating organizations, 19 are financial holding companies.

3.2. Measures

Variables related to the current research as well as their corresponding sources of information are delineated below. We list the complete scales in the Appendix.

3.2.1. Ethical Climate

This measure was derived from Victor and Cullen (1988), as it is generally considered to be the most appropriate instrument for assessing the dimensions of ethical climate (Martin and Cullen, 2006; Wimbush and Shepard, 1994). It consisted of 26 items in a five-point Likert scale format (ranging from 1, strongly disagree, to 5, strongly agree). We conducted exploratory factor analysis (EFA)

because of the sensitive cultural and professional features. The ethical climate construct may be affected by different cultures and professions in terms of cognition and attitude toward similar ethical issues. We extracted four dimensions, and further used content analysis to check the meanings of each extracted ethical climate dimension. We named them the "rules, law and code," "caring," "independence" and "instrumental" climates. Compared to Victor and Cullen (1988), we combined the rules, law and code ethical climates into one dimension because the difference between these ethical climates is whether the behavioral standards are derived from the organization itself or from outside institutes (e.g. government/professional associations) (Victor and Cullen, 1988). The scale items are listed in the Appendix, and the coefficient alpha is .91. The coefficient alpha for the caring, independence, and instrumental ethical climates are .84, .77 and .83, respectively.

Similar to other relevant climate research (e.g. Liao and Chuang, 2007), ethical climate is constructed through a bottom-up emergence process that is shared by organization members (Chan, 1998; Kozlowski and Klein, 2000). In order to ensure that employees have similar thoughts regarding organizational ethical climate, we came up with the organizational-level constructs by aggregating each employee's scores to the organizational level after testing the within-group agreement to verify if there was consensus toward ethical climate (i.e. R_{wg}; James, Demaree and Wolf, 1993) and, consequently, all samples in the same group passed the test.

3.2.2. Ethical Behavior

Ethical behavior was measured by 20 items adopted from Lin and Yeh's (1996) scale, using a 5-point Likert-type scale ranging from 1 (strongly disagree) to 5 (strongly agree). Lin and Yeh (1996) developed their ethical behavior scale in a Taiwanese industrial context. Those items were based on the prior literature and interviews with managers for the content validity. This was the only measure we found specifically appropriate within Taiwan's context when we conducted the research (See Appendix 2). We further conducted EFA to improve the construct validity and reliability. There were three extracted dimensions, including honest,

decent and obedient behavior, after conducting factor analysis. Honest behavior was characterized as providing all information based on customers' needs, while decent behavior illustrates the avoidance of self-serving acts. Obedient behavior exists when the employee takes the organization's interests as the first priority. The coefficients of the alphas are .92, .85 and .79, respectively.

3.2.3. Ethical Mechanisms

The questionnaires measuring ethical mechanisms were completed by the managers of each department. We included the following 3 items: "whether or not the organization has a code of ethics", "whether the organization has enforcement systems", and "whether the organization implements ethical training" to investigate if there are any ethical mechanisms within the organizations.

4. Results

4.1. Correlation of Measures

The descriptive statistical results are presented in Table 1. Since this study is a multilevel study, we firstly discuss the correlations between variables in accordance with the different levels. According to the table, at the organizational level, training is significantly correlated with a code of ethics ($r = .32, p < .10$) and with enforcement systems ($r = .77, p < .001$). Moreover, it is significantly correlated with the rules, law and code ($r = .37, p < .05$), and the independence ethical climates ($r = .33, p < .05$). As for enforcement mechanisms, they are significantly correlated with the rules, law and code ($r = .36, p < .01$) and the independence ethical climate dimensions ($r = .38, p < .05$). The caring ethical climate dimension is significantly correlated with the rules, law and code ethical climate ($r = .42, p < .05$). The independence ethical climate is significantly correlated with the rules, law and code ($r = .52, p < .01$), and the caring ethical climate dimensions ($r = .33, p < .05$).

As for relationships between the variables at individual levels, "honest

behavior" is significantly correlated with "decent behavior" (r = .58, p < .001) and "obedient behavior" (r = .18, p < .01); the correlation between "decent behavior" and "obedient behavior" is also significant (r = .23, p < .001).

Table 1

Correlations, Means and Standard Deviations of Key Variables

Variable	Mean	SD	1	2	3	4	5	6	7
Group-level measures [a]									
1. Code of ethics	0.61	0.49	--						
2. Training	0.56	0.50	0.32[+]	--					
3. Enforcement systems	0.67	0.48	0.20	0.77[***]	--				
4. Rules, law and code dimension	4.22	0.36	0.14	0.37[*]	0.36[**]	--			
5. Caring dimension	3.15	0.41	0.12	0	-0.11	0.42[*]	--		
6. Independence dimension	3.44	0.39	0.01	0.33[*]	0.38[*]	0.52[**]	0.33[*]	--	
7. Instrumental dimension	4.11	0.44	-0.26	-0.09	0.04	0.21	0.05	0.22	--
Individual-level measures [b]									
1. Honesty	4.18	0.60	--						
2. Decency	4.24	0.57	0.58[***]	--					
3. Obedience	3.44	0.80	0.18[**]	0.23[***]	--				

+ p < .10 * p < .05   ** p < .01   *** p < .001

Notes : [a] For group-level measures, n = 36

    [b] For individual-level measures, n = 298

4.2. Aggregation of Organization-Level Variables

We checked the viability of the organization-level variables (i.e. ethical climate dimensions) by examining the within-group agreement r_{wg}; (James *et al.*, 1993), intraclass correlation (ICC1), and the reliability of the group mean index (ICC2). The obtained median values for the caring, the rules, law and code, and the independence instrumental climate dimensions are .97, .89, .79, and .90, respectively. These values are well above the conventionally acceptable value of .70 (James *et al.*, 1993). The ICC1 and ICC2 values are as follows: rules, law and code, .26 and .75; caring, .16 and .62; independence, .19 and .66; and instrumental, .14 and .59. We then conducted one-way analyses of variance and found significant between-group variance for the variables. Consequently, we aggregated the ethical climate data from the individual levels and generated our organizational level variables.

Our study is multilevel in nature, with the employee data nested in different organizations. These hierarchical data include both the individual-employee level and the organizational level of analysis. We applied hierarchical linear modeling (HLM) analyses to investigate our hypotheses because it delineates the nested data and can examine the influences of factors at different levels on individual-level results, and thus maintain a proper level of analysis for the variables (Bryk and Raudenbush, 1992). Consequently, we conducted hierarchical linear modeling (HLM) analyses to test the hypotheses because our framework is multilevel in nature.

4.3. The Relationship between Ethical Climate and Ethical Behavior

Our first hypothesis examines the relationships between organization-level ethical climate and individual-level ethical behavior. We estimated a series of null models of "honest behavior", "decent behavior", and "obedient behavior" using HLM. No predictor were specified for either the Level 1 or Level 2 function to test the significance level of the between-group variance for the employees' ethical behavior by examining the significance level of the Level 2 residual variance of intercept (τ_{00}) and ICC1. The analyses revealed the following results: for honest behavior, $\tau_{00} = 0.048$, $p < .001$, ICC1 $= .07$; decent behavior, $\tau_{00} = 0.023$, $p < .05$, ICC1 $= .07$; and for obedient behavior, $\tau_{00} = 0.169$, $p < .001$, ICC1 $= .26$. Hence, there is significance in the between-group variance of the ethical behaviors. We then proceeded to test our hypothesis using HLM.

Table 2 presents the results of the HLM analyses to test our hypothesis about the impact of the "rules, law and code" ethical climate on employees' "honest behavior" ($\gamma = 0.39$, $p < 0.01$), "decent behavior" ($\gamma = 0.34$, p < 0.05) and "obedient behavior" ($\gamma = 0.37$, p < 0.05). The "caring ethical climate" dimension influences "obedient behavior" ($\gamma = 0.43$, p < 0.05). With regards to the "independence ethical climate", it only affects the occurrence of "obedient behavior" ($\gamma = 0.38$, p < 0.05). Finally, the R squares of ethical climate regarding "honest behavior", "decent behavior" and "obedient behavior" are .06, .05 and .16, respectively. To sum up, the first hypothesis is partially supported.

Table 2

HLM Results of Ethical Behavior

Variable	Ethical behavior [b]					
	Honest behavior		Decent behavior		Obedient behavior	
	M0	M1	M0	M1	M0	M1
Level-1						
Intercept	4.18^{***}	1.93^{*}	4.24^{***}	2.51^{***}	3.47^{***}	0.18
Level-2 [a]						
Rules, law and code dimension		0.39^{**}		0.34^{*}		0.37^{*}
Caring dimension		0.11		0.16		0.43^{*}
Independence dimension		-0.07		-0.14		0.38^{*}
Instrumental dimension		0.13		0.07		-0.23
Between-group variance	0.05^{***}	0.03^{*}	0.02^{*}	0.01	0.17^{***}	0.07
Within-group variance	0.30	0.30	0.31	0.31	0.49	0.49^{***}
R^2 total [c]	--	0.06	--	0.05	--	0.16

$* p < .05$ $** p < .01$ $*** p < .001$

Notes：[a] For group-level measures, n = 36

[b] For individual-level measures, n = 298

[c] $R^2_{total} = R^2_{within-group}*(1-ICC1) + R^2_{between-groups}*ICC1$ (Bryk and Raudenbush, 1992)

4.4. The Relationship between Ethical Mechanisms and Ethical Climate

In this study, the second hypothesis is to examine whether organizations with ethical mechanisms will have significant influences on ethical climate. According to the t-test results shown in Table 3, the organizations which possess a code of ethics have significant variances for the rules, law and code and the independence ethical climate dimensions. Moreover, whether or not the organizations have enforcement mechanisms creates great differences in terms of the rules, law and code and the independence ethical climate dimensions. Generally speaking, once organizations establish ethical mechanisms, these mechanisms will have a partial influence on the ethical climate in the organization. Consequently, the second hypothesis receives partial support.

Table 3

The Relationship between Ethical Climate and Ethical Mechanisms [a]

	Code of ethics			Training			Enforcement systems		
	Y [b]	N [b]	*t*-value	Y	N	*t*-value	Y	N	*t*-value
Rules, law and code dimension	4.33 [c]	4.06	2.34[*]	4.27	4.17	0.81	4.31	4.04	2.17[*]
Caring dimension	3.15	3.15	-0.02	3.19	3.10	0.73	3.12	3.21	-0.68
Independence dimension	3.54	3.28	2.02[+]	3.44	3.43	0.05	3.54	3.23	2.35[*]
Instrumental dimension	4.08	4.16	-0.52	4.01	4.23	-1.57	4.12	4.08	0.22

$+ p < .10$ $* p < .05$ $** p < .01$ $*** p < .001$

Notes：[a] Group-level analysis, n = 36

[b] Y: Existence of ethical mechanisms; N: Non-existence of ethical mechanisms

[c] Mean

5. Discussion

The current study builds on past research by examining the relationship between ethical climate and ethical behavior in Taiwanese financial consulting firms, and examines the organizational ethical mechanisms that enhance ethical climate and help encourage ethical behavior to attain the desired business performance.

To begin with, we attempt to advance understandings of ethical climate by illustrating how these dimensions relate to employee ethical behavior. The prior literature illustrates that the relationship between ethical climate and ethical behavior mainly derives from the empirical decision-making criteria that may take others into consideration and thus lead to acting ethically (Schwepker and Good, 2007; Victor and Cullen, 1988; Wimbush *et al.*, 1997) However, most previous research has focused on either an organizational level or individual level of analysis (e.g. Weeks *et al.*, 2004). This current study links the macro and micro perspectives by applying multilevel approaches to investigate individual-level and organizational-level variables, including ethical climate, ethical mechanisms and ethical behavior.

We found that a "rules, law and code" ethical climate has a significant influence on ethical behavior (i.e. honest, decent and obedient behavior). Baker and Veit (1996) suggested that organizations dominated by this ethical climate request members to comply with the regulations within and outside the

organization. According to their studies, compared to North America, investment financial consultants in Hong Kong show greater willingness to accept authority as well as the ethical standards imposed by employers and professional organizations because of the higher power distance index (Baker and Veit, 1996). By explicitly conveying how organizations expect members to perform through formal standards and policies, individuals may gradually adjust their behavior when solving ethical dilemmas. For these financial consultants, clearly understanding the regulations and consequences may reduce the possibility of behaving unethically, such as committing fraud and making an overstatement. Consequently, dysfunctional behavior is anticipated to decrease under a rules, law and code ethical climate (Schwepker and Good, 2007).

We also found the caring ethical climate affects employee's obedient behavior. In this study, obedient behavior existing in the caring ethical climate shows a firm's principles have higher priority than other regulations for members to follow when making decisions. In such an atmosphere, employees make decisions on the basis of concern for others within the organization as well as the whole society (Martin and Cullen, 2006; Wimbush and Shepard, 1994). Subsequently, individuals perceive that their concerns will be supported by the organizational practices and policies when behaving ethically (Martin and Cullen, 2006). Due to a lesser degree of individualism compared to Western countries, organizational members will expect the establishment and enforcement of ethical norms by both organizations and authorities because of the significance of group-focus (e.g. families, place of employment) (Baker and Veit, 1996). However, the insignificant results also suggest that without forcible implementation, the caring dimension exerts a limited impact on certain ethical conduct (i.e. obedient behavior).

There is a significant relationship between the independence ethical climate and obedient behavior. In this type of ethical climate, organizations assume that individuals make decisions out of careful consideration; thus they allow organizational members to follow their own principles to the full (Martin and Cullen, 2006). While receiving respect and adequate autonomy from organizations, employees tend to conform to the organizational values when

making decisions (Ghosh, 2008). It is also relevant to the Job Characteristic Model that employees are empowered to make ethical decisions in an independence climate with higher autonomy; they may experience responsibility and be inclined to act more ethically, especially in those professional groups with high growth needs (Hackman and Oldham, 1975).

We now discuss the effects of ethical mechanisms on the development of ethical climate. Organizations can guide employees and influence their decision-making by means of integrated ethical mechanisms (e.g. codes of ethics, ethical training and enforcement systems) (Schwepker and Good, 2007; Somers, 2001). The results indicate that organizations with a code of ethics and enforcement systems are significantly related to the rules, law and code and the independence ethical climates.

Researchers have gradually turned their focus to the existence of formal codes of ethics (Schwartz, 2004; Schwepker and Good, 2007; Somers, 2001). Somers (2001) suggests that a code of ethics is made up of three themes, including its attributes, the extent of prevalence in the country, and the influence on employees.   This idea has received growing interest, and the general focus on the content and implementation process of ethical codes explores the contextual and behavioral factors within organizations (Schwartz, 2004). The former refers to organizational-specific attributes and values, while the latter mainly indicates employees' ethical behavior. Subsequently, studies not only emphasize the descriptive characteristics (e.g. size, industry) but also show increased interest in contextual factors such as climate and values; hence, we investigated the relationship between organizations with ethical codes and the development of an ethical climate (Somers, 2001).

The partially consistent results suggest that organizations with a code of ethics have a significant influence on the rules, law and code and the independence ethical climates. On the one hand, organizations with explicit ethical codes will frequently explicate moral standards, give guidance and support to employees in terms of the organization members' routines, and serve as the judgement indicator when making ethical decisions (Somers, 2001). On the other hand, codes of ethics work as instruments to socialize employees' internalization

of the philosophical values embraced by the organization, and signal the prohibited misbehavior (Helin and Sandstrom, 2007; Somers, 2001; Stevens, 2008). If organizations have written and formal ethical documents, employees are guided by a prevalent set of moral rules or standards, and their perceptions of the organization's ethical values may be further affected such that they ultimately develop aggregated mindsets emphasizing rules, codes and procedures that can be described as a rules, law and code ethical climate (Martin and Cullen, 2006; Stevens, 2008).

Employees make ethical decisions based on personal moral beliefs when working in an independence ethical climate (Martin and Cullen, 2006). The results present a significant relationship between a code of ethics and an independence ethical climate. Organizations with explicit and formal codes of ethics provide basic guidance for employees' reference when making ethical decisions. Under this assumption, organizations may provide a certain degree of delegation to employees to follow their own principles. In turn, while perceiving trust and autonomy, these financial consultants may solve ethical dilemmas on the basis of both organizational formal documents and their own moral criteria.

Our study is consistent with the previous literature in that we failed to find a significant relationship between ethical training and organizational ethical climate (e.g. Schwepker and Good, 2007). A possible explanation may be as follows: firstly, gaps exist between received training and actual implementation. Receiving ethical training may not imply that employees learn new things and further change their behavior. Moreover, even if employees learn ethical issues from the training programmes, it is not guaranteed that the knowledge will actually be put into practice. In particular, in this study, the questionnaire items regarding ethical mechanisms simply query whether the firm has ethical training programmes or not. It is the presence or absence of ethical training that determines the results, not the quality of the ethical training itself (Liao and Chuang, 2004; Schwepker and Good, 2007). Therefore, future research should directly measure training program effectiveness, including the transfer of training to ethical behavior to examine the quality and influence of ethical training programmes on employees' ethical behavior (Liao and Chuang, 2004).

In order to embed the ethical climate into employees' decision making processes, the implicit values and explicit policies should be upheld by enforcement mechanisms (i.e. reward and punishment systems). The results show that the enforcement mechanisms have a significant influence on the rules, law and code and the independence ethical climates. Ethical climate describes a combination of organizational members' shared perceptions of ethical disciplines which can be recognized and institutionalized through explicit regulations and distinct practices (Wimbush *et al.*, 1997). Our empirical findings enhance previous studies when depicting the relationship between enforcement mechanisms and ethical climate (Román and Munuera, 2005; Weber, 1993). A reward system comprises a set of practices to guide and motivate individuals, while organizations execute punishments if employees violate the regulations and behave unethically (Honeycitt, Glassman, Zugelder and Karande, 2001). Enforcement mechanisms can enhance organizational members' awareness of their behavior patterns, and further develop shared perceptions within organizations to foster organizational ethical climate (Román and Munuera, 2005; Schwepker and Good, 2007).

Prior studies have indicated that different compensation systems can lead to different consequences when making ethical decisions (Román and Munuera, 2005). Organizations embracing commission-based systems focus on immediate individual performance and organizational interests. On the contrary, if the organization adopts a salary-based system, employees feel less pressure and attempt to maintain a longer relationship with their customers (Román and Munuera, 2005). Further examination is needed to fully comprehend the relationship between different reward systems and employees' behavior. Organizations, therefore, are urged to make additional efforts regarding establishing codes of ethics, investing in training, and enforcing proper disciplines on those financial consultants who violate ethical standards, while strengthening the shared ethical values in organizations (Baker and Veit, 1996).

From a theoretical perspective, our findings initially contribute to an understanding of ethical climate by applying a multilevel method to investigate its influence on employees' ethical behavior. We attempt to extend the use of the

multilevel method in ethical climate research. There are a number of ethical climate studies exploring the psychological dimensions/individual level effects (e.g. Shafer, 2008). However, issues concerning organization context and level of analysis are still limited (Martin and Cullen, 2006). Currently, the literature integrating ethical climate's group-level effects still requires great improvement. The growth and application of a multilevel approach coordinated with the development of analytical tools such as HLM will support future empirical research to comprehensively explore the multiple level ethical issues. By applying hierarchical linear modeling, this study examines the influence of ethical climate at different levels, while simultaneously retaining the proper level of analysis for these variables (Hofmann, 1997).

In order to facilitate the generalization of the findings, future replication of the current multilevel study is encouraged in a variety of industries to increase the research external validity. Moreover, researchers can obtain new perspectives concerning the antecedents (e.g. leadership, managerial orientation, individual differences) and consequences (e.g. job satisfaction and psychological well-being) of ethical climate by using longitudinal methods (Brown *et al.*, 2005; Martin and Cullen, 2006; Shafer, 2008). Also, future research can expand the role of ethical climate as the mediator between ethical mechanisms and ethical behavior from a multilevel viewpoint. In addition to influencing employee ethical behavior, the effects of their shared ethical climate perceptions on organizational commitment and turnover intentions, for instance, should be emphasized from cross-level viewpoints to avoid ecological fallacy issues (Schwepker, 2001). Also, future studies might need to consider some moderators, for example social culture, firm size or industry, in their analysis (Martin and Cullen, 2006). Although ethics research may be affected by the possibility of social desirability response bias, we provided assurances of confidentiality by guaranteeing our samples anonymity and ensuring the absence of identifying marks on the questionnaires which were then mailed directly to us (Chung and Monroe, 2003; Weeks *et al.*, 2004).

Business ethics are important in any organization. However, to bring them to a specific organization needs leaders and their efforts to create the values (Brown *et al.*, 2005). Through comprehensive enforcement systems and explicit formal

practices, a shared ethical value can be enhanced and supported in the organization, which can then lead to more ethical behavior within the organization (Hulpke and Lau, 2008). In conclusion, our study contributes to the knowledge of ethical climate and related issues by bringing the micro and macro views together to investigate multilevel variables within organizational contexts.

6. References

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Appendix 1 : Measure of Ethical Climate

Components	Items	Cronbach's α
Rules, law and code ethical climate	People are expected to comply with the laws and professional standards over and above other considerations In this company, people are expected to strictly follow legal or professional standards In this company, the laws or ethical code of their profession is the major consideration Everyone is expected to adhere to company rules and procedures It is very important to follow the company's rules and procedures here In this company, the first consideration is whether a decision violates any law	0.91
Caring ethical climate	What is best for everyone in the company is the major consideration here The most important concern is the wellbeing of all the people in the company as a whole Our major concern is always what is best for the other person In this company, people look out for each other's wellbeing	0.84
Independence ethical climate	In this company, people are expected to follow their own personal and moral beliefs Each person in this company decides for themselves what is right and wrong The most important concern in this company is each person's own sense of right and wrong In this company, people are guided by their own personal ethics	0.77
Instrumental ethical climate	In this company, people protect their own interests above all else In this company, people are mostly out for themselves	0.83

Appendix 2 : Measure of Ethical Behavior

Components	Items	Cronbach's α
Honest behavior	I will provide proper investment suggestions based on customers' demands I will adequately inform customers of their rights and obligations I will show complete information related to goods or services I neither exaggerate the effects of goods nor conceal the possible risks of goods	0.92
Decent behavior	I do not accept money or gifts from customers I actively avoid conflict of interest I do not conduct insider trading	0.85
Obedient behavior	Whenever there is conflict between the organization's interests and professional principles, I will take the organization's interest as first priority Whenever there is conflict between individual and organizational interests, I will take the organization's interests as first priority When individual ethical standards are higher than those of the organization, I will take the organizational ethical standards and give up my own	0.79